

## **SIM US High Yield Opportunities Fund**

### **Supplement to the Prospectus dated 22 July 2021 for Candoris ICAV**

This Supplement contains specific information in relation to the SIM US High Yield Opportunities Fund (the "**Fund**"), a sub-fund of Candoris ICAV (the "**ICAV**") an umbrella type Irish collective asset-management vehicle with segregated liability between sub-funds governed by the laws of Ireland and authorised by the Central Bank.

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 22 July 2021 (the Prospectus).** In the event of any inconsistency between the Prospectus and this Supplement, this Supplement shall prevail.

The Directors of the ICAV, whose names appear in the "**Directors of the ICAV**" section of the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.** Investors should read the "Risk Factors" set out in the Prospectus and in this Supplement.

Dated: **27 April 2023**

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## 1. INVESTMENT OBJECTIVE

The Fund's investment objective is to seek: (i) high current income; and (ii) capital appreciation.

## 2. INVESTMENT POLICIES

The Fund seeks to implement its investment objective by investing in a diversified portfolio of the fixed income securities specified below which may be fixed and/or floating rate, of any maturity and that are generally rated below investment grade (i.e. rated as Ba or lower by Moody's Investors Service, Inc. or BB or lower by Standard & Poor's Ratings Services or Fitch, Inc.) or deemed to be below investment grade by Strategic Income Management, LLC (the "**Investment Manager**") or unrated. These types of securities are commonly referred to as "high yield" or "junk" fixed income securities. The Fund has no limitations regarding the maturities of the fixed income securities or the market capitalization of the issuers in which it invests or whether those fixed income securities are rated or unrated. In seeking to achieve the Fund's investment objectives the Investment Manager takes sustainability and environmental, social and governance ("**ESG**") considerations into account as part of its investment decision making process and such considerations are implemented on a continuous basis as part of this process. Further detail on these considerations and the process is set out below in the sub-sections entitled "**Investment Strategy**" and "**Sustainability Considerations**".

The Fund will typically allocate, under normal circumstances, at least 80% of the Fund's net assets (the "**Below Investment Grade Allocation**") in non-investment grade or unrated fixed income securities as specified below and/or financial derivative instruments ("**FDIs**") that provide exposure to non-investment grade or unrated fixed income securities as specified below, namely fixed income futures and credit default swaps. Fixed income securities held as cover for FDIs providing exposure to non-investment grade or unrated fixed income securities will be included in calculation of the Below Investment Grade Allocation even where the fixed income securities which are held as cover are themselves investment grade.

The Fund may invest in the following fixed income securities either as part of the Below Investment Grade Allocation as detailed above or as part of the Other Securities Allocation as detailed below: bonds, notes, preferred stock, convertible bonds, convertible notes or convertible preferred stock that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer, debentures, asset-backed and mortgage-backed securities, collateralized bond obligations, collateralized debt obligations, securitised collateralized loan obligations, securitised loan assignments and participations, bank deposit notes, and cash equivalents including certificates of deposit, time deposits, bearer deposit notes, bankers' acceptances, government obligations, commercial paper, short-term corporate debt instruments and short-term notes. The fixed-income securities in which the Fund may invest will not embed leverage. The securitised loan assignments and participations will be listed or traded on Markets, freely transferable and sufficiently liquid for the Fund to satisfy redemptions.

The fixed income securities in which the Fund invests may be issued by global corporates, or issued or guaranteed by any global government or its agencies or municipalities, or by international agencies or supranational entities.

The Fund may invest in fixed-income securities with call features allowing the issuer of the security to redeem or call for payment of debt obligations owing under the security prior to its stated maturity date and pay-in-kind fixed income securities which do not make regular cash interest payments but rather pay interest through the issuance of additional securities.

The Fund may utilize credit default swaps for investment purposes by selling credit default swaps in order to take exposure to a credit risk thereby increasing the exposure of the Fund with the aim of enhancing total returns. Selling credit default swaps enables the Fund to take a directional view on issuers and fixed income markets as an efficient alternative or substitute for the purchase of fixed income securities, and may assist the Fund to achieve its investment objective by creating additional investment opportunities which are aimed at generating returns. The Fund may also purchase credit default swaps for hedging purposes in order to mitigate credit risk and assist in

mitigating against fluctuations in the Net Asset Value per Share of the Fund caused by fluctuations in the markets and issuers to which the Fund is exposed with the aim of decreasing the risk of the Fund. The Fund may utilize fixed income futures, including treasury futures to hedge against fluctuations in interest rates and to manage the effective duration of the Fund's portfolio.

The Fund will typically allocate, under normal circumstances, up to 20% of net assets (the "**Other Securities Allocation**") in the following other securities where the Investment Manager believes such investments are consistent with the Fund's investment objective: the fixed-income securities listed above which are investment grade including sovereign fixed income securities, fixed income futures and credit default swaps that provide exposure to such investment grade fixed income securities. The Fund may also invest as part of its Other Securities Allocation in the following income-producing securities where the Investment Manager considers such securities offer a return, and in most cases an income that is competitive with the high yield bonds, namely common stock of any issuer globally, American depositary receipts ("**ADRs**"), global depositary receipts ("**GDRs**"), real estate investment trusts ("**REITs**") and income-producing equity securities such as master limited partnerships ("**MLPs**"). REITs are generally structured with the intent to provide a regular income stream through dividends and depending upon market conditions, can provide favourable risk adjusted returns relative to high yield bonds thereby representing a non-traditional high yield security. MLPs are partnerships which issue transferable unitised securities that are registered with the SEC and traded on Markets.

The Fund will focus on making investments in securities of U.S. issuers but may also invest in the securities of issuers in any country globally, and up to 35% of the net assets of the Fund may be exposed to non-US issuers with a maximum of 25% of net assets being exposed to issuers that are domiciled in or whose securities are listed or traded in Emerging Markets, Frontier Markets or Standalone Markets (each as defined below), with no more than 5% of net assets being exposed to issuers that are domiciled in or whose securities are listed or traded in Frontier Markets or Standalone Markets.

"**Emerging Markets**" means Brazil, Chile, China, Colombia, Costa Rica, Czech Republic, Ecuador, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

"**Frontier Markets**" means Afghanistan, Algeria, Argentina, Bahrain, Bangladesh, Bosnia Herzegovina, Belarus, Bolivia, Botswana, Bulgaria, Cuba, Croatia, Dominican Republic, Estonia, Ghana, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lebanon, Libya, Lithuania, Mauritius, Morocco, Nigeria, Mongolia, Myanmar, Oman, Pakistan, Palestine, Panama, Paraguay, Romania, Saudi Arabia, Serbia, Slovenia, Slovakia, Sri Lanka, Tanzania, Trinidad & Tobago, Tunisia, Uruguay, Vietnam and the West African Economic and Monetary Union (consisting of Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo), and Zimbabwe.

The Fund will also utilize currency futures and forwards for hedging purposes with the aim of decreasing risk by hedging the Fund's currency exposure on non-US Dollar denominated investments and also to implement the share class currency hedging arrangements described under "Hedging Transactions" below. Using currency futures and forwards for hedging purposes will assist in managing the Fund's exposure to currency risk and to assist in mitigating NAV fluctuations caused by fluctuations in currencies to which the Fund is exposed, which helps the Fund achieve its investment objective. The Fund may hold positions in non-U.S. currencies pending the acquisition of and following the sale of non-U.S. denominated investments.

