

# **OSSIAM IRL ICAV**

## **Ossiam US ESG Low Carbon Equity Factors UCITS ETF**

**19 July 2019**

**(A sub-fund of Ossiam IRL ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C173953 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).**

**This Supplement (the “Supplement”) forms part of the Prospectus dated 21 March 2018 (the “Prospectus”) in relation to Ossiam IRL ICAV (the “ICAV”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the Ossiam US ESG Low Carbon Equity Factors UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the ICAV.**

**The Sub-Fund is a Non-Index Tracking Sub-Fund (ie, it is an actively managed UCITS ETF).**

**Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.**

**The Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in 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) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.**

## KEY INFORMATION

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

<b>Base Currency</b>	USD.
<b>Dealing Deadline</b>	For cash subscriptions and redemptions 3.00 p.m. (Irish time) on each Dealing Day.
<b>Listing Stock Exchange</b>	London Stock Exchange, Deutsche Boerse, Borsa Italiana.
<b>Cash Creation Fee (ie, subscription fee)</b>	Maximum of 3.00% of the Net Asset Value per Share multiplied by the number of Shares being created.
<b>Cash Redemption Fee (ie, redemption fee)</b>	Maximum of 3.00% of the Net Asset Value per Share multiplied by the number of Shares being redeemed.
<b>Duties and Charges</b>	Maximum of 1.00% of the Net Asset Value per Share multiplied by the number of Shares being created or redeemed.
<b>Settlement Deadline</b>	Appropriate cleared subscription monies must be received by 2 Business Days after the relevant Dealing Day, or such later date as may be determined by the ICAV and notified to prospective investors from time to time.
<b>Valuation</b>	The Net Asset Value per Share is calculated in accordance with the " <i>Determination of Net Asset Value</i> " section of the Prospectus, using last traded prices for securities.
<b>Valuation Point</b>	The close of business on the market that closes last on the relevant Dealing Day in respect of listed equities and 4 pm (London time) for currencies.

The following Share Classes are available in the Sub-Fund:

Share Class Name	Currency	Currency Hedged Share Class	Minimum Subscription Amount	Minimum Redemption Amount	TER	ISIN
1A (USD)	USD	No	\$2,000,000	\$2,000,000	0.45%	IE00BJBLDJ48
1A (EUR)	EUR	No	€2,000,000	€2,000,000	0.45%	IE00BJBLDK52
1A (EUR Hedged)	EUR	Yes	€2,000,000	€2,000,000	0.45%	IE00BKFVBQ00

The ICAV currently has three other sub-funds, the Ossiam ESG Low Carbon Shiller Barclays CAPE® US Sector UCITS ETF, the Ossiam World ESG Machine Learning UCITS ETF and the Ossiam US Minimum Variance ESG NR UCITS ETF.

## INVESTMENT OBJECTIVE AND STRATEGY

### Investment Objective

The objective of the Sub-Fund is to deliver the net total returns of a selection of listed US equities.

### Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily in a dynamic selection of listed US equities (the "**Investment Universe**"). The Investment Universe is determined by the Management Company in its discretion, including by reference to what global index providers have included in their indices as being listed US equities (for example, the Management Company may refer to the Solactive GBS United States Large & Mid Cap Index and the largest stocks by market capitalisation of the Solactive GBS United States Small Cap Index).

In order to achieve its investment objective, the Management Company uses its proprietary quantitative model implementing a rules-based approach that aims to assess the securities from the Investment Universe on the basis of their ESG (Environment, Social, Governance) characteristics and exposure to equity factors (Momentum, Size, Value and Volatility).

The model uses ESG data provided by leading data providers (such as Sustainalytics or Trucost, the "**ESG Providers**") as inputs in its quantitative model to first apply a "**Best-In-Class filter**" which consists in selecting the 80% best ESG rated stocks from the Investment Universe for each industrial sub-sector (as defined by ESG Providers).

The model then applies an "**Ethical filter**" to exclude securities that:

- Undergo severe controversy;
- Are involved in controversial weapon business (eg, cluster munitions or chemical weapons);
- Have significant operations in the tobacco or coal industries (based on an assessment by the ESG Providers);
- Are not compliant with the Ten Principles of the UN Global Compact (<https://www.unglobalcompact.org/what-is-gc/mission/principles>); or
- For stocks that are involved in the electricity production sub-sector, those that have more than 20%<sup>1</sup> of their production from coal-fired plants.

