

The Directors of Albemarle Funds plc (the “**Company**”) whose names appear in the section of the Prospectus entitled “THE COMPANY” are the persons responsible for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and the Prospectus is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

**If you are in any doubt about the contents of this Supplement or the Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

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## **ALBEMARLE TARGET ITALY FUND**

A sub-fund of Albemarle Funds plc an investment company with segregated liability between sub-funds and variable capital incorporated in Ireland on 5 March 2007 under registration number 435796 and established as an umbrella fund pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended

## **SUPPLEMENT 1**

**DATED: 1 December 2022**

**Investment Manager**

**Albemarle Asset Management Limited**

**Manager**

**KBA Consulting Management Limited**

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**This Supplement forms part of, and should be read in the context of and together with, the Prospectus dated 4 April 2022 and Addendum to the Prospectus dated 1 December 2022 as may be amended or updated from time to time (the “Prospectus”) and contains information relating to the Albemarle Target Italy Fund (the “Fund”) which is a separate portfolio of the Company.**

## INDEX

DEFINITIONS .....	3
INVESTMENT OBJECTIVE AND POLICIES .....	4
INVESTMENT RESTRICTIONS .....	7
INVESTMENT RISKS .....	8
SUBSCRIPTIONS .....	9
REDEMPTIONS .....	10
DIVIDEND POLICY .....	11
FEES AND EXPENSES .....	12
APPENDIX I – PERFORMANCE FEE NUMERICAL EXAMPLE.....	14
APPENDIX II PRE-CONTRACTUAL DISCLOSURES UNDER THE DISCLOSURE REGULATION .....	15

## Definitions

Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated herein.

<b>“Base Currency”</b>	for the purposes of this Supplement, the base currency shall be Euro;
<b>“Dealing Day”</b>	means each Business Day or such other day as the Directors may agree following consultation with the Manager and the Administrator and upon prior notification to Shareholders, provided there shall be at least two Dealing Days every calendar month;
<b>“Dealing Deadline”</b>	shall mean 13:00 (Irish time) at least 1 Business Day prior to the relevant Dealing Day or such later time as any Director may from time to time permit and notify in advance to Shareholders provided that applications will not be accepted after the Valuation Point;
<b>"SFDR Level II"</b>	means the Commission Delegated Regulation of 6 April 2022 supplementing Regulation (EU) 2019/2088.
<b>“Valuation Day”</b>	means each Business Day, and such other day as the Directors may determine, following consultation with the Manager and the Administrator and prior notification to the Shareholders, provided that there shall be a Valuation Day for every Dealing Day and for the avoidance of doubt, the Valuation Day will precede the relevant Dealing Day by one Business Day; and
<b>“Valuation Point”</b>	means 11.15 pm (Irish time) on a Valuation Day using the closing market prices in the relevant markets available as at the Valuation Day or such other time on a Valuation Day as the Directors may determine provided that the valuation point is always after the Dealing Deadline.

## **Investment Objective and Policies**

### **Investment Objective**

The investment objective of the Fund is to achieve long term capital appreciation.

### **Investment Policy**

The Fund will seek to achieve its investment objective by directly investing at least 70% of its total net assets in common stocks issued by companies, which are resident in Italy, or in an EU or EEA Member State and have a permanent establishment in Italy. These companies shall not be limited to any one particular sector.

At least 21% of the Fund's total net assets (corresponding to at least 30% of investment in common stocks referred to above), shall be issued by companies which are not listed in the FTSE MIB index or in any other equivalent indices of other regulated markets, but will be listed on a Regulated Market.

The Fund shall not invest more than 10% of the net asset value of the Fund in financial instruments (including bank deposits or deposit certificates) issued by, or entered into with the same company, or companies belonging to the same group.

The Fund cannot invest more than 10% in bank deposits and cannot invest more than 10% in cash accounts.

In addition, the Fund will not invest in financial instruments issued by companies' resident in countries that do not allow for an adequate exchange of information with Italy.

### *Financial Derivative Instruments*

The Fund may invest up to a maximum of 30% of its net asset value in the following financial derivative instruments: futures (including futures that may be traded on Italian Exchanges such as the FTSE MIB index future), forwards, foreign exchange contracts (including spot and forward contracts) and options ("FDIs") for hedging purposes only. A list of the FDI markets are set out in Appendix IV of the Prospectus.

Futures (including financial future contracts) may be used to hedge against market risk. Specifically, the Fund may invest in the FTSE MIB index future, a derivative instrument listed on the Italian Stock Exchange, for hedging purposes only. Forward contracts may be used to hedge an increase in the value of an asset or deposit. Forward contracts may also be used to hedge against an increase or decrease in the value of a particular currency, for example, in situations where the Fund has invested in non-Euro denominated financial instruments and seeks to hedge against this currency exposure. Options may be used to hedge to a particular market instead of using a physical security.