The Fund's investments in fixed income securities, equity and equity like securities will be listed or traded on Markets, provided however that the Fund may invest up to 10% of Net Asset Value in the fixed income securities, equity and equity-like securities specified above and/or other eligible ancillary liquid assets which are not listed or traded on Markets.

While the Fund will predominantly take long positions up to 100% of the Net Asset Value of the Fund, when in the opinion of the Investment Manager, opportunities exist to meet the Fund's investment objective it may also take short positions up to a maximum of 50% of the Net Asset Value of the Fund. The Fund's short positions will be implemented through the use of short currency future and currency forward positions to hedge currency exposure, the use of short treasury future positions to manage the Fund's duration, and the purchase of credit default swaps to hedge credit risk. The Fund will only take short positions through FDI, i.e., synthetic short

exposure rather than physical short sales. The Fund may only utilise FDIs listed in the Risk Management Process, which has been cleared by the Central Bank.

### *Investment Strategy*

The Investment Manager has three principles in selecting investments in issuers with sustainable business practices being taken into account by the Investment Manager when undertaking company level analysis as further detailed below. First, in selecting its investments the Investment Manager seeks to gain exposure to issuers operating in industries with positive long-term trends such as demographics, technology, regulations, etc. which will provide fundamental support for that industry and the Fund's investment throughout the business cycle of the industry. Second, the Investment Manager seeks to avoid investing in issuers operating in industries it considers ill-suited to high levels of leverage due to factors in those industries such as volatile revenues, a need for high capital expenditure or other adverse long-term trends. The portfolio therefore tends to be heavily over-weighted in issuers operating in certain industries selected by the Investment Manager for investment by the Fund and heavily under-weight in other industries the Investment Manager views negatively based on these criteria. Finally, the Investment Manager analyzes investments in issuers operating in industries it has selected for investment by the Fund from the perspective of a chief financial officer of that issuer, in order to ensure that the issuer's products, balance sheet, cash flows, capital expenditure levels and return on capital invested will be sustainable in the longer-term. The resulting selections comprise the Fund's "core" portfolio which tends to be less capital intensive and less cyclical overall than the general high yield market. The Fund's "core" portfolio may represent up to two-thirds of the portfolio under normal circumstances, provided however that the "core" portfolio may represent a higher proportion of the Fund where the Investment Manager cannot locate suitable investments in "out-of-favor" issuers or "smaller issuers" as detailed below.

In addition to this "core" portfolio, the Investment Manager will also opportunistically seek to invest in issuers operating in "out-of-favor" industries. The Investment Manager will first seek to determine that the industry is viable in the long term, and will then look for catalysts for a correction within that industry. Typically, this is a rebalancing of supply to demand through the removal of excess supply from the industry as weaker issuers operating within that industry firms are forced to close down or exit the industry. The Investment Manager seeks companies within those industries that have a pathway to survive the industry downturn. This pathway can include, excess liquidity, strong competitive position or lower cost structure relative to competitors within the industry, more manageable levels of debt leverage than competitors, protection from diversification of business lines and other attributes that the Investment Manager considers will be sufficient to sustain the company over the two to three years required for the industry correction to take place.

"Out-of-favor" investments can also be found in sectors of the capital markets that have a narrower base of investors who periodically abandon that sector, for example convertible bonds. The typical investor in convertible bonds is satisfied with a low coupon because the convertible bond gives them an equity option in a growth company with something like a dividend in the form of a coupon, albeit a very low coupon. If high growth expectations are disappointed, investors may sell the convertible bonds en masse and push the convertible bond prices down such that the yield becomes competitive with yields in the high yield market.

Investments in "out-of-favor" sectors/industries may represent up to one-third of the portfolio of investments of the Fund. The Fund's "out-of-favor" investments will be diversified across industries and/or subsectors of the capital markets. The percentage of the Fund's investments allocated to "out-of-favor" investments will vary depending on the availability of "out-of-favor" opportunities in the market and in the absence of "out-of-favor" opportunities, the "core" will be expanded and the "out-of-favor" allocation reduced.

The Investment Manager has also historically invested about one-third of the portfolio in "smaller issuers", that is, issuers with total bonds outstanding of \$500 million (or currency equivalent) or less. Such "smaller issuers" are generally given lower ratings by the rating agencies due to their size, even though they may dominate niche markets with higher barriers to entry. Furthermore, managers of large funds may ignore such "smaller issuers" as the allocation of an investment by

their fund to a "smaller issuer" would give rise to their fund owning too high a high percentage of that issue. For these reasons, "smaller issuers" can offer opportunities for attractive risk-adjusted returns.

Once the Investment Manager has identified potential issuers and industries for investment by the core, opportunistic and small issuer portions of the Fund, it will perform a comprehensive, company-level analysis to identify sustainable businesses with a competitive advantage, sustainable cash flows, a capital expenditure programme which is sufficient to sustain/grow the business, and with a strong balance sheet, appropriate level of leverage for its industry and a capital structure that is appropriate for investment by the Fund. The Investment Manager utilizes a bottom up research to assess the fundamental strengths and weaknesses of each individual issuer and the best risk/reward investment is chosen for inclusion in the portfolio.

The Fund's portfolio will be well-diversified, but concentrated on 70 to 150 issuers, with a focus on credit analysis and long-term trends, and avoiding investments in businesses and industries which are cyclical or capital intensive. The Investment Manager will focus on making longer-term investments in issuers facilitating a focused investment management approach, and avoiding high turnover of the Fund's investment portfolio, instead seeking to exploit long-term trends.

As described above, the Investment Manager takes sustainability and ESG considerations into account as part of its investment decision making process. The tools utilised by the Investment Manager to identify investments that align with its philosophy that companies with sustainable business practices have a competitive advantage may include but are not limited to its own proprietary research; third party quantitative ESG data provided by MSCI together with its ESG scoring system; and internal assessments using the Investment Manager's ESG assessment template where third party research does not provide all or some of the information sought in respect of potential investments. In addition, a comparison of an issuer against its peers in respect of ESG performance will be undertaken.

The Investment Manager's ESG assessment template has three separate parts with the first part, the good governance assessment, used to assess a potential investment taking into account a number of indicators which reflect widely recognised industry established good governance norms. The second and third parts of the assessment focus on social and environmental practices respectively.

An issuer must pass the good governance assessment in order to meet the Investment Manager's criteria for investment.

While six indicators, labour management; business ethics, bribery and corruption; accurate reporting, board oversight, taxation and executive pay, are currently considered by the Investment Manager as part of its good governance assessment the indicators used by the Investment Manager as part of this assessment process and the weight given to these indicators may change over time.

As part of the assessment of good social practices, the Investment Manager will consider health and safety issues, breaches of regulatory requirements, any pending lawsuits and recent proxies that received significant shareholder dissent. The Investment Manager may also consider other social factors as part of this limb of its ESG assessment process including evaluating an issuer's position on certain social characteristics as part of its ESG assessment process.

As part of the assessment of good environmental practices, the Investment Manager will consider whether an issuer has an environmental policy, has published targets to reduce their carbon footprint or released information regarding their current carbon emissions; and/or is facing any lawsuits, allegations or regulatory breaches relating to environmental concern or neglect. The Investment Manager may also consider other environmental factors as part of this limb of its ESG assessment process including evaluating an issuer's position on certain environmental characteristics as part of its ESG assessment process.

