

## Article 10 web disclosure

### Sustainability-related disclosure

# Katla Fund – Global Equity

A sub-fund of Katla Fund • SFDR product category: Article 8

### Summary

The sub-fund aims to increase the value of its investments over the medium to long term by investing in international companies considered to have a lasting competitive advantage.

Exclusion filters are applied to the portfolio construction process to exclude investments in companies and issuers with significant exposure to certain activities deemed to be detrimental to the environment or the society at large.

### No sustainable investment objective

This sub-fund promotes E/S characteristics but does not have as its objective sustainable investment.

### **“No significant harm” principle**

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. For informational and data tracking reasons, the Investment manager assesses the performance of the investments across multiple PAI indicators. The specific PAI indicators that are observed are subject to data availability and may evolve with improving data quality and availability.

### E/S characteristics

Primary components applied are the following:

- Consideration of controversies, i.e. non-financial information in regard to the issuers of securities.
- Exclusion of companies that are involved in the manufacturing, use or possession of controversial weapons.
- Voting at general meetings of investee companies.
- Engaging in active discussions with investee companies.

The sub-fund employs negative screening (does not invest in) on non-medical related cannabis, fur production and animal experiments, gambling, coal and oil sands processing, production of pornography, companies whose primary business model relies on exploitive lending practices e.g. loan sharking, activities which violate basic human rights, e.g. slavery and controversial weapons.

It employs positive screening (looks to companies who are driving positive development in the sector and outperform peers according to ratings agencies and internal assessment) on alcohol producers, mining and oil production.

It employs best in class screening (companies that perform best among its peers on ESG measures, according to internal measures and based on third party ratings agencies) on animal testing for medical purposes, nuclear power production and tobacco producers.

Internal assessment is performed on companies' publications, the different parameters published by rating agencies and in some cases dialog with companies' representatives.

More information on the methodology is available in the sustainability-related website information here:

<https://www.stefnir.is/english/sustainability/>

## Investment strategy

### **Objective**

Katla Fund – Global Equity invests in companies which the fund managers consider having a lasting competitive advantage.

### **Benchmark**

The sub-fund's objective is to seek long-term return by outperforming the MSCI WORLD net Total Return EUR Index. The portfolio is actively managed on a discretionary basis with reference to a benchmark. While the sub-fund compares its performance against the benchmark, it does not try to replicate the benchmark and freely selects the securities that it invests in. The deviation with this composite benchmark can be significant.

### **Investment policy**

The focus is on investing in reliable operating companies which have demonstrated high and stable profitability, are moderately leveraged and have significant potential for organic growth. The sub-fund invests in those companies, sectors and regions which the Investment Manager believes are most likely to yield the best investment returns.

### **Derivatives and techniques**

The sub-fund may also use various derivative instruments for hedging and efficient portfolio management purposes. However, the sub-fund does not use derivatives for the attainment of its environmental or social characteristics.

### **Strategy**

The sub-fund seeks to invest in quality growth companies with focus on companies that possess competitive advantage, high profitability and an agreeable management along with long term prospect for internal growth. Prior to qualitative assessment of the reduced investment universe, the sub-fund applies ESG criteria through a selective approach, resulting in that at least 15% of the original universe of potential investments is removed based on ESG rating from independent rating agencies. On top of that, the sub-fund applies exclusion process as follows: ESG is integrated into the strategy by excluding companies and issuers due to their exposure to certain activities that have been deselected based on ESG considerations such as UN Global Compact violation.

**Base currency:** EUR.

### Asset allocation

	<i>% of assets</i>
<b>Investments aligned with the fund's E/S characteristics</b>	<b>Min. 90%</b>
Qualifying as sustainable investments	Min. 0%
- under the EU Taxonomy	-
- with a social objective	-
Not qualifying as sustainable investments but having other E/S characteristics	Min. 90%
<b>Other investments<sup>1</sup></b>	<b>Max. 10%</b>

<sup>1</sup>includes the remaining investments (Cash, derivatives, other investments, such as UCITS, other UCI, ETF, ETC and Fixed income, for which there is insufficient data) of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments

### Monitoring of E/S characteristics

To ensure that environmental and social characteristics are met throughout the lifecycle of the sub-fund, the ESG process above is applied and monitored on an ongoing basis with a regularity of at least once per month.

The Investment Manager monitors ESG scores and analyst reports and may use them in changing the sub-fund's exposure to the security.

### E/S methodologies

#### **Analysis and scoring**

The Investment manager identifies and monitors the ESG factors most likely to significantly affect the financial or operational condition of companies in various industries. These factors include the following E/S risks:

Environmental

- Climate change and greenhouse gas emissions
- Resource depletion, including water
- Waste and pollution

#### Social

- Working conditions, including no child labour or slavery
- Health and safety
- Employee relations and diversity

Exclusion filters are applied to the portfolio construction process to exclude investments in companies and issuers with significant exposure to certain activities deemed to be detrimental to the environment or the society at large.

The assessment is currently conducted with data from third party providers as well as self-reported data from companies invested in when available. Companies are excluded based on a minimum ESG rating by external rating agencies.

The sub-fund seeks to not invest in companies with a lower rating than B rated by MSCI ESG Rating and/or a higher risk score than 36 from Sustainalytics ESG Risk Rating, issuers with no rating from either rating vendor are excluded from investment universe. No minimum scores are on individual sub parameters, but they contribute to the overall rating and scores.

#### Data sources and processing

For the data sources, the Investment Manager will mainly rely on the ESG Scores of MSCI and Sustainalytics.

#### Limitations of methodologies and data

Reporting of ESG data is a new concept to many, there is little historical data and data methodologies may differ. Lack of data, or insufficient data, can also be an issue. In case of insufficient data, ESG data providers may rely on estimates and approximations using internal methodologies that may be subjective. Data provided by a third party can be biased or incorrect as well.

#### Engagement policies

The effective execution of voting rights in investee companies provided for as part of the third component and the engagement in active discussions with investee companies will be implemented in practice on a case-by-case basis, notably by ensuring that the interests of the end investor and ESG objectives are safeguarded.

#### Reference benchmark (ESG)

The sub-fund does not use a benchmark to evaluate its overall ESG profile.

#### **Terms to understand**

**E/S** Environmental and/or social.

**ESG** Environmental, social and governance.

**ESG risk, sustainability risk** An ESG event or trend that may bring reputational or financial harm to a corporate or sovereign issuer.

**ESG score** A measure of an issuer's exposure to ESG/ sustainability risks, typically based on data and developed through the investment team's analysis and scoring method.

**EU Taxonomy** The EU's official classification of economic activities that contribute to an environmental objective (such as climate change mitigation, water protection, circular economy, pollution prevention or biodiversity protection). In future the taxonomy will include activities with a social objective.

**issuer** A company, government, government agency, government-sponsored organisation, or supranational or public international entity that registers and sells securities.

**reference benchmark** An index or combination of indices used by the fund to attain or compare its E/S characteristics.

**SFDR** Regulation (EU) 2019/2088 on sustainability-related disclosures for financial products.

**sustainable investment** An investment in economic activities, undertaken by companies that follow good governance practices, that contribute to an E/S objective without significantly harming other E/S objectives.

**UN Global Compact** A United Nations initiative to encourage businesses worldwide to adopt sustainable