

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 Value Fund (the "Fund")

Legal entity identifier: 635400AIUDDOVUMNIX04

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*



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**

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.

What environmental and/or social characteristics are promoted by this financial product? *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

As part of the investment process, the Investment Manager 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:

Environmental characteristics:

- *Biodiversity and the environment* – The Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager. Investee companies that put staff at unnecessary risk are condemned by the Investment Manager. The Investment Manager 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 Investment Manager in the allocation of the Fund's capital.

The Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager'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 Investment Manager 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?** *[include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

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?** *[include a description for the financial product that partially intends to make sustainable investments]*

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

- **How have the indicators for adverse impacts on sustainability factors been taken into account?** *[include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are 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:** *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

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.

[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a “do not 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, _____ *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*



No



What investment strategy does this financial product follow? *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

The investment objective of the Fund is to achieve attractive long term investment returns relative to the MSCI Daily TR World Net Health Care USD (the "Index"). The Index is a capitalisation weighted index that monitors the performance of health care stocks from around the world.

A long only strategy will be implemented to achieve the Fund's investment objective. Applying this strategy the Fund will seek to profit by capitalising on the mis-pricings of related equities within the global healthcare sector. The global healthcare sector includes but is not limited to pharmaceuticals, biotechnology, medical technology and health care services. Health care related industries can include companies classified in industries such as consumer staples, industrial and the chemical sectors, these might be third party suppliers or in other ways economically related to the healthcare industry. The basic thesis is to buy equities that in the opinion of the Investment Manager are undervalued by the respective market. The Investment Manager will seek to identify and exploit such mis-pricings through bottom up fundamental analysis.

The Fund will predominantly consist of a concentrated portfolio of 16 to 55 long positions.

The Fund is not constrained by any index weightings or market capitalisation.

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

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

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 stock's fair value is based on its true earnings and growth outlook. However, in the shorter term, an individual stock's value can be driven by factors that are more short term in nature. Such factors can be value creation, valuation, earnings momentum, and sentiment, as further detailed below. These factors can sometimes cause a stock price to deviate from its fair value.

By focusing on fundamentals and valuation the Investment Manager will try to identify and exploit such mis-pricings in the market by buying undervalued equities.

Due to the inherent and fierce product lifecycles within the healthcare sector, much owing to fixed patent life for its products, it is the Investment Manager's belief that simply looking at the current price-to-earnings 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 Investment Manager 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 Investment Manager from analysing and taking risk based on factors other 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 Investment Manager to organise research, communicate ideas and construct the 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 Investment Manager based on bottom up analytical work and is given particular weight. The Investment Manager currently uses the following four factors:

The first factor is 'Value Creation', where the Investment Manager 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 Investment Manager uses multiple valuation models to estimate a fair value. These range from simple multiple analyses to more detailed DCF (discounted cash flow) analysis. The Investment Manager 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 tend, at least short term, to have a positive move in the stock market, especially in cases of unexpected strong earnings. Companies with strong earnings, or when the Investment Manager'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 stock's 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 the Food and Drug Administration'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 strategy. The portfolio will normally have balanced exposure towards the different sub-sectors within the healthcare sector. However, although it is the intention of the Investment Manager 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.

● ***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 Investment Manager 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 Investment Manager'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? [include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]***

N/A

● ***What is the policy to assess good governance practices of the investee companies? [include a short description of 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 Investment Manager 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 Investment Manager sees board diversity as a critical factor in business resiliency, sustainability and long-term financial performance.
- *Transparency* – The Investment Manager sees transparency as a crucial element to gaining credibility and trust among stakeholders. It is important to the Investment Manager 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 Investment Manager 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 Investment Manager'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 Investment Manager deems as weak ESG efforts, are being addressed adequately.

Where required, the Investment Manager 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 Investment Manager to engage with investee companies on ESG matters and assess good corporate governance practices at those investee companies.



