

# Kieger UCITS Fund – Kieger Sustainable Healthcare Fund

A better future, starting now

EU SFDR  
Article 9

KIEGER  
*dare to care*

## Sustainability report 2024

# 2024

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# Dear readers,

Healthcare is a vital cornerstone of a robust society. Healthy populations enjoy a higher quality of life, greater productivity, increased longevity, and overall happiness. Effective healthcare systems ensure that individuals receive the necessary medical care to prevent illness, recover from diseases, manage chronic conditions, and curb the spread of disease.

With clear long-term drivers and a wide array of business strategies, the healthcare sector offers a diverse range of attractive investment opportunities. Demographic trends such as an aging global population, lifestyle changes leading to a higher incidence of chronic diseases, an expanding middle class in emerging markets eager to invest in healthcare, and the potential unlocked by the deciphering of the human genome over 20 years ago for innovative treatments will continue to propel industry growth in the future.

However, these trends also create additional challenges that can affect the effectiveness and accessibility of healthcare. One of the most pressing issues is the rising cost of healthcare. Additionally, high demand and a shortage of healthcare professionals strain healthcare systems.

The Kieger Sustainable Healthcare Fund aims to address these challenges. By investing in sustainable, high-quality companies that are leaders in innovation and businesses providing products and services to enhance efficiency, the fund strives to improve health & well-being, avoid disability & premature deaths, and strengthen healthcare systems.

ESG considerations lie at the core of our thinking. Our ESG metrics for 2023 compare favourably against the benchmark, peers, and history, showing improvement over last year's numbers. In 2022, we chose to classify the Sustainable Healthcare Fund as an Article 9 under the SFDR, one of the few in the sector, and we have remained committed to this classification in 2023 and beyond. Throughout the year, we have further enhanced our stewardship process, which we anticipate will further benefit our engagement efforts in the coming years. In 2023, we continued to take bold active positions against major benchmark holdings for ESG reasons. We maintain our stance of not investing in several large cap pharmaceutical companies, which collectively represent 11.2% of the benchmark weight as of December 31, 2023, as these companies do not meet our ESG criteria.

In conclusion, we want to reaffirm that the Kieger Healthcare Team is profoundly committed to making a significant positive impact on the world. Our drive comes from a deep desire to create a better world for future generations, including our children and grandchildren.

Investors play a crucial role in directing funds towards sustainable transformation, and we are unwavering in our dedication to being a trusted partner on this journey. We eagerly anticipate continuing our collaboration with you to build a brighter future for everyone.

