

## SFDR Article 8 Fund - Website Disclosure

### **Name of the article 8 fund:**

Drakai Systematic Credit Fund (“the Fund”) is sub-fund of Drakai Systematic Credit ICAV, an Irish Collective Asset Management Vehicle established as an umbrella of the sub-fund. It delegates its management to Drakai Capital SAS (“the Investment Manager”).

### **Legal entity identifier:**

549300HF300L8A4OBJ59

### **Summary**

The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment. The Fund combines the exclusion of securities exposed to five economic sectors or having the worst Environmental, Social and Governance (ESG) scores with a screening of controversial news that concern the securities held in its portfolio:

- The Fund does not invest in the worst 20% of ESG scored Investments of its investment universe.
- The Fund does not invest in five economic sectors (oil and gas, thermal coal, palm oil, controversial weapons and tobacco).
- The Fund screens the ESG controversies scores of the securities held in portfolio. The concerned securities are reviewed during a monthly committee to review the controversy and approve the appropriate measures (i.e. disinvest the security or not depending on the nature of the controversy).

The Fund commits to apply the ESG constraints described above for at least 51% of its investments. Moreover, the Fund invests at least 51% of its liquidity assets into money market funds classified as article 8 or article 9 as per SFDR. The remaining percentage of the Fund’s assets are investments which seek to achieve the objective of the Fund, including instruments for the purposes of efficient portfolio management, hedging and liquidity management purposes, or investments for which ESG data is not available.

The monitoring of the ESG characteristics of the portfolio mentioned above relies on third parties' data. The ESG score and the economic activity of issuers are provided by Bloomberg. Bloomberg's ESG scores measure a company's exposure to and management of financially material industry-specific Environmental & Social (ES) risks and opportunities, as well as Governance (G) policies and practices with adjustments for country-specific rules and regulations. The Fund also uses the controversy rating calculated by Sustainalytics. The controversy rating reflects a company's level of involvement in issues with negative ESG implications and how it manages these issues. The third-party dataset that the Investment Manager uses may not identify every company, directly or indirectly, involved in activities the Investment Manager seeks to avoid, and the Investment Manager recognizes that different systems may estimate exposures using different methods or assumptions, producing disparate results.

The Fund does not perform due diligence on the data provided by Bloomberg and Sustainalytics that are considered as fully reliable and first rank market data providers. However, the Investment Manager checks that the data are correctly ingested into its proprietary pre-trade and post-trade monitoring tool and that the investment restrictions are applied. As for all investment restrictions, any breach generates an alert that must be analysed in first instance by the Chief Risk Officer (CRO) of the Investment Manager that gives instructions to the Chief Investment Officer (CIO) to remediate the breach. If necessary, the breach and the subsequent measures are discussed during an ad hoc Investment Committee.

Due to its short term and quantitative investment strategy, and as it usually does not hold shares of the issuers directly but rather through total return swaps, the Fund does not engage any relationship with the investee.

The Fund does not use a designated index to reference benchmark its investments, neither in terms of financial performance, nor in terms of benchmarking whether it is aligned with the ESG characteristics that the Fund promotes.

### **No sustainable investment objective**

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

### **Environmental and social characteristics of the financial product**

The Fund combines the exclusion of securities exposed to five economic sectors or having the worst ESG scores with a screening of controversial news that concern the securities held in its portfolio:

- The Fund does not invest in the worst 20% of ESG scored Investments (provided to the Investment Manager by Bloomberg) of its investment universe.
- The Fund does not invest in five economic sectors for which Bloomberg identified issuers are active (oil and gas, thermal coal, palm oil, controversial weapons and tobacco).

- The Fund screens the ESG controversies scores provided by Sustainalytics. The worst scores (corresponding to a score of 5 as per the current Sustainalytics methodology) are reviewed during a monthly committee to understand the controversy and approve the appropriate measures (ie disinvest the security or not depending on the nature of the controversy).

The ESG-related exclusions referred to above apply at the time of acquisition of the relevant securities. In the event of any subsequent inadvertent holding of securities in breach of these principles or exclusions, the Investment Manager shall dispose of any such securities as soon as reasonably practicable having regard to the best interests of the Fund and its shareholders.

Moreover, the Fund invests at least 51% of its liquidity assets into money market funds classified as article 8 or article 9 as per SFDR.

### **Investment strategy**

The Fund aims to generate, over the short to medium term, positive risk adjusted returns primarily through systematic investments in credit and equity markets.

The Fund's strategy focuses on capturing value from mispricing in the credit and equity markets. The Fund invests in simple and liquid products with strong diversification and a reduced human bias (the Investment Manager augments credit investing with technology). By constructing long short trades, the Fund can generate consistent uncorrelated and low volatility alpha.

The investment universe of the Fund is only composed of liquid securities of the US and the European financial markets. Within this universe, the Fund promotes environmental and social characteristics and consider the quality of the governance of the issuers. The social and environmental characteristics promoted by the Fund are described above ("Environmental and social characteristics of the financial product"). The governance of the issuers is assessed by the incorporation of a governance score into the global ESG score used by the Fund for excluding some securities.

If a security is not excluded from the investment universe based on the ESG filters implemented by the Fund, the sustainability indicators of a security is not conclusive, and securities may be purchased or retained by the Fund for reasons other than ESG factors.

### **Proportion of investments**

The Fund commits to apply the ESG constraints described above for at least 51% of its investments. It does not commit to make sustainable investments but also does not exclude investments in any type of sustainable assets.

