

## **KATKO FUND**

A SUB-FUND OF KATKO ICAV, AN OPEN-ENDED UMBRELLA TYPE EXTERNALLY MANAGED IRISH COLLECTIVE ASSET-MANAGEMENT VEHICLE WITH LIMITED LIABILITY UNDER THE LAWS OF IRELAND UNDER REGISTRATION NUMBER C195028 WITH SEGREGATED LIABILITY BETWEEN SUB-FUNDS AUTHORISED BY THE CENTRAL BANK PURSUANT TO THE EUROPEAN COMMUNITIES (UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES) REGULATIONS 2011 (SI NO. 352 OF 2011), AS AMENDED.

### **Supplement 1**

Issued: 23 August 2021

## **IMPORTANT INFORMATION**

*If you are in any doubt about the contents of the Prospectus or its supplementing Appendices or Supplements, you should consult your stockbroker, bank manager, lawyer, accountant or other professional advisor.*

*This document supplements the current Prospectus for KATKO ICAV (the “ICAV”) dated 23 August 2021 (the “Prospectus”). This Supplement contains specific information in relation to the KATKO Fund (the “Sub-Fund”), a sub-fund of the ICAV which is an umbrella type open-ended self-managed Irish Collective Asset-management Vehicle with segregated liability between sub-funds registered on 18 July 2019 with limited liability under the laws of Ireland with registered number C195028. The ICAV is authorised in Ireland by the Central Bank pursuant to the UCITS Regulations.*

*This Supplement contains particulars relating to the Sub-Fund. It forms part of the Prospectus and should be read in the context of and together with the full text of the Prospectus dated 23 August 2021 for the ICAV which is available from the office of the Administrator at the address set out in the “Directory” section of the Prospectus. Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.*

*The Directors may launch other sub-funds at various times in the future, with the prior approval of the Central Bank.*

*The Directors may launch other Share Classes, subject to the prior notification and clearance of the Central Bank in advance of the creation of each Class of Share.*

*Investors’ attention is drawn to the sections entitled “Important Information” and “Risk Factors” in the Prospectus.*

*The Directors of the ICAV, whose names appear in the Prospectus under the heading “Directors of the ICAV”, accept responsibility for the information contained in this Supplement. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or opinion. The Directors accept responsibility accordingly.*

*This Sub-Fund will not invest or engage in Financial Derivative Instruments (“FDI”) for investment, hedging and/or for efficient portfolio management purposes.*

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# 1 KATKO FUND

## 1.1 Key Information

**Classes.** The Sub-Fund has the following Classes of Shares in issue:

No	Class of Share	Currency
1	A EUR Class	EUR
2	B EUR Class	EUR
3	C EUR Class	EUR

Class A Shares are available for subscription from institutional investors.

Class B Shares are available for subscription from investors who invest directly into the KATKO Fund.

Class C Shares are available for subscription from investors who invest through intermediaries and other platforms.

The Directors of the ICAV have in their absolute discretion the power to close any or all Share Classes for new subscriptions which may or may not include subscriptions from existing Shareholders in the relevant Share Classes.

The Directors of the ICAV have in their absolute discretion the power to waive or limit the minimum initial investment for any of the shares classes of the KATKO Fund provided that any such waivers will be applied to equally and fairly to all shareholders within a class.

**Fees.** Details in relation to fees are set out in Section 5 of this Supplement.

**Minimum Initial Investment.** Details of the minimum initial investment, the level of which may be waived by the ICAV at its absolute discretion, in relation to each Class are set out below:

**Initial Offer Period.** The initial offer period in relation to each Class will begin at 9am on 24 August 2021 and will conclude upon the earlier of the first investment by a Shareholder in such Class or 5pm on 24 February 2022 or such other date or dates as the Directors may determine and notify to the Central Bank.

**Initial Offer Price per Share.** Details of the initial offer price per share in relation to each Class are set out below:

**Subsequent Minimum Investments.** Details of the subsequent minimum investments in relation to each Class are set out below:

**Minimum Holding.** Details of the minimum holding in relation to each Class are set out below.

**Minimum Redemption.** Details of the minimum redemption in relation to each Class are set out below.

No	Class of Share	Initial Offer Price per Share	Minimum Initial Investment	Subsequent Minimum Investment	Minimum Holding	Minimum Redemption
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1	A EUR Class	€100	€1,000,000	None	None	€1000
2	B EUR Class	€100	€1000	None	None	€1000
3	C EUR Class	€100	€1000	None	None	€1000

**Business Day.** Business Day means a day on which the banks in Ireland are open for normal banking business, or in any financial centre that the Directors may determine to be relevant for the operations of the Sub-Fund or any such other day(s) as the Directors may determine and notify in advance to investors and Shareholders.