*Sincerely,*  
*Kieger Healthcare Investment Team*



# The data dilemma

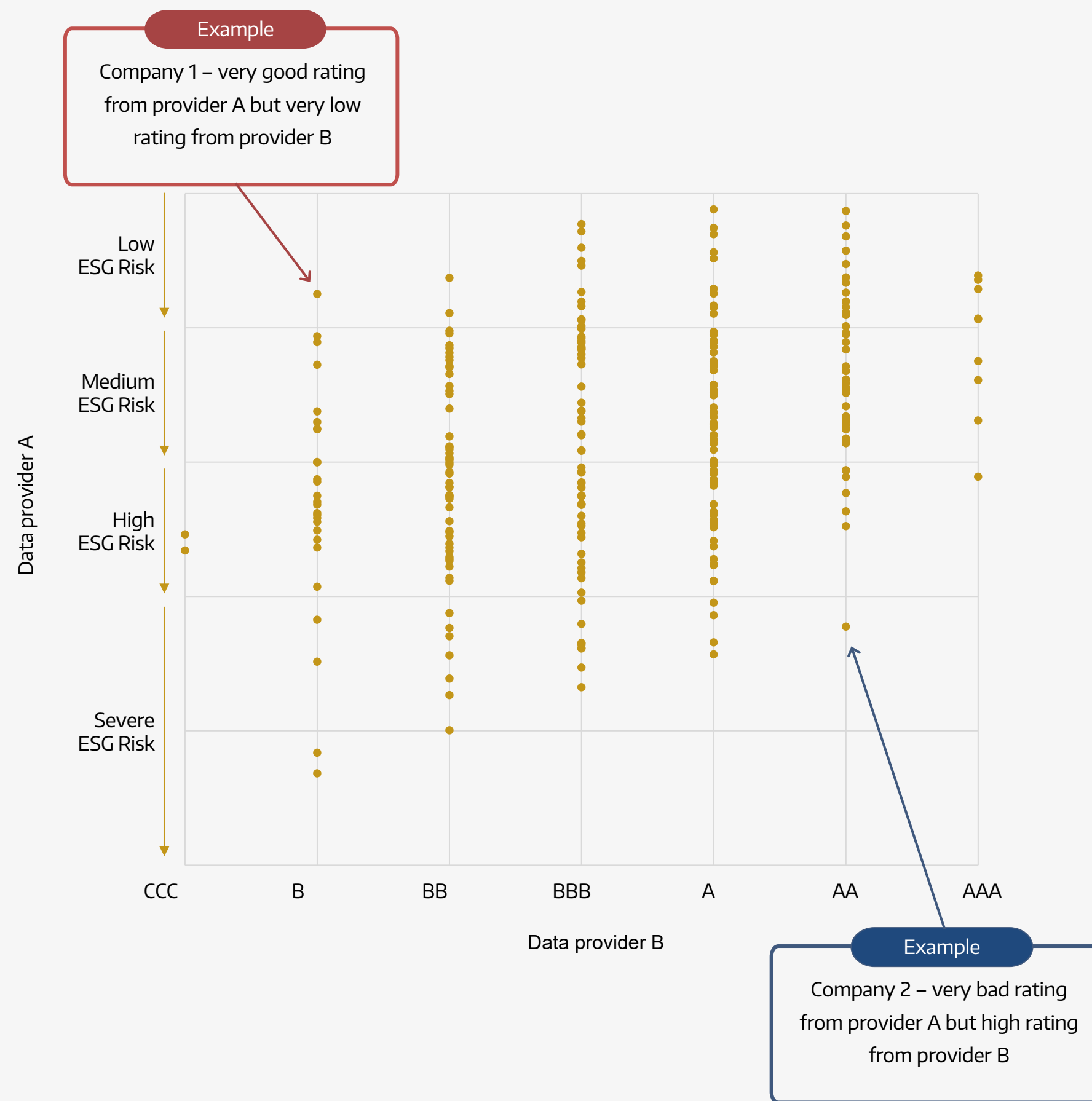
**Over the years, there has been a significant improvement in the reporting and accessibility of sustainability-related data.**

That said, the disparity in types of reported data and platforms for reporting remains considerable. Additionally, the interpretation of ESG data is highly subjective, and there are no universally recognised standards. Consequently, sustainability ratings tend to vary significantly between different rating agencies.

Moreover, basic ratings offer only a limited understanding of the underlying issues and typically concentrate on past data.

On the other hand, conducting thorough, proprietary ESG research and leveraging diverse data sources can yield a more comprehensive understanding of a company's sustainability practices, revealing both future risks and opportunities. This method provides a more precise and nuanced evaluation of a company's sustainability performance.

That is why the investment team decided to develop a proprietary ESG assessment framework.



# Our approach to assessing sustainability

The Kieger Sustainable Healthcare Fund invests in companies that “pass” our sustainability analysis. Companies are eligible for investment if they meet the following criteria, A and B:

**A** Have passed the proprietary ESG framework with a score of at least 30 (1-100)

- All investments are assessed monthly within the quantitative Kieger ESG framework, that uses different data sources. The greatest weight is given to the “Social” category (50%) because the risks that healthcare companies face are most significant in this category, while “Governance” accounts for 30% and “Environmental” 20%
- Potential investments and holdings are subjected to qualitative analysis and data validation
- The result of the screening and qualitative analysis is a score for each company, ranging between 1 and 100. Companies with a score that exceeds 30 are eligible for investment