### *Securities Financing Transactions*

As outlined under the terms of the Prospectus, the Fund may engage in efficient portfolio management techniques including Securities Financing Transactions such as securities lending agreements. The types of assets that may be subject to securities lending will be of a type, which is consistent with the investment policy of the Fund and as listed above under "Investment Policy". Assets subject to Securities Financing Transactions and collateral received are safe-kept by the Depositary.

The maximum exposure of the Fund in respect of Securities Financing Transactions shall be 60% of the net asset value of the Fund. The Investment Manager does not anticipate that the Fund's exposure to securities lending will exceed 30% of the net asset value of the Fund.

A risk management process prepared in accordance with the Central Bank's requirements, which enables the Fund to accurately measure, monitor and manage the various risks associated with FDIs, has been submitted to the Central Bank. The Fund may only utilise FDIs listed in the risk management process once submitted to the Central Bank.

The assets of the Fund will be invested in accordance with the UCITS Regulations and the investment restrictions described under “Investment Restrictions” in the Prospectus. The Fund may also employ investment techniques and instruments, including FDI, subject to the conditions and limits set out in the Central Bank issued guidelines, for efficient portfolio management of its assets for hedging against market movements, currency exchange, interest rate risks or otherwise as detailed under the heading “Efficient Portfolio Management” in the Prospectus.

The securities of the Fund will be listed or traded on a Regulated Market.

The Fund is actively managed in reference to the FTSE Italia All-Share Index (the “**Performance Benchmark**”) as its performance is compared to the Performance Benchmark in marketing materials and the Fund's performance is measured against the Performance Benchmark for the purposes of calculating the performance fee as set out below under the heading “Performance Fees”. The Performance Benchmark is consistent with the Fund's investment policy. However, it should be noted that the Investment Manager may use its discretion to invest in companies or sectors not included in the Performance Benchmark in order to take advantage of specific investment opportunities. Deviation from the Performance Benchmark may be significant.

### **Investment Selection Process**

The Investment Manager follows a balanced top-down and bottom-up approach in respect of the asset classes listed above, with the main aim of looking for value (i.e. share price below intrinsic value) across companies and sectors. The top-down aspect of the investment process consists in selecting the asset allocation based on macro analysis (e.g. GDP growth, inflation, interest rates, unemployment rates, etc) and sector trends (e.g., sector growth rates, competitive landscape, demand and supply balance, technological risks, etc). The bottom-up aspect of the investment selection process consists of pure stock picking activity based on both qualitative and quantitative analysis. On the qualitative side, the focus is placed on understanding the company's products and services, the business model, the competitive landscape, and to evaluate the quality and reliability of the management team. When evaluating the quality and reliability of the management team, the Investment Manager will hold meetings with the relevant management team where the Investment Manager will seek verification as to the historical reliability of financial targets and the management team's consistency in achieving these targets.

On the quantitative side, the focus is placed on an extensive analysis of the company's annual and quarterly reports. The investments are finally selected evaluating their risk/reward profile, resulting in a blended portfolio i.e. a mix of “value” and “growth” stocks issued by small, mid and large cap issuers. “Value” stocks are stocks that tend to trade at a lower price relative to its fundamentals (e.g. earnings, dividends) in comparison to other stocks in similar sectors. “Growth” stocks are stocks whose earnings are expected to grow at an above-average rate in comparison to other stocks in similar sectors. A “growth” stock usually trades at higher prices in comparison to other stocks in similar sectors particularly “value” stocks.

The Investment Manager also recognises that environmental issues (e.g. air quality and water management, climate change exposure and ecological impact.), social issues (e.g. community rights and relations and business ethics and legal and regulatory management) and governance issues (e.g. board diversity and director independence, executive compensation and incentive structure) can have a significant impact on investment performance and the Investment Manager integrates environmental, social and governance due diligence into the investment selection process detailed above.

*Promotion of Environmental, Social and Governance (ESG) Characteristics*

The Manager, in consultation with the Investment Manager, has identified the Fund as falling within the scope of Article 8 for the purposes of SFDR on the basis that it seeks to promote ESG characteristics. The Fund does not make any sustainable investments.