The Investment Manager applies the following exclusion criteria which mean that the Fund shall not be invested in companies which, themselves or through entities they control,:

- (i) produce weapons that violate fundamental humanitarian principles through their normal use;
- (ii) sell weapons or military material to states that are subject to investment restrictions on government bonds;
- (iii) produce tobacco;
- (iv) extract oil sands;
- (v) produce coal;
- (vi) are involved in Arctic oil and gas exploration;
- (vii) are in violation of the International Labor Organization's ("**ILO**") labor standards, the United Nations Guiding Principles for Business and Human Rights ("**UNGPs**"), the UN Global Compact ("**UNGC**") and the OECD Guidelines for Multinational Enterprises;
- (viii) investments in securities that are included on the Norges Bank Exclusion list; and/or
- (ix) do not meet the Investment Manager's minimum threshold for good governance practices as determined by the Investment Manager's good governance policy.

From an engagement perspective, where the Investment Manager believes engagement will have a material impact, the Investment Manager will actively engage with issuers that materially breach minimum behavioral norms in areas such as human rights, labour relations, environmental issues and anti-corruption. These norms are represented by the United Nations Universal Declaration of Human Rights, the ILO's labor standards, the UNGPs, the UNGC and the OECD Guidelines for Multinational Enterprises. The desired outcome of such engagement is the elimination and remediation of any breach and enhancements in management processes aimed at avoiding any repeated breach.

The Investment Manager may reduce or sell the Fund's investments for a variety of reasons, including if, in the Investment Manager's opinion, a security's value has become fully recognised by markets thereby reducing the opportunity for further gains, if there has been a re-assessment by the Investment Manager of the fundamental attributes of that security giving rise to a more negative view on that issuer or its securities or to the extent that an issuer's status changes resulting it falling within the scope of the Investment Manager's exclusion criteria.

The Fund is actively managed in reference to ICE BofAML US High Yield Index (the "Index"). The Index is the Fund's performance benchmark as the Fund's performance is compared to the Index in marketing materials. Investments in the Fund's portfolio are not specifically selected from the constituents of the Index and the Fund may be wholly invested in securities which are not constituents of the Index. The Fund's investment policy is in no way constrained by the Index and the Index is not used to define the portfolio composition of the Fund or as a performance target. In addition, the Index is not being used to determine whether the Fund is aligned with the environmental and social characteristics being promoted.

#### *Sustainability Considerations*

The Investment Manager has established an ESG committee, which monitors and supervises the sustainability and ESG factors taken into consideration as part of the investment decision making process (the "**ESG Committee**"). In addition, the Investment Manager's Chief Compliance Officer reviews all proposed investments for compliance with the Investment Manager's ESG policies.

The ESG Committee is responsible for overseeing the effectiveness of the Investment Manager's ESG program and for maintaining and updating the Investment Manager's ESG policies including its good governance policy and its ESG assessment template.

#### **Principal Adverse Impact Statement**

Taking due account the nature and scale of its activities, neither the Manager nor the Investment Manager currently considers the principal adverse impacts of investment decisions of the Fund on sustainability factors (in the manner specifically contemplated by Article 7(1)(a) SFDR). The

Manager and the Investment Manager consider this an appropriate and proportionate approach to compliance with its obligations under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**").

### **Taxonomy Regulation (Regulation EU 2020/852)**

While the Fund falls within the scope of Article 8 of SFDR through its promotion of environmental and social characteristics, the Investment Manager does not currently intend to invest in economic activities that qualify as environmentally sustainable within the meaning of Article 3 of the Taxonomy Regulation and as a result the percentage of the Fund's investments that will be in economic activities that qualify as environmentally sustainable is 0%.

The "do no significant harm" principle applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

### **Pre-Contractual Disclosures in accordance with Commission Delegated Regulation of 6 April 2022 supplementing Regulation (EU) 2019/2088 ("SFDR Level II")**

**Further information can be found in the Fund's Pre-Contractual Disclosures Annex in accordance with SFDR Level II at Appendix 1.**

## **3. INVESTMENT MANAGER**

The ICAV and the Manager have appointed Strategic Income Management, LLC, 1200 Westlake Ave N, Suite 713, Seattle, WA 98109 United States of America, as investment manager to the Fund pursuant to an investment management agreement between the ICAV, the Manager and the Investment Manager dated 28 August 2017 (the **Investment Management Agreement**). The Investment Manager is regulated by the SEC and its main activity is providing investment management services. As at 31 December 2016, it has \$1.3 billion assets under management.

The Investment Management Agreement provides that the appointment of the Investment Manager as investment manager will continue in force unless and until terminated by any party giving to the other 90 days' notice in writing although in certain circumstances the agreement may be terminated forthwith by notice in writing by any party to the other. Under this agreement, the Investment Manager shall not be liable to the ICAV or any Shareholders or otherwise for any error of judgement or loss suffered by the ICAV or any such Shareholder in connection with the Investment Management Agreement unless such loss arises from the negligence, fraud, bad faith, wilful default or wilful misfeasance in the performance or non-performance by the Investment Manager or persons designated by it of its obligations or duties under the agreement or breach of contract on the part of the Investment Manager or any of its agents or delegates or their agents.

## **4. ADVISORY AND MARKETING SUPPORT AGENT**

The ICAV and the Manager have appointed Candoris B.V. (the **Advisory and Marketing Support Agent**) to: (i) provide advisory support services in respect of the Fund pursuant to the terms of an advisory agreement dated 28 August 2017 between the ICAV, the Manager and the Advisory and Marketing Support Agent; and (ii) provide marketing support services in respect of the Fund pursuant to the terms of a marketing support agreement dated 28 August 2017 between the ICAV, the Manager and the Advisory and Marketing Support Agent (together the **Advisory and Marketing Support Agreements**). In addition to assisting with client/investor relations, the Advisory and Marketing Support Agent will provide advice to the ICAV, the Manager and the Investment Manager regarding companies to exclude using ESG criteria in accordance with the guidelines for the observation and exclusion of companies set out under the heading "**Investment Strategy**" above.



## 5. CONFLICTS OF INTEREST

In addition to the details of the conflicts of interest with the ICAV set out in the Prospectus, at the date of this Supplement:

Dirk (Rick) van de Kamp and Martijn van Vliet are each Directors of the ICAV, and partners and directors of the Advisory and Marketing Support Agent.

## 6. BORROWINGS

In accordance with the general provisions set out in the Prospectus, the Fund may borrow up to 10% of its net assets on a temporary basis to facilitate redemption payments.

## 7. LEVERAGE

The Fund's global exposure will be calculated using the commitment approach and leverage will not exceed 100% of its net assets at any time. The Investment Manager will measure global exposure daily.

## 8. INVESTMENT RESTRICTIONS

The general investment restrictions set out under the heading "**Investment Restrictions**" in the Prospectus apply to the Fund.

In addition to the general investment restrictions set out in the Prospectus, the Fund will not invest in the debt or equities of any companies that do not conform to the ESG criteria and which are included on a list of restricted companies maintained by the Fund. The Fund shall not invest in those companies that have been included in the Norges Bank exclusion list (a list which applies the guidelines for the observation and exclusion of companies set out in section 2 above).

The Fund may not invest in other collective investment schemes including any other sub-fund of the ICAV.

## 9. RISK MANAGEMENT

The Investment Manager will employ the FDIs (which may be exchange-traded on Markets or OTC) listed above as provided for in the Fund's Risk Management Process, which has been cleared by the Central Bank. The Manager employs a Risk Management Process in respect of the Fund which enables it to accurately measure, monitor and manage the various risks associated with these FDIs. The ICAV will on request provide supplementary information to investors relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments in respect of the Fund.