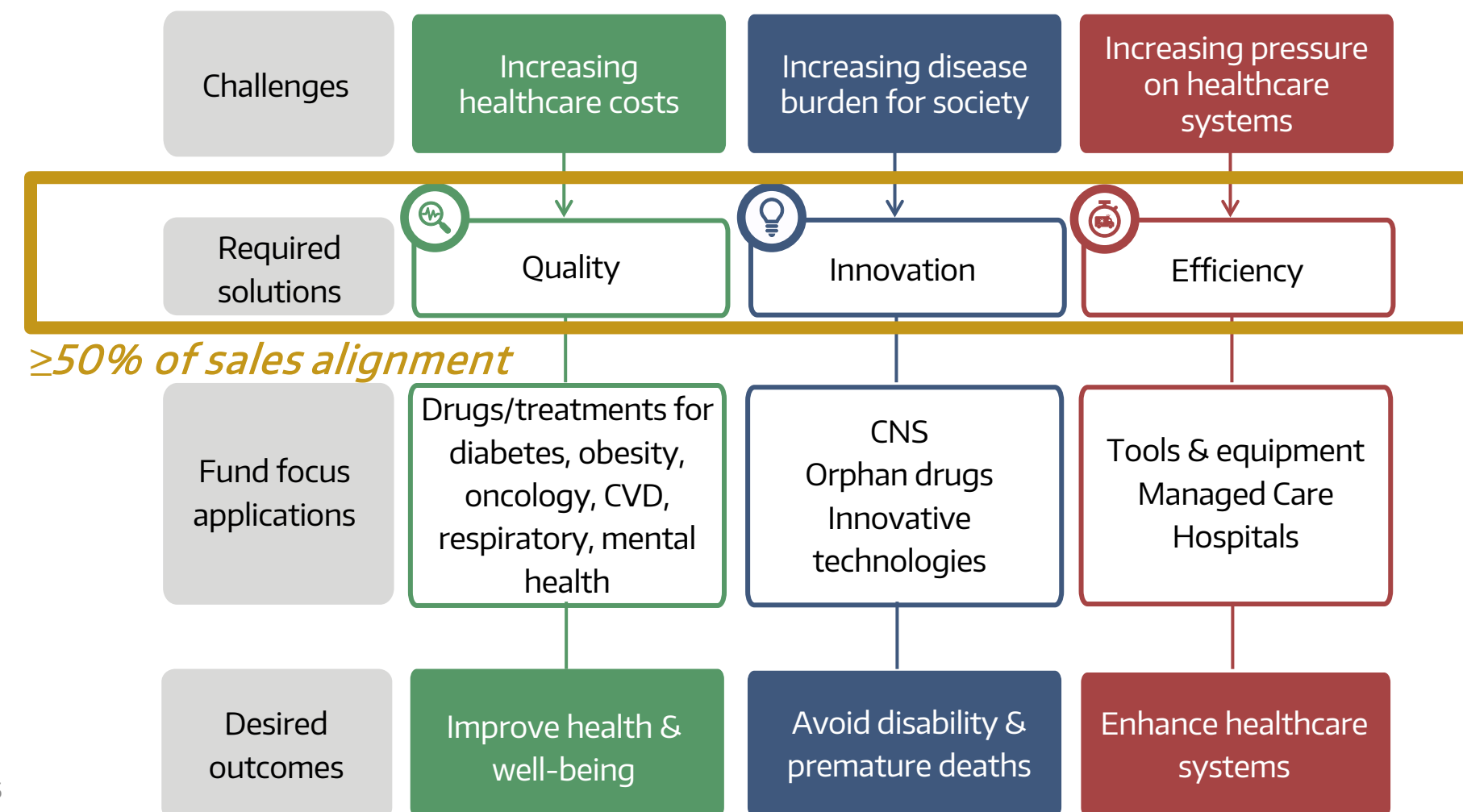
**B** The Kieger Sustainable Healthcare Fund invests in companies that “pass” our sustainability analysis. Companies are eligible for investment if they meet the following criteria:

- Contribute to at least one of the solution-oriented investment themes to "improve health & well-being" through investing in high-quality companies, "avoid disability & premature deaths" through choosing innovative companies and "enhance healthcare systems" through selecting companies that increase efficiency.
- The contribution is established if at least 50% of sales are aligned with the themes.

