

Deuterium UCITS ICAV – Deuterium Global Dynamic Allocation Fund (the “Fund”)

SFDR website disclosures

FUND: Deuterium Global Dynamic Allocation Fund (the “Fund”)

LEI: 635400BKC9UFXJZMVQ17

MANAGER: KBA Consulting Management Limited (the “Manager”)

INVESTMENT MANAGER: Deuterium Capital Management, LLC (the “Investment Manager”)

PUBLISHED: 1 January 2023

VERSION: 1.0

VERSION HISTORY: N/A

Summary

This statement is published by the Manager in respect of the Fund, a sub-fund of Deuterium UCITS ICAV, an Irish collective asset-management vehicle with segregated liability between sub-funds in accordance with Article 10 of 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 (the “SFDR”). Its purpose is to provide transparency on the promotion of environmental or social characteristics and, as applicable to the Fund, of sustainable investments on websites.

The Fund is managed by the Investment Manager according to a global, long-term and dynamic asset allocation model that is adjusted from time to time by short-term tactical asset allocation shifts in anticipation of changing market, fiscal and political conditions.

The Fund, in conjunction with the Manager and the Investment Manager, has categorised the Fund as an Article 8 fund pursuant to the SFDR. This is a fund that promotes among other characteristics environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

No Sustainable Investment Objective

The Fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

Environmental or social characteristics of the Fund

The Fund promotes the environmental and social characteristics applied under the United Nations Global Compact (“UNGC”) principles.

The UNGC principles are derived from the Universal Declaration of Human Rights, the International Labour Organization’s Declarations on Fundamental Principles and Rights of Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. The UNGC principles fall under four main headings and ten sub-headings as follows:

(A) Human Rights

- (i) businesses should support and respect the protection of internationally proclaimed human rights;
- (ii) make sure that they are not complicit in human rights abuse;

(B) Labour

- (i) businesses should uphold the Freedom of association and the effective recognition of the rights to collective bargaining;

- (ii) the elimination of all forms of forced and compulsory labour;
 - (iii) the effective abolition of child labour;
 - (iv) the elimination of discrimination in respect of employment and occupation);
- (C) Environment
- (i) Business should support a precautionary approach to environmental challenges;
 - (ii) undertake initiatives to promote greater environmental responsibility;
 - (iii) encourage the development and differences of environmentally friendly technologies); and
- (D) Anti-Corruption
- Businesses should work against corruption in all its forms, including extortion and bribery).

Investment Strategy

The Fund is managed by the Investment Manager according to a global, long-term and dynamic asset allocation model that is adjusted from time to time by short-term tactical asset allocation shifts in anticipation of changing market, fiscal and political conditions. The Fund will allocate across the range of asset classes listed below, including global equities, debt, currencies, commodities, property and cash. At any given time, the Fund may be invested in some or all of these asset classes. The Fund will not focus on any specific asset class or geographical region but will pursue a policy of active allocation across asset classes and global markets. At times, the Fund may have substantial exposure to a single asset class, sector, country or region. The Fund may invest directly or indirectly through transferable securities, eligible collective investment schemes, eligible exchange-traded funds, and derivatives.

The Investment Manager, in constructing, monitoring and managing the portfolio of the Fund, will adopt various indices which implement a screening process with regards to environmental, social and governance (“ESG”) related issues (“ESG Screened Indices”). Such ESG Screened Indices exclude, or apply a maximum weighting cap to, securities which do not comply, or which only partially comply, with the selection criteria for the relevant ESG Screened Index.

Only those securities included in an ESG Screened Index adopted by the Investment Manager shall be eligible as investments for the Fund.

In choosing to adopt any ESG Screened Index, the Investment Manager will seek to ensure that the selection criteria applied by that ESG Screened Index are consistent with the promotion of environmental and social characteristics. The Investment Manager will periodically review the criteria of the index provider whereby securities which form part of the parent index of the relevant ESG Screened Index will be excluded or limited from the ESG Screened Index, for example where the business activities of an issuer include controversial weapons, nuclear weapons, civilian firearms, tobacco, thermal coal and oil sands. The securities of issuers who do not comply with the UNGC principles set out above may also be excluded.

The Investment Manager expects the Fund will have investments aligned with the Taxonomy Regulation, however, no commitment has been made with regards to any minimum level of such investments. To date, the Taxonomy Regulation only covers a certain number of economic activities for which criteria have been established to determine their alignment to the Taxonomy Regulation in respect of the environmental objectives of climate change mitigation and adaptation.

Additional economic activities will be covered by the Taxonomy Regulation over time and criteria to determine the alignment of economic activities with the Taxonomy Regulation in respect of other environmental objectives will also be adopted.

Furthermore, the availability of data to assess the alignment of investments to the Taxonomy Regulation will improve over time, in particular when certain EU issuers will be required to disclose the alignment of their economic activities with the Taxonomy Regulation. The Manager and the Investment Manager, will continue to monitor the evolution of the Taxonomy Regulation and the availability of data to determine whether, if at all, this Fund will commit to a minimum level of investments which align with the Taxonomy Regulation.

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 this Fund do not take into account the EU criteria for environmentally sustainable economic activities.

The securities require inclusion in the MSCI World Equity ESG Index and/or the MSCI World Emerging Equity Market ESG Index in order to be eligible for inclusion in the Fund’s portfolio construction methodology.

No ESG ineligible securities are held in the Fund.