*Pre-Contractual Disclosures in accordance with SFDR Level II*

**Further information about the promotion of ESG characteristics disclosures and how these are integrated into the Investment Manager's investment selection process can be found in the Fund's Pre-Contractual Disclosures Annex in accordance with SFDR Level II at Appendix II.**

### **Investment Restrictions**

Without prejudice to the above, the investment restrictions set out in the Prospectus are deemed to apply at the time of purchase of the investments. If such limits are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt, as a priority objective, the remedying of the situation, taking due account of the interests of Shareholders.

The Directors may, in consultation with the Manager and the Investment Manager, from time to time impose such further investment restrictions as shall be compatible with or in the interest of the Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located, provided that the general principle of diversification in respect of the Company's assets are adhered to for so long as the Shares are listed on the Irish Stock Exchange.

## **Investment Risks**

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the “Investment Risks” section of the Prospectus. These investment risks are not purported to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before making an application for Shares. There can be no assurance that the Fund will achieve its investment objective.

### *Financial Derivative Instruments (“FDIs”)*

In the event that the Fund uses FDIs for hedging purposes, such use may increase the risk profile of the Fund.

The Fund's global exposure will be calculated using the commitment approach. The Fund may be leveraged as a result of the use of FDIs, however, any such leverage will not exceed 100% of the net assets of the Fund at any time.

For information in relation to the risks associated with the use of FDIs, please refer to the “Investment Risks” section of the Prospectus.

### *Integration of Sustainability Risks*

Pursuant to the SFDR, the Fund is required to disclose the manner in which Sustainability Risks are integrated into the investment decision of the Fund and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Fund.

Such risks are principally linked to climate-related events resulting from climate change (the so-called physical risks) or to the society’s response to climate change (the so-called transition risks), which may result in unanticipated losses that could affect the Fund's investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

The Investment Manager integrates Sustainability Risks into its investment decision making and risk monitoring of the Fund to the extent that they represent potential or actual material risks and/or opportunities to maximising the long-term risk-adjusted returns.

The Investment Manager assesses information relevant to Sustainability Risks and takes such information into account when forming an investment thesis and making an investment decision.

By taking Sustainability Risks into consideration during its investment decision making process, the intention of the Investment Manager is to manage such Sustainability Risks in a way that Sustainability Risks do not have a material negative impact on the performance of the Fund over and above the risks in relation to the investments.

While the Investment Manager's assessment is that the potential impact of Sustainability Risks on the returns of the Fund is limited there can be no guarantee that losses will not arise.



## **Subscriptions**

The Fund is offering two Classes of Shares in respect of the Company – Class A Shares and Class I Shares which are all denominated in Euro. It is currently intended that the Class I Shares will be marketed to institutional investors and accordingly, such Shares will not be generally available to other investors.

As the initial offer period has now closed, all Shares shall be issued at the Net Asset Value per Share on each Dealing Day and adding thereto such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for duties and charges.

In order to receive Shares at the Net Asset Value per Share as of any particular Dealing Day, the signed original application form, together with any anti-money laundering documents, must be received no later than the Dealing Deadline or such later time as any Director may from time to time permit provided that subscription applications will not be accepted after the Valuation Point. Applications received after such time will be held over until the following Dealing Day. Subsequent applications may be made in writing or by facsimile or by electronic means provided, such means are in accordance with the requirements of the Central Bank.

There is a minimum initial subscription amount of €1,000 or its foreign currency equivalent or such other amount as the Directors may from time to time determine, provided it is not less than €1,000 in the case of the Class A Shares and Class I Shares.

Subscriptions for Shares must be in Euro unless the Directors otherwise agree to accept subscriptions in any freely convertible currency approved by the Administrator, in which case such subscriptions will be converted into the relevant currency at the prevailing exchange rate available to the Administrator and the cost (and associated risk) of conversion will be borne by the Shareholder and deducted from the subscription monies.

Settlement for subscriptions for all Classes of Shares must be received by the Company, care of the Administrator, no later than two Business Days after the relevant Dealing Day provided that the Directors reserve the right to defer the issue of Shares until receipt of subscription monies by the Fund.

Subscriptions for Shares should be made by electronic transfer to the account set out in the Application Form.

## **Redemptions**

### **Redemption of Shares**

In accordance with the redemption procedures specified below, Shareholders may request the Fund to redeem their Shares on and with effect from any Dealing Day at the Net Asset Value per Share.

A redemption request form should be posted or sent by facsimile, so as to arrive at the Administrator's address no later than the Dealing Deadline or such later time as any Director may from time to time permit provided that redemption requests will not be accepted after the Valuation Point.

Redemption requests should be made on a signed redemption request form (available from the Administrator), which should be posted or sent by facsimile to the Company, care of the Administrator. The address for the Administrator is set out in the Prospectus. In the case of redemption requests sent by facsimile, payment of redemption proceeds will only be made to the account of record as provided for in the application form. Alternatively, redemption requests can be sent by electronic means provided such means are in accordance with the requirements of the Central Bank.

