

SFDR ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Sector Healthcare Fund (the "Fund")

Legal entity identifier: 635400GWZOBLSWCKD34

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

As part of the investment process, the AIFM considers a variety of environmental and social characteristics. These environmental and social characteristics are considered using an exclusion list and third-party ESG rating system as further detailed below.

The environmental and social characteristics promoted by the Fund include:

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Environmental characteristics:

- *Biodiversity and the environment* – The AIFM believes biodiversity is a key indicator of the health of an ecosystem and accordingly investee companies that make an active contribution to safeguarding the world's natural resources are more likely to receive a higher allocation of capital

Social characteristics:

- *Ethical marketing and pricing practices* – The AIFM believes that marketing strategies must not infringe on values such as honesty, transparency and autonomy. The main issue of pricing ethics concerns the balance of power between producer and consumer. The AIFM will consider the track record of investee companies in order to assess whether they have been involved in, among other things, unsustainable pricing policies collusion and/or aggressive tax planning;
- *Health and Safety* – The health and safety of workers and their surroundings is of critical importance to the AIFM. Investee companies that put staff at unnecessary risk are condemned by the AIFM. The AIFM looks to workers' compensation claims, workplace accidents and other health and safety concerns specific to the relevant industry; and
- *Product Safety and Integrity* – An investee company that cuts corners on product safety or mis-sells products risks long-term reputational damage. Drug safety reporting issues and clinical trial manipulation are among the factors that are considered by the AIFM in the allocation of the Fund's capital.

The AIFM believes that by promoting these environmental and social characteristics the Fund enhances capital allocation to companies with strong or improving environmental or social characteristics.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

As part of the investment process, the AIFM considers a variety of sustainability indicators to measure the environmental and social characteristics promoted by the Fund. These include the following:

(i) Exclusion List

To ensure that the environmental and social characteristics promoted by the Fund can be attained, the AIFM applies specific investment exclusions when determining what investments to make for the Fund. These exclusions are applied as part of the portfolio construction process to ensure the environmental and social characteristics promoted by the Fund can be attained.

The AIFM adheres to the Norges Bank observation and exclusion of companies list (the "**Exclusion List**"). The Norwegian Ministry of Finance has established ethically motivated guidelines regarding the observation and exclusion of companies. The guidelines contain criteria for exclusion based either on the companies' products or on their conduct.

The Norwegian Ministry of Finance has established an independent Council on Ethics to make ethical assessments of companies. The Council on Ethics sends its recommendations to Norges Bank's Executive Board, which then makes the final decision on exclusion, observation or active ownership, and updates the Observation and Exclusion List accordingly on an ongoing basis. The Exclusion list can be found at <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/>.

(ii) Third-party ESG data analysis

In addition to integrating the aforementioned Exclusion List into the portfolio construction process, the AIFM measures all portfolio companies using information provided by a third-party ESG data provider which allocates a specific ESG rating to company holdings in the Fund and investee companies that the AIFM is looking at as potential investments (the "**ESG Rating**"). The ESG Rating is used to measure the environmental and social characteristics promoted by the Fund.

This ESG Rating is designed to measure an investee company's resilience to long-term industry material environmental, social and governance risks. A rules-based methodology is used to identify companies that are (i) industry leaders (ii) average or (iii) laggards, according to their exposure to ESG risks and how well they manage those risks relative to peers. Investee companies that are classed as "laggards" are negatively impacted in the AIFM's value creation score. The integration of this ESG data into the investment process creates a direct link between ESG risks, portfolio construction and the allocation of capital.

By integrating this third-party ESG analysis into the overall company view, there is a direct link between the analysis of material ESG characteristics and portfolio construction activities across the Fund's strategy.

The AIFM will also track and report on the performance of the above sustainability indicators namely, (i) the adherence to the Exclusion List applied to the Fund; and (ii) the ESG Rating. These sustainability indicators will be used to measure the attainment of each of the environmental and social characteristics promoted by the Fund.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A – the Fund does not hold Sustainable Investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A – the Fund does not hold Sustainable Investments.