The ESG Providers rate the controversy described above by monitoring 10 specific indicators, namely:

- Operations Incidents
- Environmental Supply Chain Incidents
- Product & Service Incidents
- Business Ethics Incidents
- Governance Incidents
- Public Policy Incidents
- Employee Incidents
- Social Supply Chain Incidents
- Customer Incidents
- Society & Community Incidents

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<sup>1</sup> This threshold of 20% could be decreased (i.e. less tolerance on production from coal-fired plants) to be in line with future ESG practice. It will not be increased.

Companies are rated from 0 (lowest) to 100 (highest) on each indicator and companies which rate poorly on these indicators (eg, one or more indicators at 0) are regarded as undergoing severe controversy and are excluded from the Investment Universe.

Securities that pass the Ethical Filter constitute the Eligible Universe. Securities from the Eligible universe are then used to build two distinct portfolios: a Stock Factor Portfolio and a Sector Factor Portfolio.

### **Stock Factor Portfolio**

Securities from the Eligible Universe are screened by the Management Company's quantitative model based on standard equity factors (Momentum, Size, Value and Volatility). Exposure to these four factors (known in the academic world as the components of the Fama-French-Carhart four-factor model) represent well-established and economically sound stocks' attributes that explain cross-sectional differences in performance and risks among different groups of stocks. Only securities which have significant exposure to the four factors (Momentum, Size, Value and Volatility), based on each stock's characteristics, will enter the **Stock Factor Portfolio**. Significant exposure means that the stock ranks at least among the top half of the distribution in more than three out of the four factors. Each security in this portfolio is weighted according to the Management Company's optimization process that aims at maximizing the overall factor exposure of the portfolio while taking into account the below set of constraints (at the time of selection):

- Total greenhouse gas emissions which are 40% lower than the emissions related to the Investment Universe (based on an assessment of the absolute value of the previous year's emissions data for each company);
- Greenhouse gas impact which is 40% lower than the impact of the Investment Universe (based on an assessment of the previous year's emissions data for each company over the previous year's annual revenue of the company); and
- Potential greenhouse emissions from reserves which are 40% lower than the potential emissions related to the Investment Universe (based on an assessment which uses potential emissions figures calculated using the previous year's oil reserve data of each company, where applicable).

### **Sector Factor Portfolio**

All securities from the Eligible Universe are classified into different sectors defined by the ESG Providers. Within each sector, stocks are weighted by the Management Company's optimization procedure aiming to minimize divergence of weights between the sectors in the Sector Factor Portfolio and the capitalization-weighted sectors of the Investment Universe under the constraint that total greenhouse gas emissions have to be 40% lower than emissions for the equivalent sector in the Investment Universe (based on an assessment of the absolute value of the previous year's emissions data for each company). The sectors are then rated by the Management Company's quantitative model based on two factors: Momentum and Value. The weight of each sector in the **Sector Factor Portfolio** is the combination of its weight within the Investment Universe ("Initial Sector Weights") and a coefficient based on its current and historical exposure to both the Value and Momentum factors and aiming to favor outperforming sectors. Sectors with significant exposure to both Value and Momentum will have higher weights compared to their Initial Sector Weights.

### **Final Portfolio**

The **Final Portfolio** comprises 50% in the Stock Factor Portfolio and 50% in the Sector Factor Portfolio. The final weights of the securities are derived by an optimization process that takes into account the initial aggregated weights of each security and the below set of constraints (at the time of selection):

- Weight of each issuer is capped at 4.5% of the Net Asset Value. For stocks with multiple share listings, the cumulated weight is capped at 4.5%; and
- Maximum weight of each sector is capped at the weight of the sector in the Investment Universe increased by 20%.

The Management Company performs the rebalancing of the strategy on a quarterly basis.

In certain market conditions, the composition of the equities in the Eligible Universe may make it impossible to perform the weighting optimisation while complying exactly with the list of constraints above (for example, it may not be possible to weight the portfolio such that total greenhouse gas emissions are 40% lower than the emissions related to the Investment Universe). In such circumstances, the Management Company can rateably reduce some of the constraints (for example, by gradually reducing the 40% limits).