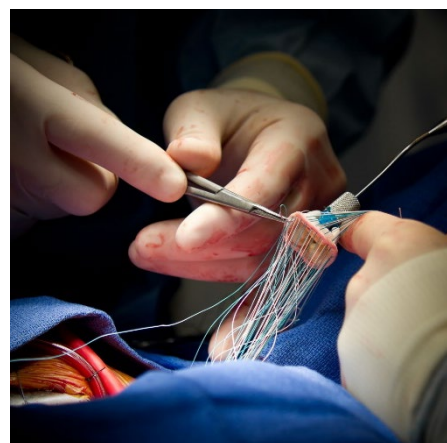
## ESG integration with a proprietary framework



## Sustainability analysis



# The fund's solutions-oriented investment themes



## Quality



With increasing demand for healthcare, prices for products and services are expected to rise further going forward. The fund aims to invest in companies with differentiated portfolios that contribute to the improvement of health and well-being.

Examples in this area are drugs and treatments for diabetes, obesity, oncology, cardiovascular disease, respiratory and mental health – with improved clinical outcomes for the patients.



## Innovation



Despite the healthcare advances achieved during the past decades within healthcare in the developed world, the burden of disease is still increasing, bringing a significant challenge to society.

The fund aims to invest in innovative companies that help to avoid disability and premature deaths.



## Efficiency



Healthcare systems globally are facing increasing pressure, and it is essential to find solutions to improve efficiency.

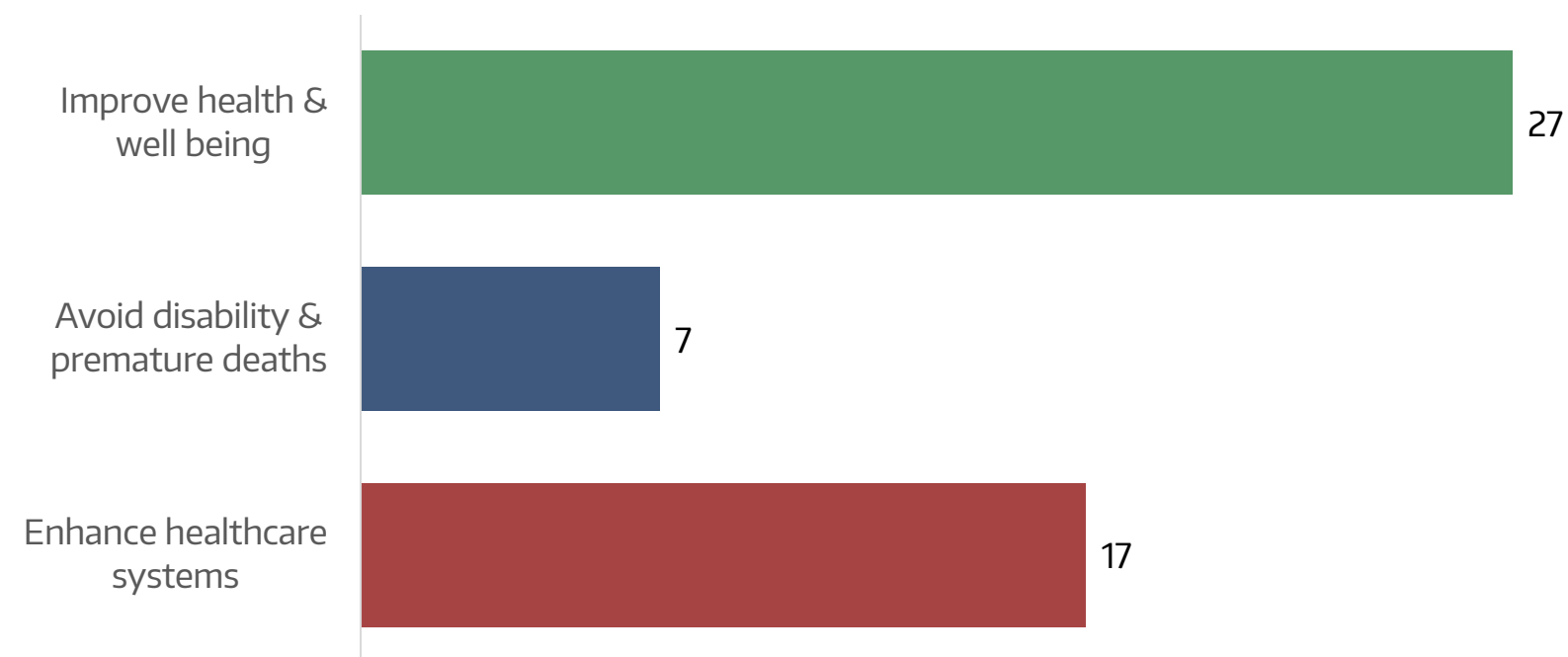
We invest in companies whose products and services are developed with the aim of creating a more efficient and effective system, that delivers better outcomes for patients while saving costs.