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

N/A – this Fund is not Taxonomy-aligned.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, _____



No

What investment strategy does this financial product follow?



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The investment objectives of the Fund are as follows:

1. Generate a positive return by exploiting market inefficiencies in the global healthcare sector;
2. Provide consistent monthly returns resulting in annual returns of around 10 to 15 percent and a portfolio volatility of around 8 to 12 percent and with a low correlation to the equity markets; and
3. Preserve capital over a 12-month period.

The Fund’s investment strategy is based on the belief that it is true earnings and cash flow growth that ultimately drives stock price appreciation in the long run. Therefore, a stocks fair value is based on its true earnings and growth outlook. However, in the shorter term, an individual stocks value can be driven by factors that are more short term in nature. Such factors can be near term earnings momentum, liquidity and sentiment. These factors can sometimes cause a stock price to deviate from its fair value.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

By focusing on fundamentals and valuation the AIFM will try to identify and exploit such miss pricings in the market by buying undervalued securities and by selling short overvalued securities.

Due to the inherent and fierce product lifecycles within the healthcare sector, much owing to fixed patent life for its products, it is the AIFM's belief that simply looking at the current P/E ratio for securities would not be of much assistance if applied within the healthcare sector. Hence, the investment approach will be based on bottom up analytical work to determine if a stock is under- or over-valued. This will involve estimating normalised earnings, future growth/returns and duration of growth to establish a fair value. However, the AIFM will pay due attention to the fact that other factors than valuation and fundamentals can be forceful drivers of securities in the short to medium term and must be analysed and accounted for.

The investment approach will not prevent the AIFM from analysing and taking risk based on other factors than valuation. If for example a stock is fairly valued but the earnings momentum and sentiment is very strong, the Fund may still invest in this stock. On the other hand, if a stock were significantly overvalued, the Fund would normally not invest in it despite the strong earnings momentum and sentiment.

The investment ideas are organised and communicated through a subjective factor model/scorecard. This model helps to improve the timing of the investment decisions. It supports decision making and reduces the risk of buying a stock that is moderately undervalued if everything else is going against it (bad earnings momentum, sentiment and poor outlook for value creation). Likewise it also reduces the risk of selling a stock that is only moderately overvalued if everything else is working for the stock.

The model also assists the AIFM organise research, communicate ideas and construct active Fund's investment portfolio bets. This model is particularly suited to the investment strategy as a majority of the total score is based on long term fundamental factors such as valuation and value creation.

It is important to stress that the model applied is not a quantitative model. Each factor score is based on the subjective assessment of the AIFM based on bottom up analytical work and is given particular weight. The AIFM currently uses the following four factors:

The first factor is 'Value Creation', where the AIFM evaluates each company's ability to create value for its shareholders, i.e. the company's ability to invest above the required rate of return.

The second and most important factor is 'Valuation'. The AIFM uses multiple valuation models to estimate a fair value. These range from simple multiple analyses to more detailed DCF (detailed cash flow) analysis. The AIFM has developed a proprietary product-by-product valuation model that is being used for valuing the product companies.

The third factor is 'Earnings Momentum'. Companies with strong earnings growth trend, at least short term, to have a positive move in the stock market, especially in cases of unexpected strong earnings. Companies with strong earnings, better still when the AIFM's earnings estimates are above consensus, will get a high positive score and vice versa.

The fourth and final factor is 'Sentiment', i.e. the stocks' current popularity/unpopularity. Popular stocks will typically have a short-term positive move, which implies a positive score. This analysis involves simple sentiment indicators but

also analysis of expected upcoming news flow such as PDUFA dates (the FDA's target deadline dates for approving new products), medical conferences etc.

The scorecard model is a flexible model used for stock picking and also for sub sector allocation bets. It helps improve timing of investment decisions and is aligned with the investment philosophy/strategy.

The output from the scorecard is used as input to the Fund's investment portfolio construction process. The active bets in the investment portfolio are decided by looking at the degree of mis-pricing (expected alpha) relative to the total risk of the individual security as assessed by the AIFM. The higher the expected alpha and the lower the risk, the higher the active bets will be.

