

## Appendix II

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

**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.

**Product name:** Yacktman US Equity Fund

**Legal entity identifier:** 5493007CIEHJ567F8J49

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ____%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ____%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



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

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

The investment objective of the Fund is to achieve long-term capital growth. In working toward this objective, the Sub-Investment Manager believes that financially material and relevant ESG factors may affect the sustainability of companies' future earnings and profitability. As such, ESG factors, when relevant and financially material, are some of a broad array of factors considered during the assessment of

risk-adjusted forward rates of return and long-term investment prospects of a business.

The ESG factors which are deemed financially material may vary from sector to sector and from company to company. As an example, for one particular sector, product safety may be considered a material and relevant factor when assessing future earnings and profitability of a company, and therefore, the Sub-Investment Manager may place significant weight on the strength of product safety practices at a company in this sector when performing its assessment. Product safety may, however, be irrelevant and financially immaterial in another sector and, therefore, may not be considered during the investment analysis of a company in this sector.

**Environmental characteristics:**

Where deemed financially material to the forward rate of return of a business, the Sub-Investment Manager may consider a range of environmental characteristics, including:

- Overall strong environmental practices regarding areas such as water usage, pollution, and waste management;
- GHG emissions disclosure; and
- Lack of or well-managed environmental controversies.

**Social characteristics:**

Where deemed financially material to the forward rate of return of a business, the Sub-Investment Manager may consider a range of social characteristics, including:

- Human rights considerations;
- Efficient and effective supply chain management;
- Product safety standards; and
- Lack of or well-managed social controversies.

Additionally, strong corporate governance is a fundamental and ongoing consideration within the Sub-Investment Manager's investment process, as the Sub-Investment Manager believes companies with strong management and a receptiveness to constructive engagement are well-positioned to monitor, manage, and improve upon their response to environmental and social risks that are relevant to their businesses now and in the future. In pursuing this investment process, the Sub-investment Manager's additional ESG considerations may include but are not limited to:

- ESG reporting, disclosures, and transparency; and
- Potential for positive rate of change in ESG practices (i.e., a company has improved/looks to be improving its' ESG practices, as measured by the Sub-Investment Manager).

In summary, the Sub-Investment Manager believes that the consideration of a broad array of risk factors, including ESG factors where financially material, is critical to generating strong risk-adjusted returns over time.

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

The materiality of environmental and social indicators which are analysed to measure the attainment of the environmental and social characteristics may vary considerably from industry to industry and from company to company and, in addition, may be dependent on data availability. For example, for some companies, toxic waste may be a material risk to the business if poorly managed, whereas this same issue is immaterial to other companies.

While areas below are not necessarily financially material to all firms or sectors, examples of environmental and social indicators may include, but are not limited to:

**Environment**

- Disclosing GHG emissions;
- Overall strong environmental practices regarding areas such as water usage, pollution, and waste management;
- Compliance with the United Nations Global Compact's Environment Principles, specifically:
  - Principle 7: Businesses should support a precautionary approach to environmental challenges;
  - Principle 8: undertake initiatives to promote greater environmental responsibility;
  - Principle 9: encourage the development and diffusion of environmentally friendly technologies; and
- Lack of or well-managed environmental controversies

**Social**

- Compliance with the United Nations Global Compact's Human Rights Principles, specifically
  - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
  - Principle 2: make sure that they are not complicit in human rights abuses;
- Compliance with the United Nations Global Compact Labour Principles, specifically:
  - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - Principle 4: the elimination of all forms of forced and compulsory labour;
  - Principle 5: the effective abolition of child labour; and
  - Principle 6: the elimination of discrimination in respect of employment and occupation;
- Product safety; and
- Lack of or well-managed social controversies.

When assessing these indicators, the Sub-Investment Manager may also consider areas including:

- Corporate governance indicators (described in the following sections);
- Benefits to society and/or the global economy of a given firm or sector;
- A positive rate of change on topics deemed material; and
- Identification of areas of potential improvement that leads to proxy voting/engagement with companies on material matters.

The Sub-Investment Manager believes that there is considerable nuance in weighing investment indicators (ESG-related indicators or otherwise), and that context is important to consider when analysing a business.