Settlement will normally be made by electronic transfer on the second Business Day after the relevant Dealing Day on which the redemption is effective. Payment will be made in the Base Currency unless otherwise agreed with the Administrator to be in another major freely convertible currency. Payment of redemption proceeds will be made to the registered Shareholder to the account of record.

Amendments to the registration details and payments instructions will only be effected on receipt of original documentation. The proceeds of the redemption of Shares will only be paid on receipt by the Administrator of the original subscription application form and anti-money laundering documents and only where all anti-money laundering procedures have been completed. A repurchase request will not be capable of withdrawal after submission to the Company, unless such withdrawal is approved by the Company acting in its absolute discretion. If requested, the Company may, in consultation with the Manager and subject to the prior approval of the Depositary, and on prior written notification to the Shareholders, agree to designate additional Dealing Days and Valuation Points for the repurchase of Shares.

### **Switching between Classes of Shares in the Fund**

In accordance with the procedure set out in the Prospectus under the heading "How to Switch Between Funds", a Share exchange may be effected by way of a redemption of Shares of one Class in the Fund and a simultaneous subscription at the most recent Net Asset Value per Share for Shares of the other Class in the Fund. No switching fee will apply.

### **Dividend Policy**

The Company does not anticipate distributing dividends from net investment income in respect of the Fund but the Company reserves the right to pay dividends or make other distribution in the future. Initially such amounts will be retained by the Company and will be reflected in the Net Asset Value of the Fund.

## Fees and Expenses

### Investment Management and Performance Fees

The Investment Manager shall be entitled to the following investment management and performance fees payable out of the assets of the Fund in relation to the relevant Class of Shares:

1. an investment management fee calculated by the Administrator accruing at each Valuation Point and payable monthly in arrears at a rate of 1/12<sup>th</sup> of:
  - (a) 1.80% of the average Net Asset Value of the Class A Shares; and
  - (b) 0.90% of the average Net Asset Value of the Class I Shares.
2. a performance fee payable equal to 25% of the aggregate outperformance in value of the each Class of Share over the amount of the Performance Benchmark return for the relevant Class of Shares multiplied by the average number of Shares in issue during the calculation period (the “**Performance Fee**”). The manner in which the outperformance in the value of the Shares and how the Performance Benchmark return is calculated for these purposes is described in more detail below.

The Performance Fee is verified by the Depositary and not open to the possibility of manipulation. The Performance Fee is calculated and accrued at each Valuation Point and is payable for a 12-month period each starting on 1 January and ending on 31 December (the “**Calculation Period**”).

Where a Shareholder requests the Fund to redeem their Shares prior to the end of the Calculation Period, any accrued, but unpaid Performance Fee in respect of such Shares will be deducted from the redemption proceeds.

For the purposes of calculating the Performance Fee, a performance period shall commence on the Business Day following the immediately preceding Calculation Period and end on the final day of the Calculation Period as at which the Performance Fee is to be calculated. For the purposes of calculating the Performance Fee during the first Calculation Period of a Class of Shares, the initial offer price of the relevant Class of Shares will be taken as the starting point for the calculation of the Performance Fee for the first performance period.

The outperformance in value in respect of Shares in a Class shall crystallise and be calculated on the final Business Day of each Calculation Period based off the closing Net Asset Value of those Shares for that Calculation Period (the “**Calculation Date**”). For the purposes of such calculation, the closing Net Asset Value shall be the Net Asset Value per Share at the Calculation Date as at which the calculation is being made before accrual of the Performance Fee. The initial closing Net Asset Value was the close of the initial offer period.

The Performance Benchmark return shall be the aggregate notional return which would have accrued in that Calculation Period had a sum equal in value to the Net Asset Value per Share at the preceding Calculation Date been invested at the commencement of the Calculation Period for the Performance Benchmark, set on the first Business Day of the Calculation Period and accruing simply (and not compounding) day by day. The Bloomberg ticker for the Performance Benchmark is ITLMS.

The Performance Fee will only be payable for a Calculation Period on the amount by which the Net Asset Value in respect of the relevant Class of Shares exceeds the Performance Benchmark return for the relevant Calculation Period. Furthermore, because the Performance Fee is payable on the performance of the relevant Class of Shares relative to the Performance Benchmark

(outperformance), a Performance Fee may be payable in circumstances where the relevant Class of Shares has out-performed the Performance Benchmark, but, overall the Fund has a negative performance, i.e. the Net Asset Value of the Fund has declined. It should be noted, that any underperformance against the Performance Benchmark in previous periods will be cleared before the Performance Fee becomes due in subsequent periods.