The portfolio will generally have 15-55 long holdings and 15-55 short holdings, and will normally have balanced exposure towards the different sub-sectors within the healthcare sector.

The investment strategy and process has successfully been utilised in the global healthcare sector by the AIFM. The investment managers who will manage the assets of the Fund have collectively managed global healthcare funds (long only) in excess of 10 years.

In addition to investing in long and short equities, the Fund may also trade options to exploit situations where volatility is over- or undervalued. The healthcare sector is characterised by a number of binary events (e.g. clinical trial data, patent trials, decisions of the FDA (US Food and Drug Administration) etc). The timing of these events can sometime be predictable. By analysing the potential impact from the binary events it is possible to find under-or over-valued volatility in the options market. This analysis is based on the same fundamental analysis that is utilised in the long/short equity portfolio.

The Fund may leverage its investments by borrowing money against the Fund's long positions or using the proceeds from short positions to invest in long positions. It is the AIFM's opinion that the increase in leverage incurred by the short positions gives the opportunity for enhanced returns and its inherent increase in risk will be sufficiently offset by the covariance between the short and the long portfolio. It is expected that the Fund's Gross Exposure will generally be between 100% and 350%. For further details on the Fund's Net Exposure please refer to the section below entitled "Risk Control". Although it is the intention of the AIFM to follow a general policy of seeking to spread the Fund's assets at risk among a number of investments deemed attractive, the Fund may at certain times hold relatively few positions. The assets of the Fund will be held in a single portfolio, which will be apportioned to each of the Classes using the exchange rate prevailing at the time.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

ESG characteristics are considered at two levels:

(i) Integration of Third Party ESG Data Analysis

The AIFM measures all investee companies using information provided by a third-party ESG data provider which allocates an ESG Rating, as detailed above.

The ESG Rating is used to measure the environmental and social characteristics promoted by the Fund.

A rules-based methodology is used to identify companies that are (i) industry leaders (ii) average or (iii) laggards, according to their exposure to ESG risks and how well they manage those risks relative to peers. Portfolio companies that are classed as "laggards" are negatively impacted in the AIFM's value creation score. The integration of this ESG data into the investment process creates a direct link between ESG risks, portfolio construction and the allocation of capital.

(ii) Exclusion List

To ensure that the environmental and social characteristics promoted by the Fund can be attained, the Fund will apply the Exclusion List referenced above.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

N/A

What is the policy to assess good governance practices of the investee companies?

The assessment of good governance factors, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance, is an important component of the Fund's investment process.

Based on the Fund's investment strategy, the Investment Manager considers the following additional governance factors to be of particular relevance:

- *Board Independence and Quality* – The AIFM believes firms with stronger board independence enjoy more effective governance through improved oversight and increased accountability. Investee companies need directors with specific skillsets that can grow key functions and build stakeholder value.
- *Diversity of board & management team* – A diverse board of directors can help companies enhance their reputations as responsible and aware corporations. The AIFM sees board diversity as a critical factor in business resiliency, sustainability and long-term financial performance.
- *Transparency* – The AIFM sees transparency as a crucial element to gaining credibility and trust among stakeholders. It is important to the AIFM that a company is transparent in respect of its record in management of governance matters, outstanding lawsuits or negative financial exposures and historic misbehaviours.

The AIFM believes that the engagement of environmental, social and governance factors enhance the long term sustainability of a business, which is of critical importance to the AIFM's approach to stock selection. Such shareholder engagement is primarily exercised by attending and voting and investee companies' general meetings.

In certain circumstances, constructive engagements are undertaken with companies which have high impact controversies, or which have a low ESG rating, in order to assess whether those violations, controversies or what the AIFM deems as weak ESG efforts, are being addressed adequately.

Where required, the AIFM may interact directly with management teams of the investee companies through in person meetings and conference calls to understand risks and opportunities at investee companies. This allows the AIFM to engage with investee companies on ESG matters and assess good corporate governance practices at those investee companies.