**Dealing Day.** After the close of the Initial Offer Period, applications for subscriptions or redemptions for Shares can be made prior to the Cut-Off Time for a Dealing Day. Dealing Day means the day on which the Shares of the Sub-Fund may be subscribed for or redeemed being the first Business Day following the relevant Valuation Point, and/or such other days in addition thereto or substitution therefor as determined by the Directors and notified in advance to Shareholders, provided that there shall be at least one Dealing Day per week.

**Cut-Off Time.** Applications for subscriptions and redemptions *must* be received by the Administrator no later than the Cut-Off Time. Cut-Off Time means 5pm Irish time, two Business Days preceding the Valuation Point, which is always one Business Day before the Dealing Day. The relevant Valuation Point for a particular Cut-Off Time is the first Valuation Point that is at least 48 hours after that time. For example, Cut-Off Time would normally be 5pm on a Tuesday before a Thursday Valuation Point with Shares being subscribed for or redeemed on the Friday. Where instructions are received later than the Cut-Off Time, they will be dealt with as if received prior to the next Cut-Off Time.

**Valuation Point.** Valuation Point means 23:59 (Irish time) on each Valuation Day using close of business prices in the relevant markets or such time as the Board of Directors may determine from time to time and notify in advance to Shareholders provided that the Valuation Point shall be after the Dealing Deadline

**Base Currency.** The base currency of the Sub-Fund is Euro (€).

**Dividends.** None. The Sub-Fund issues accumulation Shares only.

**Net Asset Value (NAV) Prices:** After the close of the Initial Offer Period, applications for subscriptions or redemptions of Shares are available at the NAV per Class (plus any duties or charges). NAV prices are available as often as the Sub-Fund deals from the Administrator and from the Manager at [www.katkocapital.com](http://www.katkocapital.com). All prices will be up-to-date.

**Reporting.** Annual and semi-annual reports covering the Sub-Fund are distributed to Shareholders twice a year. Please see the Section “Reports, Statements and General Meetings” in the Prospectus for information on the reporting of the ICAV.

**Subscription Fee.** There is no subscription fee payable on subscription for shares of the ICAV.

## 2 INVESTMENT OBJECTIVES AND POLICIES

### 2.1 Investment Objective

The investment objective of the Sub-Fund is to seek to provide capital growth. This investment objective is not guaranteed.

### 2.2 Investment Policy

The investment policy of the Sub-Fund is to invest in a diversified portfolio of equities or equity-related securities without any geographical or sectoral restriction but which are listed or traded on a stock exchange or regulated market as outlined at Appendix 1 of the Prospectus but it may also hold cash or cash equivalents, such as money market instruments including fixed and variable rate treasury bills, commercial paper and certificates of deposit, cash ETFs, subject to Prospectus limitations, to mitigate potential negative market conditions.

The primary, but not exclusive, investment focus is the investment in shares of companies listed on pan-European stock exchange or in shares of companies with a significant portion of their business in Europe.

The Sub-Fund may invest its assets in equities and equity like securities such as preferred stock, American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) which may be listed or traded on stock exchanges and regulated markets outside of the country in which the underlying issuer is based.

The Sub-Fund will be actively managed and the investment strategy incorporates the use of fundamental research and equity valuation techniques.

Macroeconomic, market valuation and thematic industry considerations are used to formulate the Sub-Fund's global view which is expressed in the target region and sector allocations. The Manager is seeking to understand the context in which the stocks/sectors are performing in relation to the wider sector through analysis of changes to industry ownership structure, the influence of global competitors and the impact of new technologies and business models<sup>1</sup>. The Manager also assesses the growth prospects for the sector reflecting the underlying supply and demand considerations and sensitivity to economic conditions. Consideration is also given to general corporate governance<sup>2</sup> and the financial and operational performance of the larger companies in the sector with particular focus on revenue, profitability and cashflow trends. The Sub-Fund will generally implement these views through investment in individual companies across the relevant region and sectors.