For the avoidance of doubt, the calculation of any Performance Fee shall include all income and net realised and unrealised gains and losses. Investors shall note that Performance Fees may be paid on unrealised gains and losses as at the end of each Calculation Period, and as a result, incentive fees may be paid on unrealised gains, which may subsequently never be realised. The Performance Fee methodology is such that excess performance is calculated net of all costs (for example, all investment management and administration fees), but is calculated without deducting the Performance Fee itself, provided that in doing so, the Investment Manager has determined, it is in the investors' best interest.

Please see example of how the Performance Fee is calculated to provide investors with a better understanding of the Performance Fee model in Appendix I. For past performance against the Performance Benchmark investors should review the latest key investor information document for the relevant Share Class available at [www.albemarleasset.com](http://www.albemarleasset.com).

### *Benchmark Regulation*

As the Fund uses a benchmark to measure the Performance Fee, the Fund is considered a user of a benchmark in accordance with the Benchmark Regulation. As at the date of this Supplement, the administrator of the Performance Benchmark is included on the register referred to in Article 36 of the Benchmark Regulation. The Manager, acting in accordance with the Benchmark Regulation and applicable laws, has adopted a benchmark contingency plan, which shall apply in the case that the Performance Benchmark materially changes or ceases to be available. The index provider complies with the requirements of the Benchmark Regulation.

### **Subscription, Switching and Redemption Charges**

No subscription, switching or redemption charges will apply in respect of any of the Classes of Shares of the Fund.

### **Management Fee**

The Manager shall be entitled to an annual management fee. Details of this fee, including the maximum management fee chargeable are set out in the Prospectus.

### **Other Fees and Expenses**

The Fund shall also bear a portion of the fees and expenses of the Company as set out under the heading "Fees and Expenses" in the Prospectus.

## APPENDIX I – Performance Fee Numerical Example

The table below does not represent the actual NAV of any Class in the Fund. The scenarios assume no subscription / redemption activities during the period. As share equalisation on performance is not operated, accordingly inequities may therefore arise between existing investors and new investors under various circumstances.

<b>Target Italy</b>					
<b>Performance fee:</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>25%</b>	<b>Out-performance</b>	<b>Out-performance</b>	<b>Under-performance</b>	<b>Out-performance</b>	<b>Out-performance</b>
<b>Share Class Return</b>	<b>8.00%</b>	<b>-2.00%</b>	<b>2.00%</b>	<b>4.00%</b>	<b>5.00%</b>
<b>Benchmark Return</b>	<b>5.00%</b>	<b>-4.00%</b>	<b>6.00%</b>	<b>1.00%</b>	<b>2.00%</b>
Starting NAV per Share	100.000	107.250	104.569	106.660	110.927
Starting Benchmark	100.000	107.250	104.569	110.843	111.951
Ending NAV per Share before fees	108.000	105.105	106.660	110.927	116.473
Ending Benchmark	105.000	102.960	110.843	111.951	114.190
Outperformance for the period	3.00%	2.00%	-4.00%	3.00%	3.00%
Accumulated underperformance	0.00%	0.00%	-4.00%	-1.00%	0.00%
Fee Paid (%)	0.75%	0.50%	0.00%	0.00%	0.50%
Fee Paid	0.750	0.536	0.000	0.000	0.571
Ending NAV per Share after fees	107.250	104.569	106.660	110.927	115.902

## APPENDIX II

### ANNEX II

**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:** Albemarle Target Italy Fund **Legal entity identifier:** 549300DLDCZCK045XT64

## Environmental and/or social characteristics

**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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### 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?

The Fund aims to promote ESG characteristics through its investment selection and due diligence process. The Investment Manager defines ESG characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact as follows:

- *Environmental:* The Investment Manager recognises the impact of climate change and the critical need to accelerate the transition to global net-zero emissions. The Investment Manager is of the view that unsustainable or contentious environmental policies can lead to financial penalties, reputational damage, a competitive disadvantage, and long-term negative growth consequences.

The Investment Manager considers the following environmental issues in its ESG analysis: air quality and water management, climate exposure, ecological impact, energy management, environmental supply chain management, greenhouse emissions, sustainable products, and waste management.

- *Social:* The Investment Manager with the support of third party data provider(s) analyses the impact a company can have on human rights as it relates to its employees, contract workers, supply chain workers, and the communities in which it operates. The Investment Manager recognises that companies that demonstrate a strong commitment to inclusion and diversity may achieve higher performance and longer-term value creation, as well as the ability to retain key employees.