The securities are Aligned with the MSCI ESG Indices.

Proportion of Investments

The Fund is a dynamic allocation fund and has a maximum and minimum for equity and bond exposures of 80% and 20% each. No less than 90% of investments will be aligned with environmental and/or social characteristics. The Fund may have exposure to emerging market bonds, derivatives, options and futures for efficient portfolio management purposes.

Monitoring of environmental or social characteristics

The Investment Manager, in constructing, monitoring and managing the portfolio of the Fund, will adopt ESG Screened Indices (as more particularly described above).

Only those securities included in an ESG Screened Index adopted by the Investment Manager shall be eligible as investments for the Fund.

Internal control mechanisms

The constituents of a number of the ESG Screened Indices are listed and custom indices are then created from the constituents. These are then cross referenced against US Treasury, Sectoral sanctioned security list and Department of Defense sanctioned security lists to remove any sanctioned security in the MSCI lists. An overall framework is populated with only ESG-screened securities. The Investment Manager will seek to ensure that the selection criteria applied by that ESG Screened Index are consistent with the promotion of environmental and social characteristics.

External control mechanisms

Prior to a security being included in an ESG Screened Index, such security is reviewed by the relevant index provider on the basis of specific ESG related themes which may include climate change, natural capital, pollution and waste, environmental opportunities, human capital, product liability, stakeholder opposition, social opportunities, corporate governance and corporate behaviour.

Methodologies

The environmental and social characteristics promoted by the Fund are attained by the implementation of binding criteria to the selection of underlying assets as part of its investment decision making process, which may not be disappplied or overridden.

The Investment Manager, in constructing, monitoring and managing the portfolio of the Fund, will adopt various ESG Screened Indices. Such ESG Screened Indices exclude, or apply a maximum weighting cap to, securities which do not comply, or which only partially comply, with the selection criteria for the relevant ESG Screened Index. Prior to a security being included in an ESG Screened Index, such security is reviewed by the relevant index provider on the basis of specific ESG related themes which may include climate change, natural capital, pollution and waste, environmental opportunities, human capital, product liability, stakeholder opposition, social opportunities, corporate governance and corporate behaviour.

Only those securities included in an ESG Screened Index adopted by the Investment Manager shall be eligible as investments for the Fund.

In choosing to adopt any ESG Screened Index, the Investment Manager will seek to ensure that the selection criteria applied by that ESG Screened Index are consistent with the promotion of environmental and social characteristics. The Investment Manager will periodically review the criteria of the index provider whereby securities which form part of the parent index of the relevant ESG Screened Index will be excluded or limited from the ESG Screened Index, for example where the business activities of an issuer include controversial weapons, nuclear weapons, civilian firearms, tobacco, thermal coal and oil sands. The securities of issuers who do not comply with the UNGC principles set out above may also be excluded.

Data sources and processing

All data sources used to measure the achievement of the investment objective of the Fund are internally sourced, relying on the constituents of the ESG Screened Indices which are cross-referenced against US Treasury, Sectoral sanctioned security list and US Department of Defense sanctioned security lists to remove any sanctioned security in the MSCI lists.

Limitations to methodologies and data

Limitations on methodologies and ESG data include the lack of consistency, reliability, comparability, and quality of the data available. This is driven by issues including, but not limited to:

- Lack of common methodology;
- Lack of standardised reporting by companies;
- Different estimation models and analytical tools for unreported data;
- Difficult to quantify factors and unverified or unaudited information; and
- Backward looking information that fails to capture “direction of travel”.

These limitations are addressed by:

- Use of varied data sources;
- Company engagement to understand data at source; and

Reliance on internal research and analysis using third party data as complementary information. None of the aforementioned limitations affect the attainment of the environmental and/or social characteristics of the Fund given that such limitations can be addressed by the Investment Manager through the employment of the above techniques.

Due diligence

In choosing to adopt any ESG Screened Index, the Investment Manager will seek to ensure that the selection criteria applied by that ESG Screened Index are consistent with the promotion of environmental and social characteristics.

Internal control mechanisms

The Investment Manager will periodically review the criteria of the index provider whereby securities which form part of the parent index of the relevant ESG Screened Index will be excluded or limited from the ESG Screened Index, for example where the business activities of an issuer include controversial weapons, nuclear weapons, civilian firearms, tobacco, thermal coal and oil sands. The securities of issuers who do not comply with the UNGC principles set out above may also be excluded.

External control mechanisms

The ESG Screened Indices exclude, or apply a maximum weighting cap to, securities which do not comply, or which only partially comply, with the selection criteria for the relevant ESG Screened Index. Prior to a security being included in an ESG Screened Index, such security is reviewed by the relevant index provider on the basis of specific ESG related themes which may include climate change, natural capital, pollution and waste, environmental opportunities, human capital, product liability, stakeholder opposition, social opportunities, corporate governance and corporate behaviour.

Only those securities included in an ESG Screened Index adopted by the Investment Manager shall be eligible as investments for the Fund.

Engagement policies

In light of the investment strategy and reliance on the ESG Screened Indices, no engagement policies are in place at present as the Investment Manager ensures consistency between the ESG Screened Indices and the ESG characteristics of the Fund by only selecting investments from the ESG Screened Indices which are consistent with the promotion of environmental and social characteristics'

Designated reference benchmark

No reference benchmark has been designated for the purposes of attaining the environmental or social characteristics promoted by the financial product.