Idea generation can arise from the output of fundamental research on companies. Research is conducted to assess the key drivers of corporate performance by understanding the competitive landscape and market positioning for each company. There is also a focus on key operational and financial metrics to evaluate the effectiveness of management execution. This includes analysis of revenue and profitability growth and momentum, understanding the dynamics of cash flow with a focus on free cash generation and indicators of financial strength and stability including debt/equity and interest cover. Valuation multiples such as price/earnings, price/book, EV<sup>3</sup>/sales, dividend yield, EV/EBITDA<sup>4</sup>, and FCF<sup>5</sup> yield are also used to understand historic and projected valuation. Measures of capital allocation such as return on assets and return on capital employed are also examined to determine the effectiveness of the stewardship of shareholders' capital. This analysis seeks to arrive at an

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<sup>1</sup>Business model in this context is the model or strategy used by a company. A company might offer a service in a manner that is disruptive to existing markets or use technology to make product delivery more efficient in some way (e.g. technology largely means that traditional companies can eventually go out of business).

<sup>2</sup>The primary source of information on "general corporate governance" is in financial statements for companies who will be required to state whether they comply or explain why they do not comply with applicable Corporate Governance Codes and Continuing Obligations imposed on listed entities. Comparing differing Codes and Obligations that are applicable across different markets and sectors enables the Manager to build a good understanding of what good corporate governance looks like. This understanding enables the Manager to assess the impact of the contents of various newsfeeds on corporate governance within portfolio and potential portfolio companies e.g. change of CEO or other senior officers, results of regulatory investigations, legal developments etc

<sup>3</sup> Enterprise Value is a commonly used measure of a company's value, EV includes in its calculation the market capitalisation of a company, the short and long term debt and cash on its balance sheet.

<sup>4</sup> Earnings before Interest, Taxes, Depreciation and Amortization is commonly used as a measure of a company's performance.

<sup>5</sup> Free cash flow is the cash a company generates after cash outflows to support company operations and to maintain its capital assets.

understanding of the factors that have and will influence the future development and financial returns of the company. The outcome of the research and analysis is used to form an estimate of the underlying intrinsic value of the company. A comparison of this estimate with the prevailing market valuation helps identify attractive investment opportunities and to calibrate the timing of position entry and exit.

The portfolio construction of the Sub-Fund will seek to maximize the conviction from the research while maintaining a controlled approach to risk management. There is a strong risk control process with disciplined portfolio construction and ongoing monitoring and review of positions and performance. Concentration risk is avoided by spreading exposure across global market sectors and by limiting sector and stock weightings. Performance and valuation of stocks is monitored closely in the light of market movements, financial results and corporate developments. The Manager's team of equity professionals will: (i) monitor all positions on a daily basis; and (ii) meet at least monthly to discuss all major investment decisions for the Sub-Fund. This includes a review of all positions and underlying investment performance and an actionable plan for any consequent investment decisions.

The Sub-Fund's investment strategy is size agnostic and there will be a mix of capitalisation sizes of stocks.

### **2.3 Sustainable Finance Disclosure Regulation**

The Sub-Fund does not have as its objective sustainable investment, nor does it promote environmental or social characteristics. As a result, the Sub-Fund does not fall within the scope of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the establishment of a framework to facilitate sustainable investment. For further details, please see the Section "*Sustainable Finance Disclosure Regulation*" in the Prospectus.

### **2.4 Currency Positions**

Because the Sub-Fund's assets may be denominated in currencies different to the Base Currency or to the reference currency of the relevant Class, the Sub-Fund / relevant Class may be affected favourably or unfavourably by changes in the exchange rates between the Base Currency (or reference currency of the relevant Class) and other currencies. Changes in currency exchange rates may influence the value of the Sub-Fund's / Class' shares, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the Base Currency (or the reference currency of the relevant Class) the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security. It is not intended that the Sub-Fund / Class will engage in foreign currency transactions in order to hedge against currency exchange risk.

## **3 PROFILE OF A TYPICAL INVESTOR**

The Sub-Fund is suitable for investors who seek capital growth and who are comfortable with a medium term investment horizon and understand the risks associated with investing in the financial markets.

## **4 SECURITIES FINANCING TRANSACTIONS**

It is not intended that the Sub-Fund will enter into Securities Financing Transactions.

## 5 FEES AND EXPENSES

### 5.1 The Manager's fee

The Manager shall be entitled to receive a Management Fee of 1% per annum of the NAV of the Sub-Fund in relation to Class A Shares, 1.3% per annum of the NAV of the Sub-Fund in relation to Class B Shares, and 1.6% per annum of the NAV of the Sub-Fund in relation to Class C Shares. Such fees shall accrue monthly and be paid monthly in arrears.

All fees and charges payable by the Manager out of the assets of the Sub-Fund to the Manager shall be increased by the amount of any applicable taxes or duties which shall be borne by the Manager.