The Investment Manager considers the following social issues in its ESG analysis: community rights and relations, business ethics, legal and regulatory management, labour and employment practises, health and safety management, product quality and safety, and social compliance of suppliers.

- *Good Governance:* The Investment Manager considers governance issues in its analysis as set out in the response below, *"What is the policy to assess good governance practices of the investee companies?"*

ESG characteristics are promoted in the following ways:

*Core ESG Commitment:* The Investment Manager has committed to responsible investment and are considering and managing ESG as part of the Fund's investment management process in the following ways:

- incorporating environmental, social, and governance considerations into its investment analysis and investment strategies;
- acting as a responsible shareholder by incorporating ESG considerations into shareholder policies and practises;
- requesting that companies in which the Investment Manager has invested provide appropriate disclosure of environmental, social, and governance factors;
- engaging with companies that do not produce environmental, social, and governance data in order to promote acceptance and implementation of the responsible investment principles;
- utilising a screening process based on external providers or internal analysis as further described below; and
- applying an exclusion process that prevents organisations engaged in specific businesses from being included among the investable companies.



*ESG Due Diligence:* The Investment Manager integrates ESG due diligence into its investment selection process, including documenting concerns and ongoing monitoring of an investee company's ESG performance. The Investment Manager considers objective factors such as the issuer's Bloomberg ESG ratings, analysis of annual reports and considering quantifiable Sustainability Risks. The Investment Manager may also consider subjective analysis of reputation of the issuer management and evidence of the adoption and effectiveness of ESG policies, adverse media findings.

*United Nations Principles for Responsible Investment ("PRI"):* The Investment Manager is a signatory to the PRI, and as such Investment Manager has a duty to act in the best long-term interests of Shareholders. The Investment Manager recognises that applying the PRI may better align the Fund with the broader objectives of society. The Investment Manager has committed to the following PRI:

- The Investment Manager will incorporate ESG issues into its investment analysis and decision-making processes.
- The Investment Manager will be an active owner and incorporate ESG issues into its policies and procedures.
- The Investment Manager will seek appropriate disclosure on ESG issues by the entities in which it invests.
- The Investment Manager will promote acceptance and implementation of the PRI.

The Fund does not use a specific index designated as a reference benchmark for the purpose of attaining the characteristics being promoted. Portfolio construction follows a benchmark agnostic approach which will seek adequate diversification across opportunities and individual securities.

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

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

The Investment Manager will promote ESG characteristics by considering indicators including, but not limited to:

*International Standards:* Companies and bonds issued by governments that do not respect international conventions, internationally recognised frameworks, national regulations, the UNPRI and UN Global Compact Principles, and thus those involved in controversial business, will be barred from the investment selection.

*Jurisdiction:* The Investment Manager will not invest in any country where serious violations of human rights or a collapse of the governance structure take place.

*Bloomberg ESG score:* The Investment Manager will analyse companies against Bloomberg's ESG scores.

Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data. Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance.

Bloomberg's ES Scores draw on major sustainability reporting frameworks used by public companies around the world to highlight the most material sustainability issues. Bloomberg identifies disclosed corporate information that aligns with these issues, particularly with regard to corporate strategy, operations, and priorities, transforming this information into a useful tool for investment decision-making and other types of competitive analysis. By embracing materiality as the central concept, Bloomberg's approach focuses on the drivers of operating performance and the impacts of sustainable operating strategies on the environment and society.

Under the Governance pillar, currently the themes of Board Composition, Executive Compensation, Shareholder Rights, and Audit touch on a number of core ESG Issues that can have material impact on company performance.

In general, these scores are determined by Bloomberg's proprietary research and through guidance provided by third-party corporate governance frameworks and practitioners.

*ESG Internal score:* The overall grade of the internal analysis is calculated using a scale of 0 to 100, with 100 being the highest available score.

The internal rating is assigned using a qualitative and quantitative analysis; each element retrieved from the analysis is then converted into numerical data ranging from 0 to 100. Within its macro-category, each element is weighted.

The data retrieved refers to information that can be used to verify and quantify the effectiveness of the policies that have been implemented. Because some indicators may be more important than others depending on the company, industry, or geographic region, some items may be weighted more heavily than others at the discretion of the analyst who produces the analysis.

The same rating methodology is applied to fixed income investments with the exclusion of bonds issued by governments or supranational entities which are not taken into account when determining the average portfolio's rating.

*ESG third parties scores:* ESG Scores produced by other third-party data providers or contributors active in the ESG research field, can be considered from time to time.