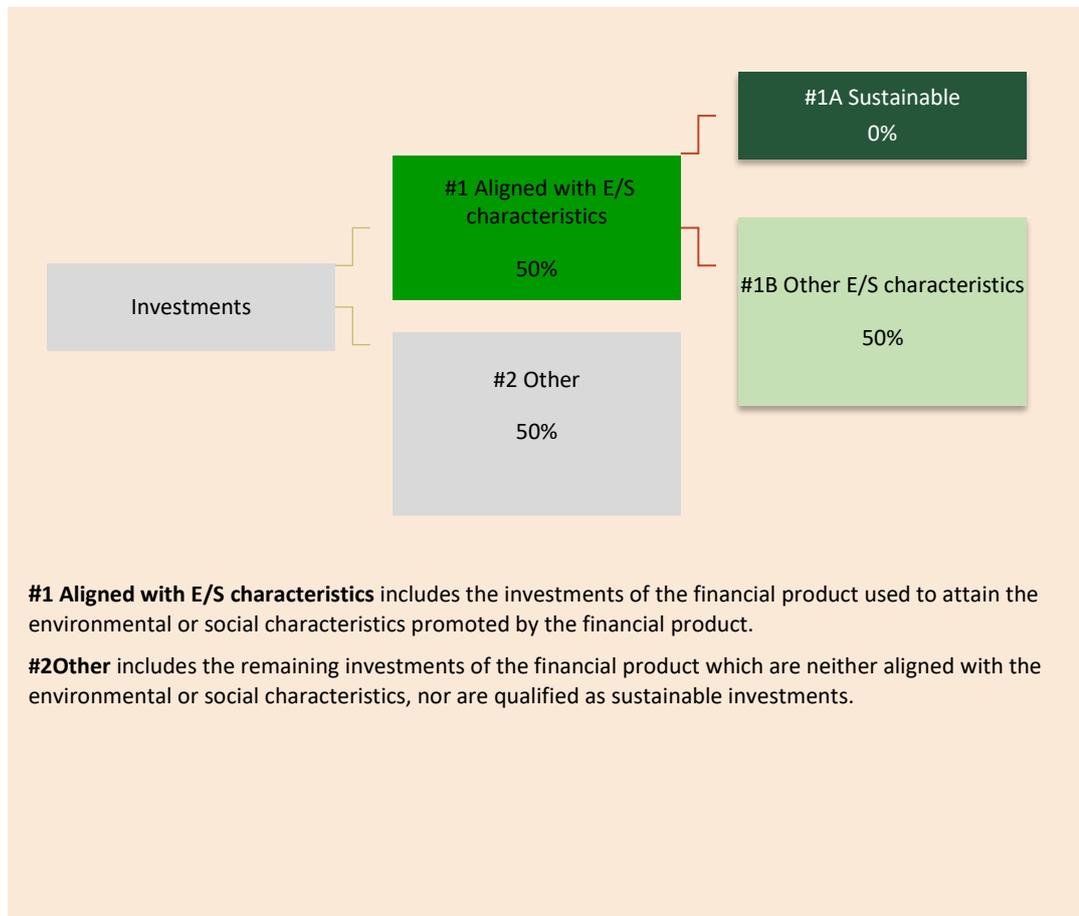
What is the asset allocation planned for this financial product?

Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Fund employs a market neutral strategy to profit by capitalising on the mis-pricings of securities or financial instruments within the global healthcare sector. As a result of this market neutral strategy, the Fund will hold significant amounts of cash and other ancillary liquid assets.

Given the nature of cash and other ancillary liquid assets, it is noted that they are not considered aligned with the environmental and social characteristics promoted by the Fund, and hence fall into the 'Other' category above. Non-aligned equity investments also falls into this 'Other' category.

Accordingly, when including cash and other ancillary liquid assets on a gross exposure basis, the Fund aims to hold a minimum of 50% investments that are aligned with the environmental or social characteristics promoted by the Fund, measured as the absolute value of the exposure to aligned long and short equity investments relative to the gross exposure.