# Portfolio overview

## Contribution to the fund’s solution-oriented investment themes

We aim to invest in companies that have been identified as providing a particular benefit to society on the basis of pre-defined themes. The contribution is established by at least 50% of a company’s sales aligned being with the investment themes<sup>1</sup>.

Contribution to solution-oriented investment themes (number of portfolio stocks)



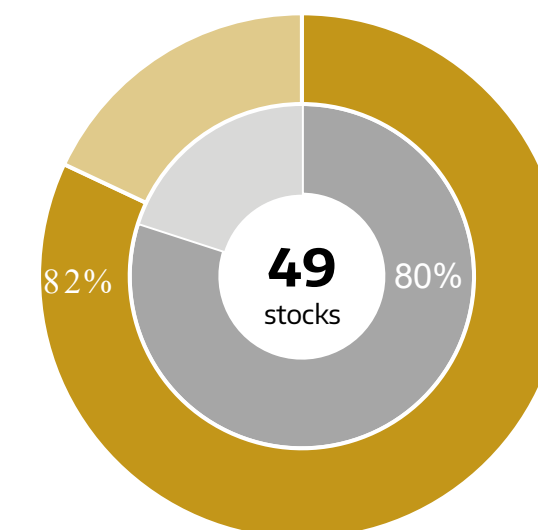
## UN SDG 3 - Ensure healthy lives and promote well-being for all ages

Being a thematic healthcare fund, many holdings contribute through their business model to achieving SDG 3 “Good health and well-being”. We carefully select our investee companies with regards to the sustainability of their business model, which is often aligned with providing solutions for unmet health needs.

Contribution to SDG 3

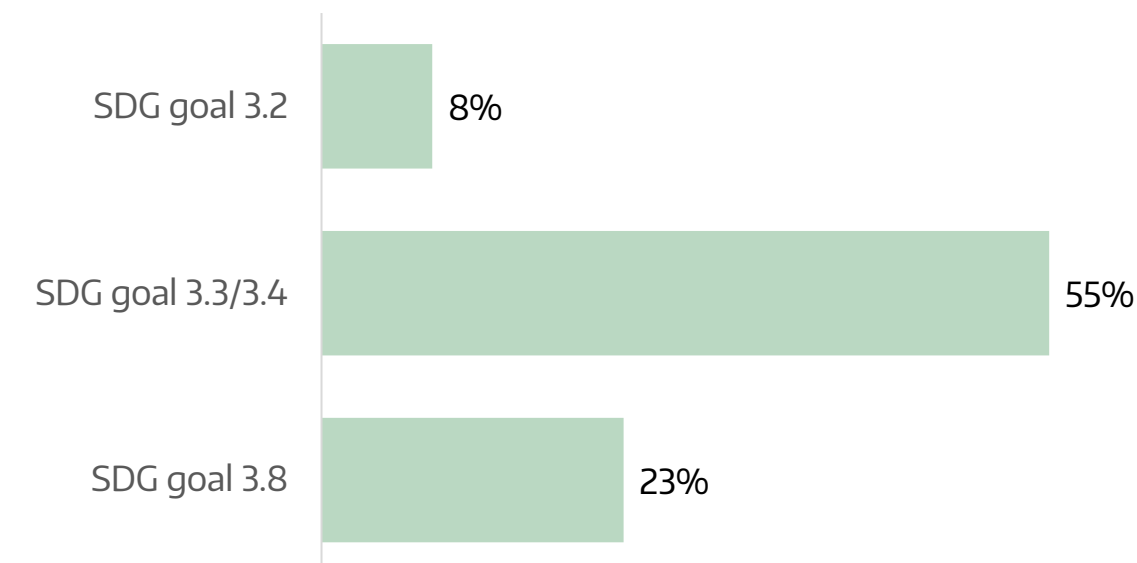
39 out of the 49 stocks (80%) held in the portfolio during 2023 contributed to at least one SDG 3 target.