*Exclusion Policy:* The Fund does not invest in a company if more than 10% of its turnover is generated by the following activities:

1. the production or sale of controversial weapons (nuclear, chemical and biological weapons, anti-personnel mines, cluster munitions);
2. the production or sale of tobacco products;
3. the extraction or sale of thermal coal;
4. the provision of gambling or betting services.



- ***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?***

Not applicable

- ***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?***

Not applicable

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

Not applicable

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

Not applicable



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



Yes



No

**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.

For the purposes of Article 7(1)(a) of the SFDR, the Investment Manager does not currently consider the adverse impacts of investment decisions being made in respect of the Fund on sustainability factors within the meaning of SFDR due to the size, nature and activities of the Fund's activities at this time. The Investment Manager will keep this determination under review.

**What investment strategy does this financial product follow?**

The Fund's investment strategy is described under the heading "Investment Selection Process" in the Supplement.

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

The Fund's investment strategy with reference to the promotion of ESG characteristics is outlined above in response to "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 its assessment of investee companies, the Investment Manager applies the sustainability indicators described above to analyse and assess the environmental and social

characteristics promoted by the Fund. Any material environmental and social factors identified by the Investment Manager in accordance with its documented investment approach may be considered as part of its engagement plan.

#### *Active ownership and engagement*

The Investment Manager regards a direct communication with company management as a valuable and necessary practise for gaining a better understanding of how management perceives and responds to risks.

The Investment Manager communicates with company management directly when deemed necessary and stimulate the target company to respond to specific questions.

The Investment Manager is also committed to engaging with investee companies that do not provide disclosure information. This can occur when investing in small caps, which may lack the resources and culture to provide the necessary ESG disclosure. In this case, Investment Manager is committed to pursuing the company to gradually align its practices with the existing environmental, social, and governance frameworks.

● ***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?***

The investment strategy will apply the following binding elements:

- The Investment Manager has adopted an exclusion criteria for companies whose primary business activity is involved in one or more of the following businesses: the production or sale of controversial weapons (nuclear, chemical and biological weapons, anti-personnel mines, cluster munitions); the production or sale of tobacco products; the extraction or sale of thermal coal; the provision of gambling or betting services. Investee companies that earn 10% or more of their revenue from the activities listed above are barred from the Fund's investable universe.
- The Fund will seek to maintain an average ESG portfolio rating above 60 (out of a scale of 100) based on a rating calculated by the Investment Manager.
- An ESG rating must be present for at least 60% of the investments in the portfolio.

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

Not applicable.

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

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

The Investment Manager when analysing company governance across the universe of potential investments, will consider four key areas of corporate practice which are highlighted in SFDR, each of which reveals something about the investee company's business. These are sound management structures, strong employee relations, fair remuneration of staff and tax compliance.

The Investment Manager is of the opinion that companies should have suitable practices and policies in place across all four of these areas to ensure that they are best placed to evolve in a sustainable manner over the long-term.

In order to assess how well companies are governed, the Investment Manager may use a range of different metrics associated with each of the above areas, which may involve the use of proprietary tools with various data points, analysis of the financial statements and related materials of companies, direct interactions with the management and/or governance information and ratings from the third-party ESG research provider(s).

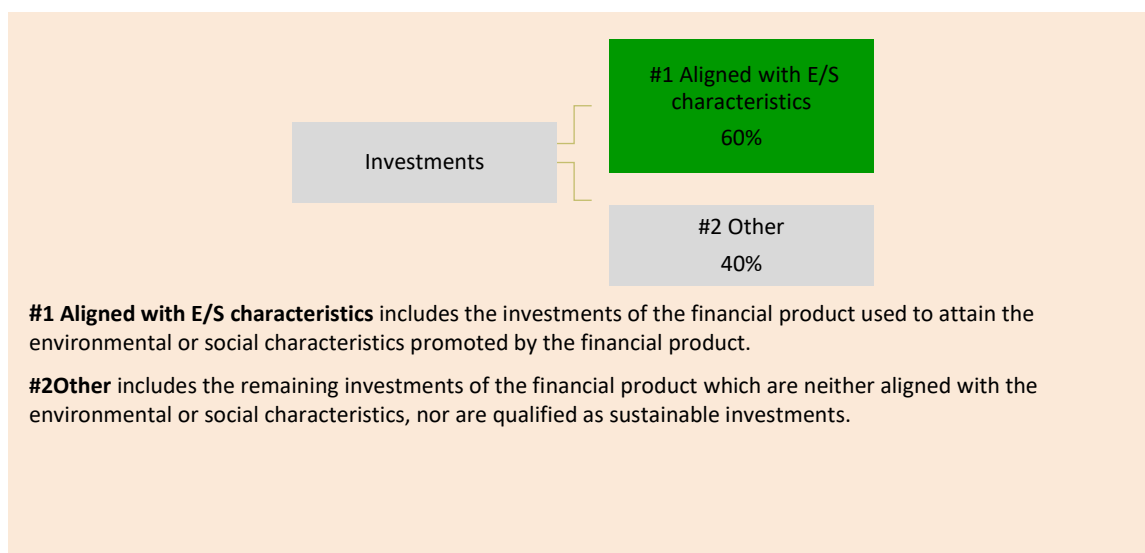
The Investment Manager's believes that the board of directors of the companies should be made up of qualified, independent, and diverse individuals with relevant experience. Quality board composition, combined with effective policies and strong corporate governance, as well as compensation policies that incentivise executives to increase long-term shareholder value, are critical to any company's success. The Investment Manager also expects companies to be open and transparent about material risks and how they are addressed. In addition to consideration of the above, the Investment Manager considers the following governance issues in its analysis: board diversity and director independence, executive compensation and incentive structure, shareholder policies and voting rights, risk management and accountability.