The Fund does not hold sustainable investments.

Enabling activities

directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are

activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

This 50% alignment target will be calculated as follows:

$$\frac{\text{Gross Equity Exposure aligned with environmental or social characteristics}}{(\text{Gross Equity Exposure} + \text{Exposure to cash and other ancillary liquid assets})}$$

Furthermore, when excluding cash and other ancillary liquid assets, the Fund aims to hold a minimum of 80% of investments that are aligned with the environmental or social characteristics promoted by the Fund, measured as the absolute value of the exposure to aligned long and short equity investments relative to the gross equity exposure.

Please note that while the AIFM aims to achieve the asset allocation targets outlined above, these figures may fluctuate during the investment period and ultimately, as with any investment target, may not be attained.

The exact asset allocation of this Fund will be reported in the Fund's mandatory periodic report SFDR template, for the relevant reference period.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

N/A - the Fund will not use derivatives to promote environmental or social characteristics.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund's investments are not Taxonomy-aligned. Accordingly, the minimum proportion of investments that contribute to environmentally sustainable economic activities for the purposes of the Taxonomy Regulation is 0%.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

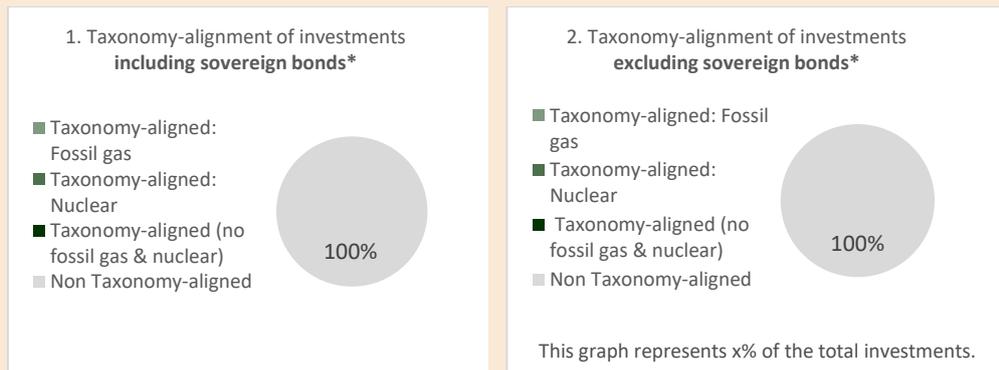
● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:

In fossil gas In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.**



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- **What is the minimum share of investments in transitional and enabling activities?**

N/A



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A



What is the minimum share of socially sustainable investments?

N/A



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

“Other” includes the remaining investments of the Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. This “Other” section in the Fund might include companies that are not well covered by third party ESG rating agencies, thereby reducing the AIFM's visibility on ESG matters in respect of these companies. Young, smaller market capitalization companies often fall into this category.

The “Other” section in the Fund also includes cash and money market funds. The Fund holds a high proportion of cash and money market funds as a result of the market neutral investment strategy employed by the Fund.

Notwithstanding that the cash and money market funds are not considered aligned with the environmental and social characteristics promoted by the Fund, retaining such positions is critical to the Fund achieving its market neutral investment strategy.

A lack of disclosure and visibility on ESG matters will impact the capital allocation towards this “Other” segment but the investee companies that comprise the "Other" are not strictly excluded from the Fund as the AIFM believes there are mis-pricings that can be capitalised on within this segment.

As noted above, the Fund will be invested in compliance with the Exclusion List, on a continuous basis. The AIFM believes that compliance with the Exclusion List prevents investment in companies that breach environmental and/or social minimum standards and ensures that the Fund can successfully promote its environmental and social characteristics. The above steps ensure that robust environmental and social safeguards are in place.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

N/A

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

N/A

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:

Sustainability related disclosures can be found at <https://sectorgamma.no/about/> and product specific disclosures can be found at <https://sectorgamma.no/sector-healthcare/>.