## 10. HEDGING TRANSACTIONS

The Fund will seek to hedge the foreign currency exposure of Classes denominated in a currency other than the Base Currency of the Fund in order that investors in that Class receive a return in the currency of that Class substantially in line with the investment performance of the relevant Fund.

There can be no assurance that such hedging transactions will be effective so far as the Shareholders of the relevant Classes are concerned. Further details of the allocation to the relevant Class of the gains/losses on and the costs of the relevant financial instruments relating

to class specific hedging are included in the Prospectus under the heading "Hedged Share Classes". The ICAV will appoint a service provider (which may without limitation be the Investment Manager, the Depositary or an affiliate of the Depositary) to implement the share class currency hedging arrangements described in this Supplement on a non-discretionary basis. The fees payable to any such service provider are set out under the heading "Fees and Expenses" below and shall be payable out of the assets of the Fund (attributable to the relevant Class).

## 11. RISK FACTORS

The general risk factors set out under the heading **RISK FACTORS** section of the Prospectus apply to the Fund. These risk factors 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 a subscription request for Shares. The investments of the Fund may be subject to market fluctuations, currency fluctuations, emerging markets risks, custody and settlement risks, registration risk and foreign exposure risk.

In addition, the following risk factors apply to the Fund:

### 11.1. General Risk

The net asset value of the Fund and investment return will fluctuate based upon changes in the value of its portfolio securities. The market value of a security may move up or down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. U.S. and international markets have experienced, and may continue to experience, volatility, which may increase risks associated with an investment in the Fund. The market value of securities in which the Fund invests is based upon the market's perception of value and is not necessarily an objective measure of the securities' value. In some cases, for example, the stock prices of individual companies have been negatively affected even though there may be little or no apparent degradation in the financial condition or prospects of the issuers. Similarly, the debt markets have experienced substantially lower valuations, reduced liquidity, price volatility, credit downgrades, increased likelihood of default, and valuation difficulties. As a result of this significant volatility, many of the following risks associated with an investment in the Fund may be increased. Continuing market volatility may have adverse effects on the Fund.

There is no assurance that the Fund will achieve its investment objective and you could lose part or all of your money by investing in the Fund. The Fund is designed primarily for investors seeking current income from the Fund that typically invests mainly in a variety of US and non-US high-yield, high-risk debt securities. Those investors should be willing to assume the credit risks of the Fund that typically invests a significant amount of its assets in below investment-grade debt securities and the price changes in those securities that can occur when interest rates change. The Fund is not designed for investors who need an assured level of current income. The Fund is intended to be a long-term investment. The Fund is not a complete investment program and may not be appropriate for all investors. Investors should carefully consider their own investment goals and risk tolerance before investing in the Fund. The principal risks of investing in the Fund are:

#### Asset-Backed and Mortgage Related Securities Risk

Investments in asset-backed and mortgage related securities are subject to market risks for fixed-income securities which include, but are not limited to, interest rate risk, prepayment risk and extension risk.

### 11.2. Convertible Securities Risk

The value of a convertible security typically increases or decreases with the price of the underlying common stock. In general, a convertible security is subject to the risks of stocks when the underlying stock's price is high relative to the conversion price and is subject to the risks of debt

securities when the underlying stock's price is low relative to the conversion price. Many convertible securities have credit ratings that are below investment grade and are subject to the same risks as an investment in lower-rated debt securities (commonly known as "junk bonds"). In addition, because companies that issue convertible securities may be small- or mid-cap companies, to the extent the Fund invests in convertible securities issued by small- or mid-cap companies, it will be subject to the risks of investing in such companies. The stocks of small- and mid-cap companies may fluctuate more widely in price than the market as a whole and there may also be less trading in small- or mid-cap stocks.

#### 11.3. **Distressed Investment Risk**

The Fund may invest in distressed investments, which are issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. These investments may present a substantial risk of default or may be in default at the time of investment. The Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of the issuer.

#### 11.4. **Dividend Risk**

An issuer of stock held by the Fund may choose not to declare a dividend or the dividend rate might not remain at current levels. Dividend paying stocks might not experience the same level of earnings growth or capital appreciation as non-dividend paying stocks.

#### 11.5. **Floating Rate Securities Risk**

The interest rates payable on floating rate securities are not fixed and may fluctuate based upon changes in market rates. The interest rate on a floating rate security is a variable rate which is tied to another interest rate, such as a money-market index or Treasury bill rate. Floating rate securities are subject to interest rate risk and credit risk.

As short-term interest rates decline, interest payable on floating rate securities typically should decrease. Alternatively, during periods of increasing interest rates, changes in the interest rates of floating rate securities may lag behind changes in market rates or may have limits on the maximum increases in interest rates. The value of floating rate securities may decline if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline.

#### 11.6. **Non-US Investing Risk**

Non-U.S. investments carry potential risks not associated with U.S. investments. Such risks include, but are not limited to: (1) currency exchange rate fluctuations, (2) political and financial instability, (3) less liquidity and greater volatility, (4) lack of uniform accounting, auditing and financial reporting standards, (5) increased price volatility, (6) less government regulation and supervision of foreign stock exchanges, brokers and listed companies; and (7) delays in transaction settlement in some foreign markets.

#### 11.7. **High Yield Securities Risk**

Investing in high yield, below investment-grade securities (commonly referred to as "junk bonds") generally involves significantly greater risks of loss of your money than an investment in investment grade securities. High yield debt securities may fluctuate more widely in price and yield and may fall in price when the economy is weak or expected to become weak. High yield securities are considered to be speculative with respect to an issuer's ability to pay interest and principal and carry a greater risk that the issuers of lower-rated securities will default on the timely payment of principal and interest. Below investment grade securities may experience greater price volatility and less liquidity than investment grade securities.

#### 11.8. **Illiquid and Unlisted Securities Risk**

Subject to compliance with the Regulations, certain of the Fund's investments may not be listed or traded on Markets and may therefore have no active trading market. Such securities may be more difficult to purchase or sell at an advantageous time or price because such securities may not be readily marketable. The Fund may not be able to sell an illiquid or unlisted security when the Investment Manager considers it desirable to do so and/or may have to sell the security at a lower price than the Fund believes is its fair market value. In addition, transaction costs may be higher for restricted securities and the Fund may receive only limited information regarding the issuer of a restricted security. The Fund may have to bear the expense of registering restricted securities for resale and the risk of substantial delays in effecting the registration.

#### 11.9. **Interest Rate Risk**

The Fund is subject to the risk that the market value of fixed income securities or derivatives it holds, particularly mortgage backed and other asset backed securities, will decline due to rising interest rates. As of the date of this Prospectus, interest rates are near historic lows, but may rise substantially and/or rapidly, potentially resulting in substantial losses to the Fund. Generally, the value of investments with interest rate risk, such as fixed income securities, will move in the opposite direction to movements in interest rates. The prices of fixed income securities or derivatives are also affected by their duration. Fixed income securities or derivatives with longer duration generally have greater sensitivity to changes in interest rates. For example, if a bond has a duration of four years, a 1% increase in interest rates could be expected to result in a 4% decrease in the value of the bond. An increase in interest rates can impact markets broadly as well. For example, some investors buy securities and derivatives with borrowed money; an increase in interest rates can cause a decline in those markets.