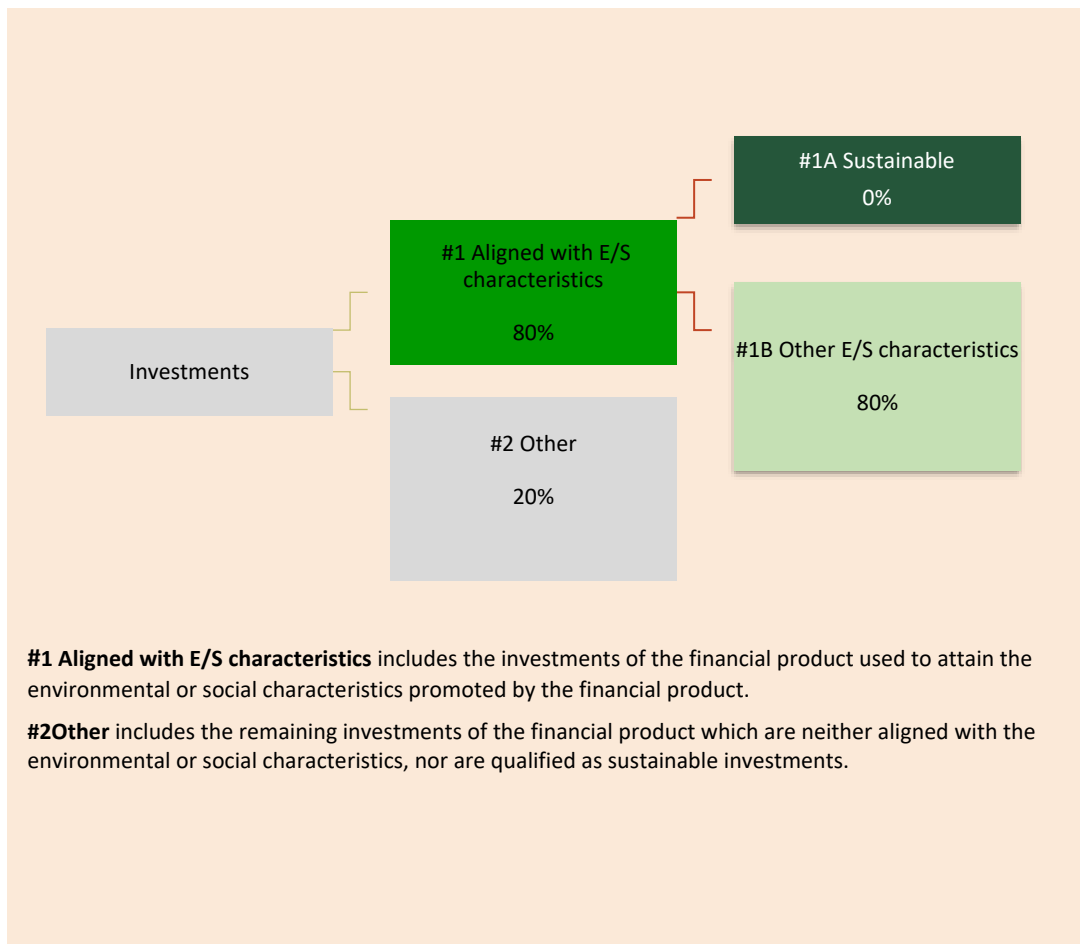
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product? *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

[include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852

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 aims to hold a minimum of 80% investments that are aligned with the environmental or social characteristics promoted by the Fund.

The Fund does not hold sustainable investments.

The Fund aims to hold a maximum of 20% investments that are not aligned with the environmental or social characteristics promoted by the Fund and are not sustainable investments, and which fall into the “Other” section of the Fund (further details of which are set out below).

Please note that while the Investment Manager 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?** [for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]

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

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852



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.

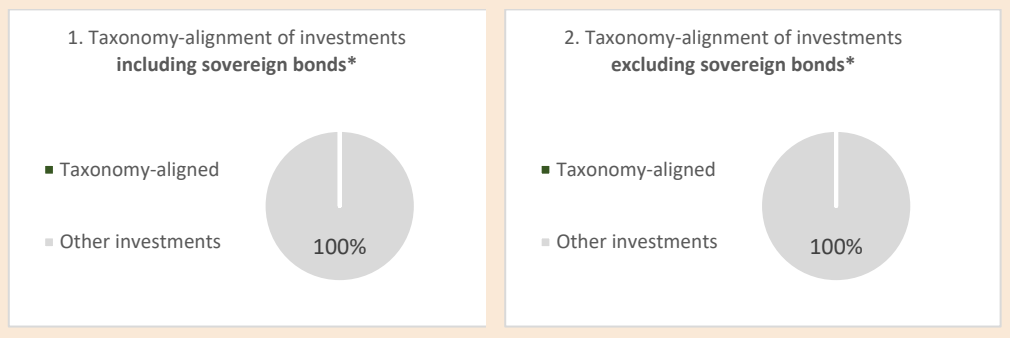
[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

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

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? [include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(3) of this Regulation]

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.



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

● **What is the minimum share of investments in transitional and enabling activities?** [include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

N/A



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy? [include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]

N/A



What is the minimum share of socially sustainable investments? [include section only where the financial product includes sustainable investments with a social objective]

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 Investment Manager's visibility on ESG matters in respect of these companies. Young, smaller market capitalization companies often fall into this category.

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 Investment Manager 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 Investment Manager 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? **NA**

[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]

N/A

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

N/A

- **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

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

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

- **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: *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

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