### **What is the asset allocation planned for this financial product?**

**Asset allocation** describes the share of investments in specific assets.

The Fund plans to allocate 60% of its investments to be aligned with environmental or social characteristics promoted by the Fund. The Fund does not commit to making sustainable investments. The remaining investments can be categorised as "#2 Other". Investments that might fall under "#2 Other" include cash positions or derivatives used for hedging purposes or other investments in companies for which there is a lack of data or for diversification purposes. Further details are set out in response to "*What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?*"



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

Derivatives are not used to attain the environmental or social characteristics promoted by the Fund.



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

The Fund does not invest in sustainable investments with an environmental objective which are aligned with EU Taxonomy under the Taxonomy Regulation. As a result the percentage of the Fund's investments that will be in economic activities that qualify as environmentally sustainable is 0%.

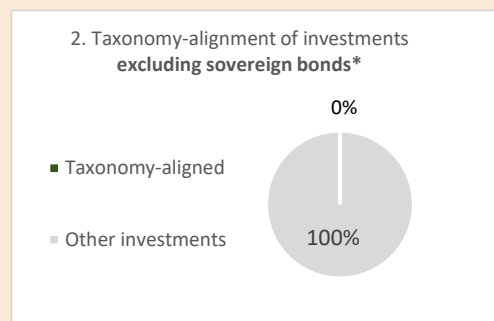
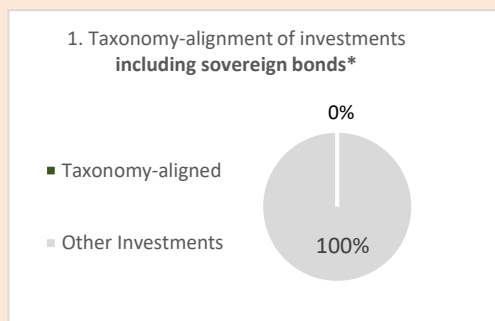
Taxonomy-aligned activities are expressed as a share of:

- **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

**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.

*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?

The Fund does not have a minimum share of investments in transitional and enabling activities. Accordingly, the Manager, in consultation with the Investment Manager, has determined the proportion of investments in environmentally sustainable economic activities is currently 0% of NAV which comprises of 0% of NAV in transitional and 0% of NAV in enabling activities.



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

As the Fund does not make any sustainable investments, the Investment Manager, in consultation with the Manager, has determined that the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0% of NAV.

In addition, as noted above, the minimum share of sustainable investments with an environmental objective which are aligned to EU Taxonomy is also 0%.



### What is the minimum share of socially sustainable investments?

The Manager, in consultation with the Investment Manager, has determined that the minimum share of socially sustainable investments is 0% of NAV.



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



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

Investment included under #2 Other investments comprise of up to 40% of the Fund's assets. These other investments include derivatives, cash and cash equivalents and other investments for which there may be a lack of data to allow the Investment Manager or its third-party data providers to screen against in the initial investment process or for diversification purposes. In this case, the Investment Manager may seek to engage with these companies in order to assess whether they can be aligned with the environmental characteristics promoted by the Fund. There are no minimum environmental or social safeguards applied to these investments. However, as noted, the Investment Manager may seek to engage with companies.



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

## **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?**

The Fund has not designated a reference benchmark to determine whether it is aligned with the environmental and/or social characteristics that it promotes.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.



## **Where can I find more product specific information online?**

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

[https://www.albemarleasset.com/investment-management/#ucits\\_funds](https://www.albemarleasset.com/investment-management/#ucits_funds)