#### 11.10. **Loan Interests Risk**

Unlike publicly traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding the Fund's ability to pay redemption proceeds within the allowable time periods stated in its prospectus. The secondary market for floating rate loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain floating rate loans may impair the ability of the Fund to sell its loan interests at a time when it may otherwise be desirable to do so or may require the Fund to sell them at prices that are less than what the Fund regards as their fair market value and may make it difficult to value such loans. Interests in loans made to finance highly leveraged companies or transactions, such as corporate acquisitions, may be especially vulnerable to adverse changes in economic or market conditions. When the Fund's loan interest is a participation, the Fund is subject to the risk that the party selling the participation interest will not remit the Fund's pro rata share of loan payments to the Fund and the Fund may have less control over the exercise of remedies than the party selling the participation interest.

#### 11.11. **Market Timing Risk**

Frequent trading by Fund shareholders poses risks to other shareholders in that Fund, including (i) the dilution of the Fund's NAV, (ii) an increase in the Fund's expenses, and (iii) interference with the portfolio manager's ability to execute efficient investment strategies. Because of specific securities in which the Fund may invest, it could be subject to the risk of market timing activities by shareholders.

#### 11.12. **Municipal Securities Risk**

Municipal securities could be adversely affected by adverse political and legislative changes. Changes in the financial condition of a municipality may affect the ability of a municipal issuer to

make interest and principal payments on a security as they become due. Changes in interest rates and market conditions may directly impact the liquidity and valuation of municipal securities, which may affect the yield and value of the Fund's municipal securities investments. A downgrade in the issuer's or security's credit rating can reduce the market value of the security.

#### **11.13. Prepayment and Extension Risk**

Prepayment risk is the risk that the principal amount of the underlying collateral may be repaid prior to the bond's maturity date. Due to a decline in interest rates or excess cash flow, a debt security may be called or otherwise prepaid before maturity. If this occurs, no additional interest will be paid on the investment and the Fund may have to invest at a lower rate, may not benefit from an increase in value that may result from declining interest rates, and may lose any premium it paid to acquire the security. Variable and floating rate securities may be less sensitive to prepayment risk. Extension risk is the risk that a decrease in prepayments may, as a result of higher interest rates or other factors, result in the extension of a security's effective maturity, heighten interest rate risk and increase the potential for a decline in price.

#### **11.14. U.S. Government Securities Risk and Government Sponsored Enterprises Risk**

A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed by the applicable entity only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Securities held by the Fund that are issued by government-sponsored enterprises, such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal Home Loan Banks, Federal Farm Credit Banks, and the Tennessee Valley Authority are not guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. Government. U.S. Government securities and securities of government sponsored entities are also subject to credit risk, interest rate risk and market risk.

#### **11.15 Sustainability Risks**

Pursuant to SFDR, the Manager in respect of 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 has integrated sustainability risks in its investment decision making process and also reviews sustainability risks as part of its risk monitoring process. Steps are taken by the Investment Manager to identify and assess sustainability risks relating to each potential investment as part of its decision making process. The Investment Manager's assessment is that the integration of sustainability risks into its processes should generally help to mitigate any potential material negative impact of such risks on the returns of the Fund, although there can be no assurance that all such risks will be mitigated in whole or in part, nor identified prior to the date of investment.

### **12. DIVIDEND POLICY**

The Directors do not anticipate distributing dividends from net investment income in respect of the non-distributing Classes of Shares and accordingly, income and capital gains arising in respect of such Shares will be re-invested in the Fund and reflected in the Net Asset Value per Share of such Shares.

It is the current intention of the Directors to declare dividends in respect of the distributing Classes of Shares. Dividends may be paid out of net income (including dividend and interest income) and the excess of realised and unrealised capital gains net of realised and unrealised losses in respect of investments of the ICAV.

Dividends will usually be declared annually on the last Business Day in January (or at a time and frequency to be determined at the discretion of the Directors following prior notification to the Shareholders) and will be distributed five Business Days later to the Shareholder of record as of the date of declaration of the dividend. Dividends will be automatically reinvested in additional Shares of the same Class of the relevant Fund unless the Shareholder has specifically elected on the application form or subsequently notified the Administrator in writing of its requirement to be paid in cash sufficiently in advance of the declaration of the next distribution payment.

Cash payments will be made by electronic transfer to the account of the Shareholder specified in the application form or, in the case of joint holders, to the name of the first Shareholder appearing on the register, within six (6) weeks of their declaration and in any event within four months of the year end. Any distribution which is unclaimed six (6) years from the date it became payable shall be forfeited and shall revert to the relevant Fund.

If the dividend policy of a Class should change, full details will be provided in an updated Supplement and Shareholders will be notified in advance of the change in policy.

### 13. PROFILE OF A TYPICAL INVESTOR

The Fund is designed for retail and institutional investors seeking pooled exposure to the higher yielding fixed income market, and who are comfortable with a higher level of investment risk. It is expected that the Fund will be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. Security prices will fluctuate and may fall in value. It is important to understand that the Fund should be viewed as a medium to long term investment.

### 14. KEY INFORMATION FOR BUYING AND SELLING

#### Base Currency

The Base Currency of the Fund is US Dollar.

#### Shares available for subscription

Shares of the Fund are currently available for subscription in the following denominations:

US Dollar	Institutional (Capitalisation)
Euro hedged	Institutional (Distribution)
Euro hedged	Institutional (Capitalisation)
Euro hedged	Retail (Capitalisation)
GBP hedged	Institutional (Capitalisation)

#### Minimum Investment Levels

##### Minimum initial investment amount

US Dollar Institutional Class (Cap):	\$250,000 or equivalent in another acceptable currency
Euro hedged Institutional Class (Dis):	\$250,000 or equivalent in another acceptable currency

Euro hedged Institutional Class (Cap):	\$250,000 or equivalent in another acceptable currency
Euro hedged Retail Class (Cap):	\$1 or equivalent in another acceptable currency
GBP hedged Institutional Class (Cap):	£250,000 or equivalent in another acceptable currency
USDollar QI (Cap):	\$250,000 or equivalent in another acceptable currency

#### **Minimum additional investment amount**

US Dollar Institutional Class (Cap):	\$100 or equivalent in another acceptable currency
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Euro hedged Institutional Class (Dis):	\$100 or equivalent in another acceptable currency
Euro hedged Institutional Class (Cap)	\$100 or equivalent in another acceptable currency
Euro hedged Retail Class (Cap):	\$1 or equivalent in another acceptable currency
GBP hedged Institutional Class (Cap)	£100 or equivalent in another acceptable currency
USDollar QI (Cap):	\$100 or equivalent in another acceptable currency

These minimum investment and minimum additional investment amounts may be reduced or waived at the discretion of the Directors, provided that Shareholders in the same Class shall be treated equally and fairly. The Directors will close the Initial Offer Period in accordance with the requirements of the Central Bank and the Fund will begin acquiring assets once the Fund has received €20 million in subscriptions, provided that the Directors may resolve to reduce this minimum amount in their absolute discretion.

#### **Minimum Fund Size**

If the Fund's assets fall below US\$15 million, the Directors may, at their absolute discretion, following discussion with the Manager, resolve to terminate the Fund.

#### **Initial Offer Period**

The Initial Offer Period for the USDollar QI Shares will open at 9:00am (Irish time) on 2 June 2022 and shall continue until 5.00 pm (Irish time) on 2 December 2022 and shall be issued at the Initial Issue Price, as set out below. The Initial Offer Period of each class of Shares may be extended or shortened as the Directors may determine in accordance with the requirements of the Central Bank.