These 39 stocks accounted for 82% of the portfolio weight.



Contribution to SDG 3 sub-targets

The chart shows the percentage weight of the SDG 3 targets that are addressed by the companies held in our portfolio<sup>1</sup>.



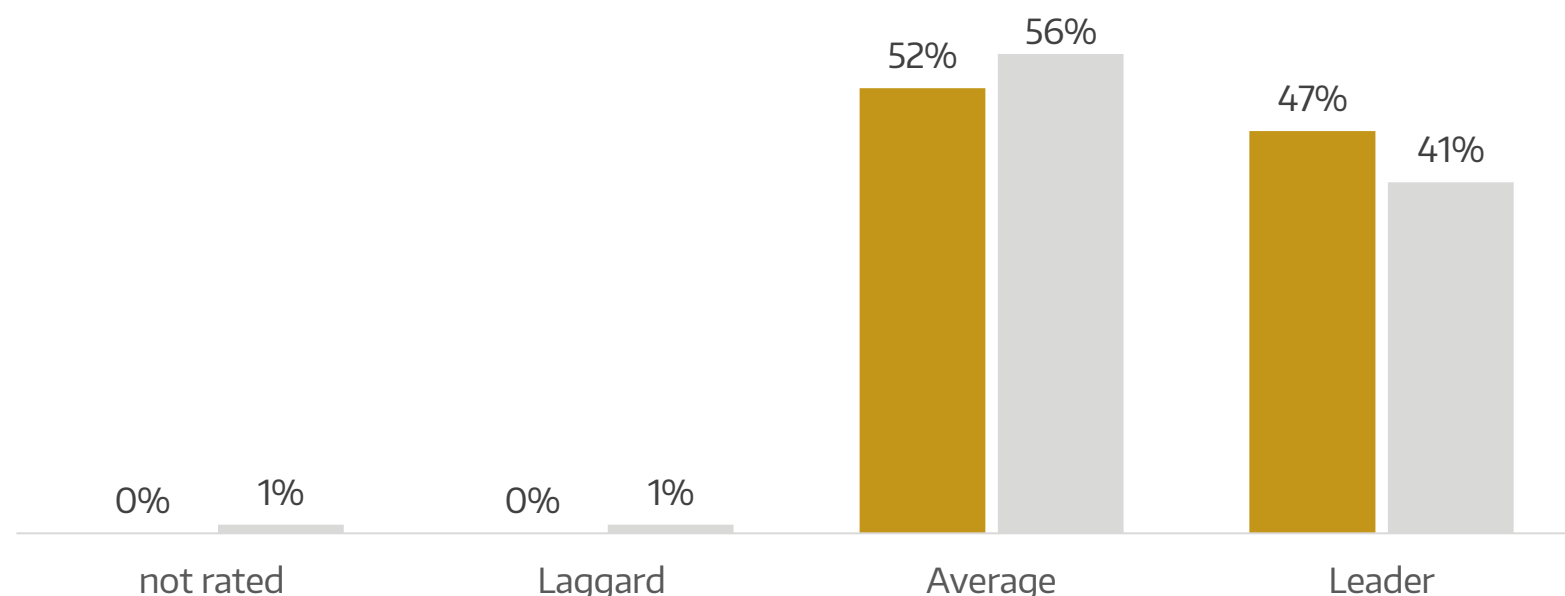
Source: Kieger AG, portfolio data for 2023

