

ACATIS FAIR VALUE SPECIAL

01/2023

ESG Annexes and other regulatory changes

The ESG Annex (pre-contractual information) became an integral part of the fund prospectus on 1 January 2023. The Annex is supposed to provide better transparency and comparability for sustainable investment, and it offers very detailed information for e.g. the entire sustainability process including all defined exclusion criteria for the relevant fund. For the ACATIS Fair Value funds, this annex is provided separately as a document under the relevant fund on our website. Unfortunately, there are still some uncertainties with regard to the exact implementation of the regulatory requirements, as well as differences in how these matters are handled by the various European regulatory authorities. As a result, this may lead to some irritation and questions at the beginning. The ESG Annex must distinguish between the requirements of taxonomy and the Disclosure Regulation, which is not always easy.

The first question in the ESG Annex provides a concrete example of taxonomy: "Does this product seek out sustainable investments?" Naturally, as a serious sustainability fund with FNG Seal, the ACATIS Fair Value funds can answer this question with "Yes", but the problem lies in the break-down, which is divided into environmental targets and social targets pursuant to the taxonomy. Right now, only two of the six environmental objectives of the taxonomy, namely climate protection and adjustment to climate change, have been defined. The German regulatory authority BaFin addresses this situation by allowing the response "No" (with an explanation), while Luxembourg insists that a minimum percentage is provided. All of our investments contribute to at least one of the UN's

sustainability development goals (SDGs), either social or environment. As a result, we only provide a small minimum amount of 10% for the individual portions (environment or social), in order to maintain the flexibility of the title selection process for our fund management. Of course, in the actual portfolio valuation the sum of both portions has to be 100%.

With regard to the primary taxonomy target, namely climate protection, we lead by example as all of our ACATIS Fair Value funds were converted to climate-neutral last year (with the CO2 certificate).

Another important change that went into effect on 1 January 2023 was the Disclosure Regulation. Since the beginning of the year, an Article 9 fund can only have a maximum of 20% in liquidity and hedges. In accordance with the sustainability process defined in the prospectus, all of the titles must be investments that pursue a sustainable objective. Our ACATIS Fair Value funds have already been using the UN's 17 sustainable development targets as an active filter since 2019. A so-called contamination ratio, i.e. exceptions that deviate from the defined sustainability process, are no longer permitted for the portfolio. It is probably the reason why many Article 9 funds were reclassified to Article 8.

The new requirements were easily implemented for the ACATIS Fair Value funds, as our sustainability strategy has already been configured accordingly for a long time.

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