The Initial Offer Period for the GBP hedged Institutional Class (Cap) Shares opened at 9:00am (Irish time) on 30 March 2021 and shall continue until 5.00 pm (Irish time) on 29 September 2021 and shall be issued at the Initial Issue Price, as set out below. The Initial Offer Period of each class of Shares may be extended or shortened as the Directors may determine in accordance with the requirements of the Central Bank.

The Initial Offer Period for the US Dollar Institutional Class (Cap) Shares and Euro hedged Retail Class (Cap) Shares opened at 9:00am (Irish time) on 18 January 2019 and shall continue until 5.00 pm (Irish time) on 17 July 2019 and shall be issued at the Initial Issue Price, as set out below.

The Initial Offer Period of each class of Shares may be extended or shortened as the Directors may determine in accordance with the requirements of the Central Bank.

After the Initial Offer Period of each Class, such Class will be available for subscription at the Net Asset Value per Share.

The Initial Offer Period for the Euro hedged Institutional Class (Dis) Shares and the Euro hedged Institutional Class (Cap) Shares has now closed and accordingly such Shares will be available for subscription at the Net Asset Value per share.

### **Initial Issue Price**

US Dollar Institutional Class (Cap):	USD 100
Euro hedged Institutional Class (Dis):	Euro 100
Euro hedged Institutional Class (Cap)	Euro 100
Euro hedged Retail Class (Cap):	Euro 100
GBP hedged Institutional Class (Cap)	GBP 100
USDollar QI (Cap)	USD 100

### **Swing Pricing**

On any Dealing day where there are net subscription requests, the valuation of the underlying assets will switch from a bid basis to an offer basis. In such circumstances, the Net Asset Value on that particular Dealing Day will be adjusted by an amount determined by the Directors (upwards in the case of net subscriptions) to reflect the dealing costs which may be incurred by the Fund and any anticipated fiscal charges and the estimated bid/offer spread of the underlying assets (the "Swing Factor"). The Swing Factor will typically be in the region of 0.40% and will not exceed 2% of Net Asset Value.

### **Business Day**

Any day (except Saturday or Sunday) on which the banks in Ireland and New York are open generally for business, or such other day as the Directors may, with the consent of the Depositary, determine and notify to Shareholders in advance.

### **Dealing Day**

The Fund shall be open to dealing on every Business Day.

### **Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline for Subscriptions and Redemptions is defined as 3:00 p.m. (Irish time) on the relevant Dealing Day or such other day or time as the Directors may determine provided it is prior to the relevant Valuation Point.

### **Settlement Date**

Subscription monies must be received by and generally payment for Shares redeemed will be effected by the 2nd Business Day falling after the Dealing Day on which the redemption request was received. However, the ICAV may, at its absolute discretion, refuse to satisfy a redemption request or make any other payment to a Shareholder or at the direction of a Shareholder if such payment would result in a breach of the guidelines in operation from time to time in relation to the



detection and prevention of money laundering. Redemption proceeds will be paid in the currency of the relevant Class.

### Valuation Point

The Valuation Point shall be 11.00p.m. (Irish time) on the relevant Dealing Day, or such other time as the Directors may on an exceptional basis determine and notify in advance to Shareholders, provided that there shall always be a Valuation Point for each Dealing Day and the Valuation Point shall always be after the Dealing Deadline. This Supplement shall be updated in the event of a change of the Valuation Point.

## 15. FEES AND EXPENSES

The fixed fees payable by the Fund are currently as set out below. The fees and out-of-pocket expenses of the Manager, the Investment Manager, the Advisory and Marketing Support Agent, the Administrator, the Depositary, the relevant portion of the Directors' fees payable by the ICAV which have been allocated to the Fund, administrative expenses of the Fund, sub-depositary fees (which shall be charged at normal commercial rates), the regulatory levy of the Fund, establishment costs, registration costs and other administrative expenses shall be discharged out of the Fixed TER specified below.

The Fixed Management Fee covers the fees and out-of-pocket expenses of the Manager, Investment Manager and Advisory and Marketing Support Agent. The Fixed Currency Hedging Fee is payable to the relevant service provider in respect of the implementation of the share class currency hedging arrangements described in this Supplement. The other fees and expenses listed above will be paid out of the Fixed Service Fee.

In circumstances where the other fees and expenses accrued by the Fund, which are listed above as being paid out of the Fixed Service Fee, exceed the Fixed Service Fee set out below, those excess other fees and expenses shall be discharged from the Fixed Management Fee payable out of the assets of the Fund before it is paid to the Manager, Investment Manager and Advisory and Marketing Support Agent and the amount remaining for payment to such parties shall be reduced accordingly.

For the avoidance of doubt, the Fixed Management Fee, Fixed Service Fee and Fixed Currency Hedging Fee comprising the Fixed TER specified below are payable out of the assets of the Fund at the levels specified below in all cases, including for example where the fees and out-of-pocket expenses of the Manager, Investment Manager and Advisory and Marketing Support Agent are less than the Fixed Management Fee and/or where the other fees expenses listed above as being paid out of the Fixed Service Fee are less than the Fixed Service Fee.

	US Dollar Institutional Share Class (cap)	Euro hedged Institutional Share Class (dis)	Euro hedged Institutional Share Class (cap)	Euro hedged Retail Share Class (cap)	GBP hedged Institutional Share Class (cap)	USDollar QI (cap)
<b>Fixed Management Fee</b>	.60% of NAV	.60% of NAV	.60% of NAV	1.00% of NAV	.60% of NAV	.80% of NAV
<b>Fixed Service Fee</b>	.15% of NAV	.15% of NAV	.15% of NAV	.25% of NAV	.15% of NAV	.15% of NAV
<b>Fixed</b>	N/A	.08% of	.08% of	.08%	.08% of	N/A

<b>Currency Hedging Fee</b>		NAV	NAV	of NAV	NAV	
<b>Fixed TER</b>	<b>.75% of NAV</b>	<b>.83% of NAV</b>	<b>.83% of NAV</b>	<b>1.33% of NAV</b>	<b>.83% of NAV</b>	<b>.95% of NAV</b>

The Fixed Management Fee, Fixed Service Fee and Fixed Currency Hedging Fee will accrue daily and are payable quarterly in arrears out of the assets of the Fund.

This section should be read in conjunction with the section entitled Fees and Expenses in the Prospectus.

## APPENDIX 1

**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:** SIM US High Yield Opportunities Fund **Legal entity identifier:** 6354005J7DCZSYFJP173

## 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**

**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.



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

The Fund aims to promote environmental and social characteristics in accordance with Article 8 of SFDR through its investment selection process. The Investment Manager defines environmental and social characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact.

The Investment Manager promotes the following environmental and social factors when assessing sustainability risks and investment selection to promote environmental and/or social characteristics, including but not limited to:

Environmental - The Fund will promote good environmental practices through assessing whether an issuer has an environmental policy, has published targets to reduce their carbon

footprint or released information regarding their current carbon emissions; and/or is facing any lawsuits, allegations or regulatory breaches relating to environmental concern or neglect, and focusing investments in companies that have these positive environmental characteristics, or if not, remediation programs in place to improve on these characteristics.