<sup>1</sup> One company can address multiple targets

# MSCI ESG profile

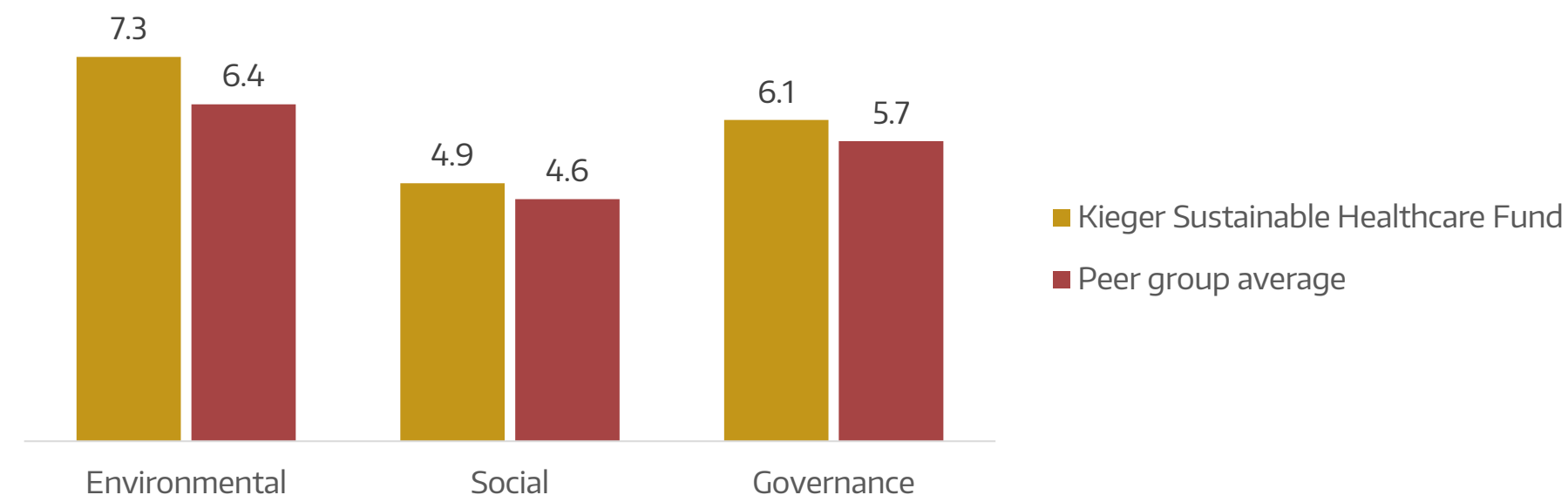
ESG Ratings Distribution represents the percentage of a portfolio's market value coming from holdings classified as ESG Ratings Leaders (AAA and AA), Average (A, BBB, and BB), and Laggards (B and CCC).