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

N/A

**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.

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

N/A

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

N/A

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

N/A

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

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

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



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

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

No



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

The investment objective of the Fund is to achieve long-term capital growth. This objective is achieved through the generation of strong risk-adjusted returns over a full market cycle. To that end, the Sub-Investment Manager will invest mainly in common stocks of U.S. companies, with select exceptions if and where deemed suitable. The Sub-Investment Manager employs a disciplined investment strategy

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

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

that can invest in companies of any size at what the Sub-Investment Manager determines are attractive prices for such.

The Sub-Investment Manager does not manage to a benchmark and invests without specific regard to the market capitalisations or sectors of such issuers; accordingly, the Fund may exhibit considerable differentiation from peers and market indices in that regard. However, the Sub-Investment Manager will typically prefer larger companies to smaller companies and the Fund will not concentrate 25% or more of its total assets in securities of any one industry. This limitation does not apply to obligations (such as bonds, preferential shares, and convertible securities) issued or guaranteed by the U.S. Government, or its agencies or instrumentalities. The Fund will sell or trim its investments in companies that no longer meet the Sub-Investment Manager's investment criteria, or if better investment opportunities are available.

The Sub-Investment Manager considers ESG-related factors, where relevant and financially material, as part of its assessment of the risks to a business and its effort to identify business that will generate strong risk-adjusted forward rates of return. The Sub-Investment Manager believes that the consideration of a broad array of factors, which would include ESG factors where relevant and material, is critical to generating strong risk-adjusted returns over time. Strong corporate governance is a fundamental pillar of the investment process, as the Sub-Investment Manager believes companies with strong management are well-positioned to monitor and manage environmental and social risks that are relevant to their business. The Sub-Investment Manager excludes companies directly involved in the activities described in the binding criteria section and seeks to invest in companies that, amongst other criteria, meet the ESG practices described.

The Sub-Investment Manager also seeks to engage with investee companies through proxy voting and, occasionally, through direct communication with management and boards of directors on issues deemed material to the business.

● ***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?***

In addition to strong corporate governance and the environmental and social characteristics promoted, the Fund avoids investment in companies that are directly involved in, and/or derive significant revenue from:

- controversial weapons production/distribution (>0% revenue) (namely antipersonnel landmines, cluster munitions, biological and chemical weapons);
- cannabis production or sales (>=5%); or
- adult entertainment production (>5% revenue).

In addition to the above-mentioned industries, the Fund will seek to exclude companies with known serious violations of internationally recognised norms and standards (e.g., the United Nations Global Compact) where financially material,

and which the Sub-Investment Manager believes do not show a positive outlook and where it is believed that appropriate remedial action has not been taken.

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

The Sub-Investment Manager's core universe is U.S. equities. Although it does not have a market capitalisation limit, the Sub-Investment Manager will typically prefer larger companies to smaller companies and the investment philosophy focuses on purchasing quality businesses at low prices. The Sub-Investment Manager may look at companies which measure poorly on the traditional valuation metrics which, in turn, generates ideas for the potential inclusion in the portfolio.

Fundamental analysis of companies is at the heart of the Sub-Investment Manager's stock selection process (the Sub-Investment Manager conducts its own independent assessment of companies). Several evaluation criteria are used to assess a universe of U.S. stocks. These criteria largely focus on valuation metrics that include the expected forward rate of return and are also linked to the

screens, as outlined in this Supplement, to ensure that the E/S characteristics of the Fund are met. Valuation metrics may also be adjusted where E/S characteristics outlined in this Supplement are considered relevant and financially material.

In general, the Sub-Investment Manager looks for: (1) good businesses that dominate the industry in which they operate; (2) shareholder-oriented management; and (3) low purchase price.

- A good business may contain one or more of the following:
  - High market share in principal product and/or service lines;
  - A high cash return on tangible assets;
  - Low capital requirements, allowing a business to generate cash while growing;
  - Short customer repurchase cycles and long product cycles; and/or
  - Unique franchise characteristics
- Companies with shareholder-oriented management (at times, the Sub-Investment Manager may invest with lower quality management if it is apparent that executives can be replaced, if the price of the security more than compensates for the issues, and/or if improved governance is a potential outcome resulting from shareholder engagement or other factors), including companies that may:
  - Reinvest in the business;
  - Make synergistic acquisitions;
  - Buy back stock when appropriate;
- With regards to low purchase price:

- The Sub-Investment Manager looks for a stock that sells for less than what an investor would pay to buy the whole company; and/or
- Price movements do not always correlate with changes in company fundamentals, and the Sub-Investment Manager prefers to wait for buying opportunities.