The remaining percentage of the Fund's assets are investments which seek to achieve the objective of the Fund, including instruments for the purposes of efficient portfolio management, hedging and liquidity management purposes, or investments for which ESG data is not available. The population of securities with no ESG data available shall not exceed 10% of the investment universe of the Fund.

### **Monitoring of environmental or social characteristics**

The exclusion criteria mentioned previously, based on five economic sectors and on the Bloomberg ESG scores, are checked every day. As for all investment restrictions, any breach generates an alert that must be analysed in first instance by the Chief Risk Officer (CRO) of the Investment Manager that gives instructions to the Chief Investment Officer (CIO) to remediate the breach. If necessary, the breach and the subsequent measures are discussed during an ad hoc Investment Committee.

The restriction relating to the liquidity assets is checked every time the Chief Operating Officer (COO) subscribes or redeems funds into money market funds. If the restriction cannot be fulfilled, the COO sends an alert to the CRO to receive its instructions. If necessary, the breach and the subsequent measures are discussed during an ad hoc Investment Committee.

Concerning the ESG controversies, the nature and content of the controversy is reviewed every month in a dedicated committee. The committee review the controversy and approve the appropriate measures (i.e. disinvest the security or not depending on the nature of the controversy).

### **Methodologies**

The investment universe of the Fund is composed of a few hundreds of highly liquid US and European issuers. The Investment Manager follows closely that the proportion of this population without ESG data provided Bloomberg and Sustainalytics remains marginal.

The Investment Manager automatically ingests the ESG data (see below “Data sources and processing”) into its proprietary pre-trade and post-trade monitoring tool and in its risk analysis and alerting tool. This allows the investment team to check that the investment performed during the day will not result in a breach of the exclusion criteria based on the ESG scores and on the prohibited economic sectors for the proportion mentioned above.

The breach of the exclusion criteria is escalated to the CRO and if relevant to the Investment Committee no later than the date after the trade has been processed. The breach is remediated as soon as possible in the respect of the interests of the shareholders.

Every month, the Investment Manager reviews in a dedicated committee the investments performed in the securities issued by companies with the worst controversy rating. If the committee asks for a disinvestment, based on a qualitative assessment of the controversy and on its misalignment with the ESG policy of the Fund, the trade is processed as soon as possible in the respect of the interests of the shareholders.

The quality of these daily and monthly tasks is checked by the independent second level controls and the internal audit of the Investment Manager and by the depositary of the Fund (see below “Due diligence”).

### **Data sources and processing**

The monitoring of the ESG characteristics of the portfolio mentioned above relies on third parties' data. The ESG score and the economic activity of issuers are provided by Bloomberg. Bloomberg issued an updated methodology concerning its ESG score methodology in June 2024.

Bloomberg's ESG Scores measure a company's exposure to and management of financially material industry-specific Environmental & Social (ES) risks and opportunities, as well as Governance (G) policies and practices with adjustments for country-specific rules and regulations. The ESG Scores are based on publicly available and company-disclosed information, and do not rely on an analyst's opinion in the assignment or adjustment of a company's score. As a result, the scores are updated in a timely manner as companies release new data. The ESG scores also consider disclosure of quantitative data as a dimension of performance. The methodology and underlying data are transparent. Users can view and analyze all data driving each ESG score as well as additional features such as weights and percentiles.

The Fund also uses the controversy rating calculated by Sustainalytics and available through Bloomberg. The methodology of the controversy rating has been issued by Sustainalytics in March 2021. The controversy rating reflects a company's level of involvement in issues with negative environmental, social and governance (ESG) implications and how it manages these issues. It takes into account incidents, defined as company activity with unintended and/or undesired negative environmental and/or social impacts on stakeholders, and events, defined as series of isolated or related incidents that pertain to the same ESG issues.

The Fund especially considers the issuers with a controversy rating of 5 (the controversy rating scale ranges from 1 – no controversy – to 5 – high controversy). This category represents exceptionally egregious corporate behavior, high frequency of recurrence, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address relevant risks.

### **Limitations to methodologies and data**

The third-party dataset that the Investment Manager uses may not identify every company, directly or indirectly, involved in activities the Investment Manager seeks to avoid, and the Investment Manager recognizes that different systems may estimate exposures using different methods or assumptions, producing disparate results.

### **Due diligence**

The Fund does not perform due diligence on the data provided by Bloomberg and Sustainalytics that are considered as fully reliable and first rank market data providers. It only reviews the methodology documentation issued by these providers to ensure a correct understanding and use of their data.

However, the Investment Manager checks that the data are correctly ingested into its trading interface and that the investment restrictions are applied:

- It receives an automated alert if the ESG data previously mentioned are not daily ingested,
- The daily investment reporting displays (1) the percentage of the issuers without an ESG score, (2) the exposure to the 20% worst ESG score, to the five excluded sectors and to the worst controversy rated issuers,
- In case of any breach of the investment restrictions, the CRO is alerted on the risk interface of the Investment Manager the day after the trade has been processed. He can ask the investment team to disinvest in securities to comply with restrictions.

In addition to these daily checks, the compliance with the ESG policy and procedure of the Fund and of the Investment Manager is part of the independent second level controls and internal audit missions of the Investment Manager. The depositary of the Fund (the European Depositary Bank) also periodically reviews that the Investment Management complies with the investment restrictions of the Fund.

### **Engagement policies**

Due to its short term and quantitative investment strategy, and as it usually does not hold shares of the issuers directly but rather through total return swaps, the Fund does not engage any relationship with the investee.

### **Designated reference benchmark**

The Fund does not use a designated index to reference benchmark its investments, neither in terms of financial performance, nor in terms of benchmarking whether it is aligned with the environmental and/or social characteristics that the Fund promotes.