### 5.2 The Depositary's Fee

The Depositary shall be entitled to receive out of the net assets of the Sub-Fund an annual depositary fee, accrued and calculated on each Valuation Day and payable monthly in arrears, at an annual rate of up to 0.035% per annum of the NAV of the Sub-Fund. Such fees are subject to a minimum annual charge of €18,000. The Depositary's fees will include sub-custodian's fees.

The Depositary is also entitled to fees including securities transaction / settlement fees (which will be charged at normal commercial rates) and other vouched out-of-pocket expenses out of the assets of the Sub-Fund (plus VAT thereon, if any).

### 5.3 Administrator's Fee

The Administrator shall be entitled to receive an administration fee of up to 0.05% per annum of the NAV of the Sub-Fund. Such fees shall accrue monthly and be paid monthly in arrears and are subject to a minimum annual charge of €18,000 in the first year and of €24,000 thereafter. The Administrator shall also be entitled to receive registration fees, transaction and other charges at normal commercial rates which shall accrue monthly and be paid monthly in arrears. The Administrator shall also be entitled to be reimbursed by the Sub-Fund for all reasonable and vouched out-of-pocket expenses incurred by it for the benefit of the Sub-Fund in the performance of its duties under the administration agreement.

### 5.4 Other Sub-Fund Expenses

For full details of other Sub-Fund expenses see the Section "*Other Fund Expenses*" in the Prospectus.

## 6 RISK FACTORS

**Investors should consider the risk factors set out in the Prospectus together with the following risks:**

**Concentration Risk.** The Sub-Fund may invest a relatively large percentage of its assets in issuers located in a single country, a small number of countries, or a particular geographic region. In these cases, the Sub-Fund's performance will be closely tied to the market, currency, economic, political, or regulatory conditions and developments in that country or region or those countries, and could be more volatile than the performance of more geographically-diversified funds. In addition, the Sub-Fund may concentrate its investments in companies in a particular industry, market or economic sector. When the Sub-Fund concentrates its investments in a particular industry, market or economic sector, financial, economic, business, and other developments affecting issuers in that industry, market or sector will have a greater effect on the Sub-Fund than if it had not concentrated its assets in that industry, market or sector. Further, investors may buy or sell substantial amounts of the Sub-Fund's shares in



response to factors affecting or expected to affect a particular country, industry, market or sector in which the Sub-Fund concentrates its investments, resulting in abnormal inflows or outflows of cash into or out of the Sub-Fund. These abnormal inflows or outflows may cause the Sub-Fund's cash position or cash requirements to exceed normal levels, and consequently, adversely affect the management of the Sub-Fund and thereby, its performance.

**Equity Risk.** The market prices of equity securities owned by the Sub-Fund may go up or down, sometimes rapidly or unpredictably. The value of a security may decline for a number of reasons that may directly relate to the issuer (investors should also refer to "Issuer-Specific Risk"). The values of equity securities also may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The Sub-Fund may continue to accept new subscriptions and to make additional investments in equity securities even under general market conditions that the Investment Manager views as unfavourable for equity securities. Equity securities generally fall into four broad categories – large-cap, mid-cap, small-cap and micro-cap.

**Issuer-Specific Risk.** Changes in the financial condition of an issuer, changes in the specific economic or political conditions that affect a particular type of security or issuer, and changes in the general economic or political conditions can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Issuer-specific events can have a negative impact on the value of the Sub-Fund.

**Investments in Medium and Small Sized Firms.** The prices of securities of small and medium sized companies generally are more volatile than those of larger companies; the securities are often less liquid and these companies may be subject to more abrupt fluctuations in market price than larger, more established companies. Investments in securities of companies with smaller market capitalisations are generally considered to offer greater opportunity for appreciation but also may involve greater risks than customarily associated with more established companies as they are generally more likely to be adversely affected by poor economic or market conditions. These companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group. In addition to exhibiting greater volatility, small to medium sized companies' stocks may, to a degree, fluctuate independently of larger company stocks (i.e. small and medium sized company stocks may decline in price as the prices of large company stock rise or vice versa). Transactions, particularly those large in size, are likely to have a greater impact on the costs of running the Sub-Fund than similar transactions in large sized firms because of the relatively illiquid nature of markets in small and medium sized companies' shares.

**Operational Risk.** The risks of investing in various countries include trading, settlement, custodial and other operational risks due to different systems, procedures and requirements in a particular country and varying laws regarding withholding and other taxes. Although care is taken to understand and manage these risks, the respective Sub-Funds and accordingly the Shareholders in those Sub-Funds will ultimately bear the risks associated with investing in these markets.