**Instruments / Asset Classes.** The equity securities in which the Sub-Fund invests are as described above and will be primarily listed or traded on Recognised Markets in the US, although the Sub-Fund may also invest in unlisted securities in accordance with the limits set out in the UCITS Regulations. The Sub-Fund will invest at least 90% of its Net Asset Value in such equities. In normal circumstances, the Sub-Fund may hold up to 10% of its Net Asset Value in ancillary liquid assets (deposits, certificates of deposit, commercial paper and fixed rate bonds issued by governments which are rated investment grade) in accordance with the UCITS Regulations, provided however that this restriction will not apply following large subscriptions to the Sub-Fund. The Sub-Fund may also, subject to a maximum of 10% of its Net Asset Value, invest in other regulated, open-ended collective investment schemes, including ETFs, as described under “Investment in other Collective Investment Schemes” in the “Investment Objectives and Policies” section of the Prospectus, where the objectives of such funds are consistent with the objective of the Sub-Fund.

With respect to the Currency Hedged Share Classes, the Sub-Fund performs currency hedging using the NAV Hedge method described in the Prospectus. For this purpose, the Sub-Fund may use futures and forward foreign exchange contracts, each as described in the Prospectus. As described in the Prospectus, where the Sub-Fund uses FDI it will submit a risk management process to the Central Bank. The Sub-Fund will not have any exposure to repurchase agreements, stock-lending transactions or total return swaps.

**Portfolio Holding Disclosure Policy.** On each Business Day, the Sub-Fund will disclose on [www.ossiam.com](http://www.ossiam.com) the identities and quantities of the Sub-Fund's portfolio holdings that form the basis for the Sub-Fund's calculation of the Net Asset Value in respect of the previous Dealing Day.

## INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. In addition, investors should be aware of the following risks:

**Market Risk:** The value of the Sub-Fund's Shares is linked to equities, the value of which may rise or fall. Hence, investors should note that the value of their investment could fall as well as rise and they should accept that there is no guarantee that the strategy of the Sub-Fund will indeed result in a return above any comparable investment strategy or that they will recover their initial investment.

**Currency Risk at Share Class level:** Share Classes which are denominated in currencies other than the Base Currency and whose name does not contain “Hedged” are unhedged. As such, the Net Asset Value per Share of such Share Classes will follow fluctuation in the exchange rate between the Share Class currency and the Base Currency, which can generate additional volatility at the Share Class level.

## **INVESTOR PROFILE**

The Sub-Fund is open to all investors and may be suitable for investors looking to take an exposure to US equities. The recommended investment horizon is 5 years.

## **SUBSCRIPTIONS – PRIMARY MARKET**

The Shares of the 1A (EUR Hedged) Share Class will be available from 9 am (Irish time) on 22 July 2019 to 3 pm (Irish time) on 22 January 2020 or such earlier or later date as the Directors may determine (the “Offer Period”). During the Offer Period, the Initial Offer Price per Share for the 1A (EUR Hedged) Share Class will be 100 EUR.

Following the end of the Offer Period and for Shares in Share Classes which have already launched, Shares will be issued on each Dealing Day at the appropriate Net Asset Value per Share with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Investors may subscribe for Shares for cash on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the “*Purchase and Sale Information*” section of the Prospectus. Consideration, in the form of cleared subscription monies, must be received by the applicable Settlement Deadline.

## **REDEMPTIONS – PRIMARY MARKET**

Shareholders may effect a redemption of Shares on any Dealing Day at the appropriate Net Asset Value per Share, subject to an appropriate provision for Duties and Charges, provided that a valid redemption request from the Shareholder is received by the Management Company by the Dealing Deadline on the relevant Dealing Day, in accordance with the provisions set out in this section and at the “*Purchase and Sale Information*” section of the Prospectus. Settlement will normally take place within two Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

## **FEES AND EXPENSES**

The TER for each Share Class is set out in the table in the “Key Information” section above.

Further information in this respect is set out in the “*Fees and Expenses*” section of the Prospectus.

With respect to the Currency Hedged Share Classes, Class hedging costs will not be included in the TER of the Share Class.

## **DISTRIBUTIONS**

Share Classes in the Sub-Fund are Accumulating Share Classes.

## **LISTING**

The 1C (USD) and 1C (EUR) share classes are admitted to trading on one or more of the Listing Stock Exchanges. The 1A (EUR Hedged) share class is expected to be admitted to listing on one or more of the Listing Stock Exchanges on or after July 2019.