Through the screening criteria and fundamental analysis, which includes assessing the financially material ESG considerations of the Fund, the Sub-Investment Manager makes a judgment regarding anticipated forward-looking risk-adjusted returns, and those with higher anticipated risk-adjusted rates of return may be considered for inclusion as core holdings in the portfolio. The Fund usually consists of a concentrated portfolio of around 50 companies.

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

The Sub-Investment Manager is a signatory to the United Nations Principles for Responsible Investment (the “UNPRI”). As such, the Sub-Investment Manager assesses the governance practices of investee companies prior to making an investment and periodically thereafter. In making this assessment, the Sub-Investment Manager considers a variety of elements, including:

- a track record of strong capital allocation decisions (e.g., reinvestment in the business, synergistic acquisitions, buying back stock when appropriate);
- executive compensation that is not overly generous and is aligned to shareholders’ interests; and
- positive accounting and financial disclosure practices.

The Sub-Investment Manager favours management teams exhibiting comprehensive, balanced, and thoughtful approaches to overall business risk management, including ESG matters where relevant and material.



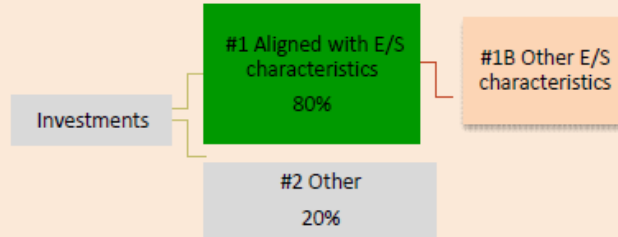


## What is the asset allocation planned for this financial product?

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

Taxonomy-aligned activities are expressed as a share of:

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



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The Fund will mainly invest in common stocks of U.S. companies, some, but not all of which, pay dividends. The Sub-Investment Manager will employ a disciplined investment strategy by investing in companies of any size at what they determine are attractive prices for such. The Fund may also hold cash or cash equivalents, and the Fund may use derivative instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits laid down by the Central Bank.

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

Derivative instruments are not used for investment purposes. However, the Fund may employ techniques and instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits set forth by the Central Bank.



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

N/A

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.

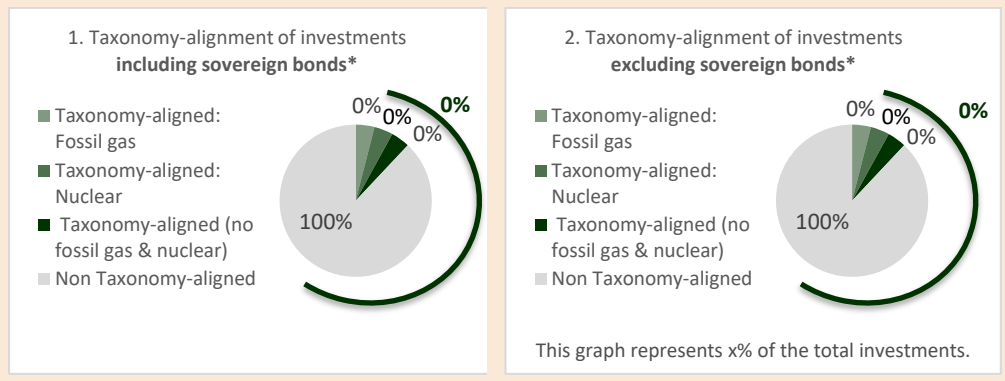
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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

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

- Yes:
- In fossil gas     In nuclear energy
- No

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



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

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

N/A

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

<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.

N/A



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

N/A



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

The remainder of the Fund could be held in companies that may not match the Fund’s ESG criteria in their entirety or in cash or cash equivalents; nevertheless, all investments, excluding cash and cash equivalents, go through the same screening process and are made with ESG considerations.



**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?**

No.

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

N/A

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

N/A

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

N/A

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

N/A

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



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

<https://www.heptagon-capital.com/yacktman-us-equity-fund/>

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