Social - The Fund will also promote good social practices by assessing an issuer's health and safety track record, anti-discriminatory hiring practices, breaches of regulatory requirements, any pending lawsuits and recent proxies that received significant shareholder dissent, and focusing investments in companies that have positive records on these social characteristics, or if not, remediation programs in place to improve on these characteristics.

The above is achieved by the identification of environmental, social, and governance indicators, that have a positive environmental and/or social impact, by the Investment Manager as part of its debt and/or equity picking process through its proprietary research and analysis. In addition, the Investment Manager shall adhere to the exclusionary principles set out in the Supplement under the heading "Investment Policies", subparagraph "Investment Strategy" and as discussed further below.

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?***

The Fund will review a range of both quantitative and qualitative indicators in determining whether an issuer supports good environmental and social practices. The tools utilized by the Fund to identify investments that align with its philosophy that companies with sustainable business practices have a competitive advantage may include but are not limited to its own proprietary research; third party quantitative ESG data provided by MSCI together with its ESG scoring system, and investee company and industry publicly available data.

These tools and the Investment Manager's internal research will focus on: whether an issuer has an environmental policy, has published targets to reduce their carbon footprint or released information regarding their current carbon emissions; is committed to reducing waste; and/or is facing any lawsuits, allegations or regulatory breaches relating to environmental concern or neglect. The Fund may also assess additional indicators specific to an investee company's business and the industry in which it operates, such as water conservation, Co2 thresholds, and environmental remediation commitments. Included in this assessment will be a Company's relative ranking in its industry compared to comparable issuers on environmental or social characteristics.

With respect to Social characteristics, the Investment Manager will assess an issuer's health and safety track record, breaches of regulatory requirements, anti-discriminatory hiring practices, any pending lawsuits and recent proxies that received significant shareholder dissent.

These measures and indicators are used and fully integrated into the research process and are fully part of the investment process, sitting alongside the Investment Manager's other investment decision-making processes.

● ***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. The Fund does not have objectives of sustainable investment.

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

● **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.

**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.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy.



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

Yes, \_\_\_\_\_

No



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

The Investment Manager has three principles in selecting investments in issuers with sustainable business practices being taken into account by the Investment Manager when undertaking company level analysis to comprise the Fund's "core" portfolio, as further detailed in the section of the Supplement of the Fund entitled "Investment Policies", sub-section "Investment Strategy". First, in selecting its investments the Investment Manager seeks to gain exposure to issuers operating in industries with positive long-term trends such as demographics, technology, regulations, etc. which will provide fundamental support for that industry and the Fund's investment throughout the business cycle of the industry. Second, the Investment Manager seeks to avoid investing in issuers operating in industries it considers ill-suited to high

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

levels of leverage due to factors in those industries such as volatile revenues, a need for high capital expenditure or other adverse long-term trends. Finally, the Investment Manager analyzes investments in issuers operating in industries it has selected for investment by the Fund from the perspective of a chief financial officer of that issuer, in order to ensure that the issuer's products, balance sheet, cash flows, capital expenditure levels and return on capital invested will be sustainable in the longer-term. In addition to this "core" portfolio, the Investment Manager will also opportunistically seek to invest in issuers operating in "out-of-favor" industries. The Investment Manager will first seek to determine that the industry is viable in the long term, and will then look for catalysts for a correction within that industry. Typically, this is a rebalancing of supply to demand through the removal of excess supply from the industry as weaker issuers operating within that industry firms are forced to close down or exit the industry. The Investment Manager seeks companies within those industries that have a pathway to survive the industry downturn. Investments in "out-of-favor" sectors/industries may represent up to one-third of the portfolio of investments of the Fund. The Fund's "out-of-favor" investments will be diversified across industries and/or subsectors of the capital markets. In seeking to achieve the Fund's investment objective, the Investment Manager takes sustainability and environmental, social and governance ("ESG") considerations into account as part of its investment decision-making process.

The Investment Manager implements the Fund's investment strategy on a continuous basis through the above investment process and the assessment of sustainability indicators, as further detailed above.

● ***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 Manager's approach also integrates exclusionary principles as detailed under the heading "Investment Policies" in the Supplement of the Fund. The Fund's investment strategy has the following binding elements used to select the investments to attain each of the environmental or social characteristics promoted by this financial product:

The Investment Manager will review each proposed investment for the Fund with respect to ESG characteristics and compliance. In this regard, the Investment Manager applies the following exclusion criteria which means that the Fund shall not be invested in companies which, themselves or through entities they control:

- (i) produce weapons that violate fundamental humanitarian principles through their normal use;
- (ii) sell weapons or military material to states that are subject to investment restrictions on government bonds;
- (iii) produce tobacco;
- (iv) extract oil sands;
- (v) produce coal;
- (vi) are involved in Arctic oil and gas exploration;
- (vii) are in violation of the International Labor Organization's labor standards, the United Nations Guiding Principles for Business and Human Rights, the UN Global Compact and the OECD Guidelines for Multinational Enterprises; and those companies that are listed on the Norges Bank exclusion list.
- (viii) investments in securities that are included on the Norges Bank Exclusion list; and/or
- (ix) do not meet the Investment Manager's minimum threshold for good governance practices as determined by the Investment Manager's good governance policy.

In addition to the general investment restrictions set out in the Prospectus of the ICAV, the Fund will not invest in the debt or equities of any companies that do not conform to the ESG criteria, as set out in the section 'Investment Strategy' in the Supplement of the Fund. The Fund shall not invest in those companies that have been included in the Norges Bank exclusion list, a list which applies the guidelines for the observation and exclusion of companies as detailed in the Supplement of the Fund. The Norges Bank exclusion list is being monitored on an on-going basis by the Investment Manager using its internal compliance systems, in consultation with the Advisory and Marketing Support Agent, which provides advice to the Investment Manager regarding companies to exclude using ESG criteria in accordance with the guidelines for the observation and exclusion of companies as set out above.

The investment manager a signatory to the UN Principles for Responsible Investment and utilises the principles set out by the UN Principles for Responsible Investment as a guiding framework.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?** Not applicable – The Investment Manager does not have a committed minimum rate to reduce the scope of investments considered prior to the application of the investment strategy.
- **What is the policy to assess good governance practices of the investee companies?** A good governance assessment is the first step of the Investment manager's three step Environmental, Social and Governance assessment. The good governance assessment is used to assess a potential investment taking into account a number of indicators, which reflect widely recognised industry established good governance norms. An issuer must pass the Investment Manager's 'good governance' assessment in order to meet the Fund's criteria for investment, as outlined below.

Investee companies are assessed against a variety of factors and metrics, incorporating the key areas of corporate practice which are highlighted in SFDR, being sound management structures, strong employee relations, fair remuneration of staff, and tax compliance. In particular, the Investment Manager will assess against the following factors and metrics:

- (i) *Labour management* – Assessment of whether the company is compliant with the 3<sup>rd</sup> principle on labor relations on the UN Global Compact and is not on the non-compliance list;
- (ii) *Business ethics, bribery and corruption* – Assessment of whether the company is compliant with the 10<sup>th</sup> principle on anti-bribery and corruption of the UN Global Compact and is not on the non-compliance list;
- (iii) *Accurate reporting* – An assessment of whether the company has published unqualified audited financial statements and reports;
- (iv) *Board oversight* – An assessment of whether the Supervisory Board of the company, if applicable, has at least one independent board member;
- (v) *Taxation and tax compliance* – An assessment of whether the company has no significant controversies on in relation to taxation and accounting; and
- (vi) *Executive pay* – An assessment of whether the company has appropriate compensation metrics for management that align their interests with those of other shareholders.

Additional factors may be considered by the Investment Manager on behalf of the Fund, as part of the assessment process, and the weight given to these indicators may change over time.

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



The second and third parts of the assessment focus on social and environmental practices respectively. As part of the assessment of good social practices, the Investment Manager will consider health and safety issues, breaches of regulatory requirements, any pending lawsuits and recent proxies that received significant shareholder dissent. The Investment Manager may also consider other social factors as part of this limb of its ESG assessment process including evaluating an issuer's position on certain social characteristics as part of its ESG assessment process.

The Investment Manager is of the opinion that companies should have suitable practices and policies in place across all these areas to ensure that they are best placed to evolve in a sustainable manner over the long-term. The Investment Manager actively engages with its investee companies on good governance practices during the due diligence process and on a continual basis upon inclusion in the Fund.

From an engagement perspective, where the Investment Manager believes engagement will have a material impact, the Investment Manager will actively engage with issuers that materially breach minimum behavioral norms in areas such as human rights, labour relations, environmental issues and anti-corruption. These norms are represented by the United Nations Universal Declaration of Human Rights, the ILO's labor standards, the UNGPs, the UNGC and the OECD Guidelines for Multinational Enterprises. The desired outcome of such engagement is the elimination and remediation of any breach and enhancements in management processes aimed at avoiding any repeated breach.

The ICAV and Manager have appointed an Advisory and Marketing Support Agent, which provides non-discretionary advice on certain ESG considerations to the Investment Manager to support the 'good governance' assessment, such as:

- Environmental: The Investment Manager assesses how a company performs as a steward of nature. The Investment Manager analyses how the Fund's activities impact the environment and manages environmental risks.
- Social: The Investment Manager examines the strengths and weaknesses of how a company manages relationships with employees, suppliers, customers, and the communities where it operates.
- Governance: The Investment Manager evaluates a company's leadership, executive pay, audits, internal controls, and shareholder rights.

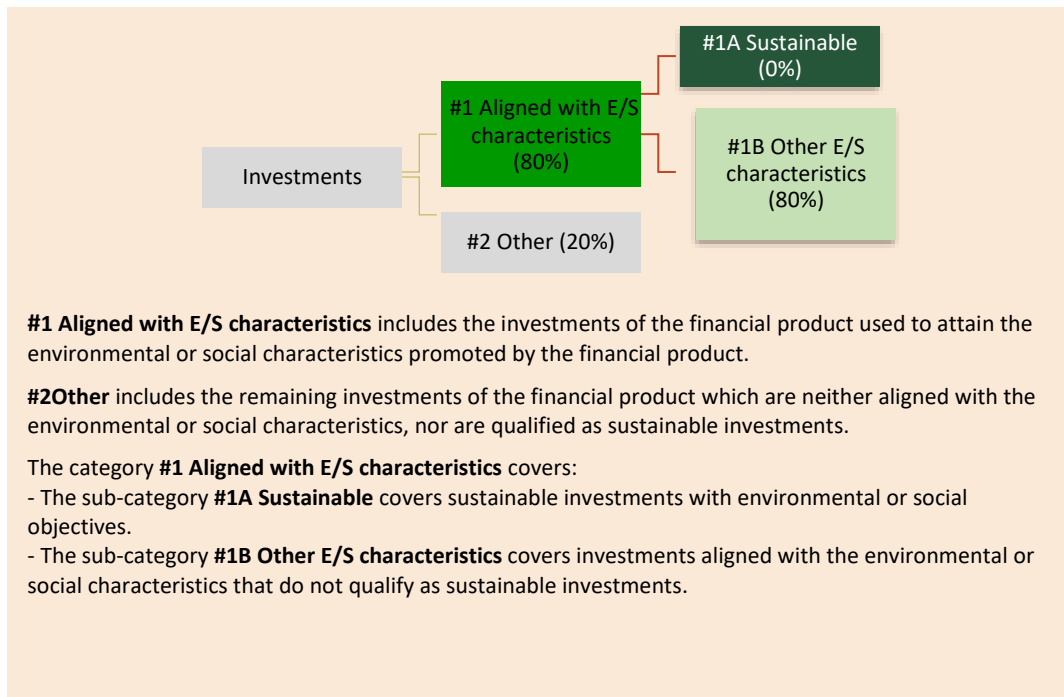


**What is the asset allocation planned for this financial product?** The Fund allocates the majority (at least 80%) of its assets to non-investment grade or unrated fixed income securities and/or financial derivative instruments, that provide exposure to non-investment grade or unrated fixed income securities. These investments can be categorised as "#1 Aligned with E/S characteristics". The Fund does not commit to making sustainable investments. The remaining investments in the Fund can be categorised as "#2 Other". Investments that might fall under "#2 Other" include fixed income or equity securities (not aligned with E/S characteristics), cash positions, cash equivalents and currency forwards (used for hedging purposes).

**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.



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** The Fund uses derivatives solely for currency hedging purposes and not to promote environmental or social characteristics.



**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%.

● **Does the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas     In nuclear energy

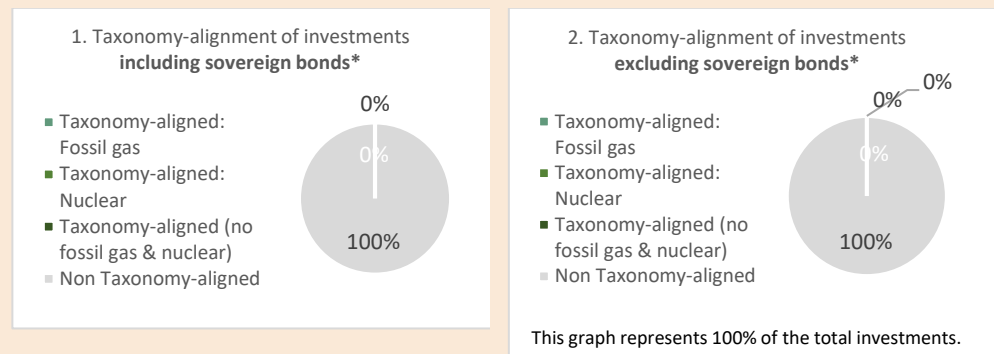
No

<sup>1</sup> 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.



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

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 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 minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy is 0% of the NAV.



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

The minimum share of socially sustainable investments is 0% of NAV.



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

Investments in “#2 Other” include investments that may not promote an environmental or social goal but these investments must still, at a minimum, meet the Fund's good governance criteria and exclusionary policies. Investments that might fall under “#2 Other” include fixed income or equity securities (not aligned with E/S characteristics), cash positions, cash equivalents and currency forwards (for hedging purposes). The Investment Manager may invest in “#2 Other” investments where the Investment Manager believes such investments are consistent with the Fund's investment objective and in accordance with the Fund's investment policy, further details can be found within the Supplement under the header "Investment Policies" and defined as "Other Securities Allocation".

Given the nature of such investments, there is no minimum environmental or social safeguards. Although the basic precondition used in the selection of the Fund's assets is the alignment to the E/S characteristics, there may be occasions when this is not the case.



**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?** An index has not been designed as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.

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

Not applicable, as above.

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

Not applicable, as above.

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

Not applicable, as above.

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

Not applicable, as above.

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



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

**More product-specific information can be found on the website:** Fund data, documents, supplemental information and contact information for more information is available on: <https://candoris.nl/investment-strategies/us-high-yield/>