ESG rating distribution by Leaders, Average, Laggards

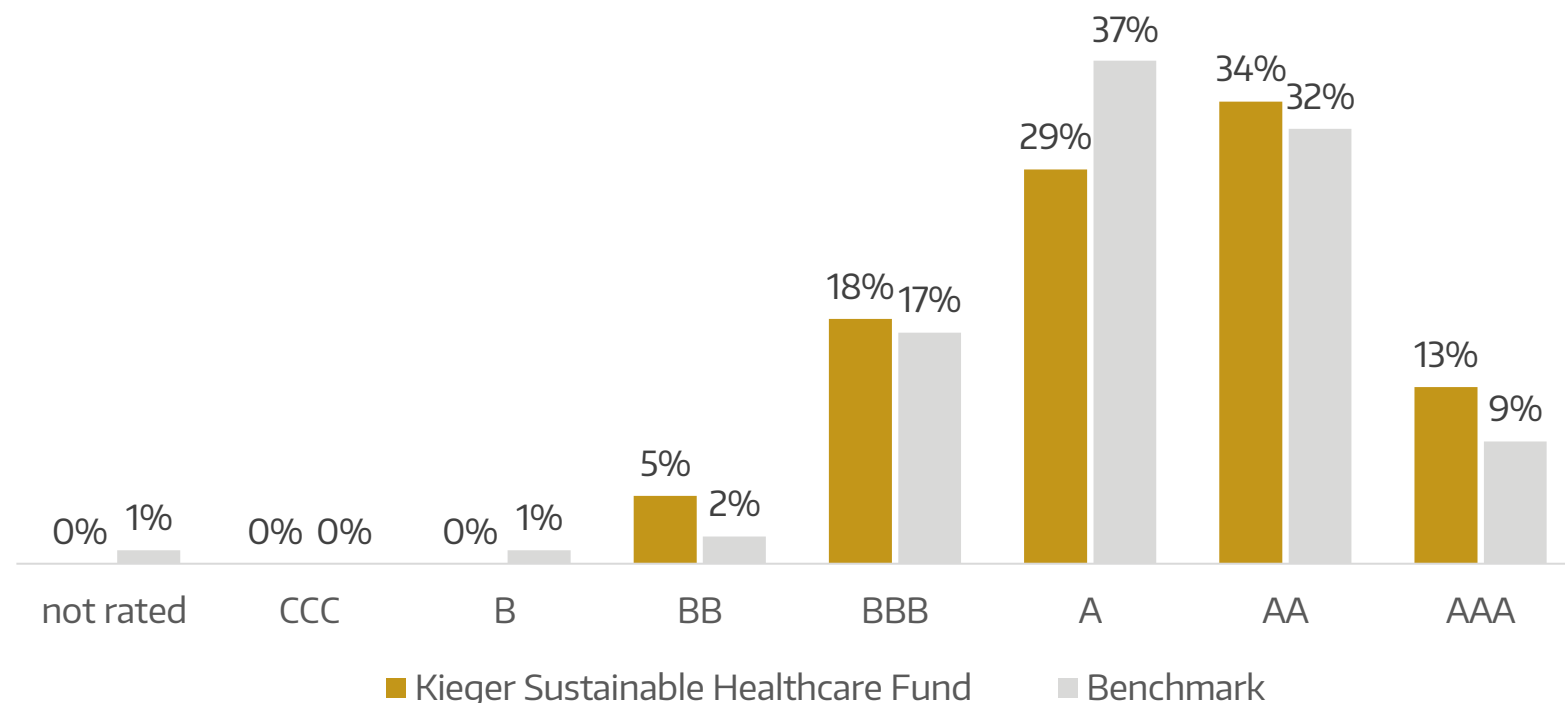


ESG Quality Score measures the ability of underlying holdings to manage key medium to long-term risks and opportunities arising from environmental, social, and governance factors. It is based on MSCI ESG Ratings and is measured on a scale of 0 to 10 (worst to best).

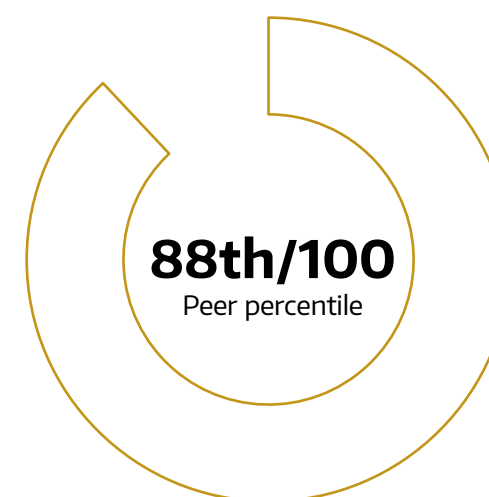
ESG quality score vs peers



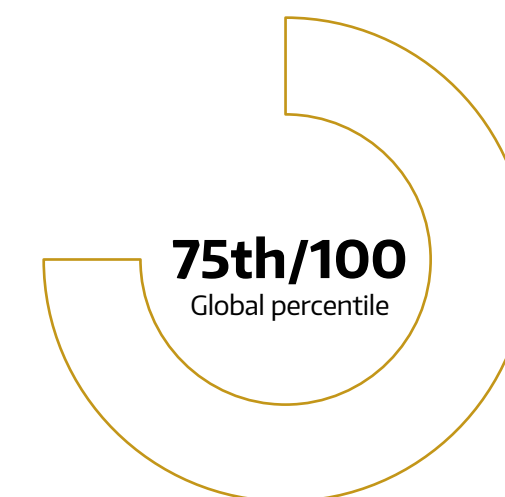
ESG rating distribution in detail



ESG quality score by percentile vs peers and global fund universe



Our fund ranks in the 88th percentile within the Equity Sector Healthcare peer group (N = 535) and in the 75th percentile within the global universe of all funds in coverage.





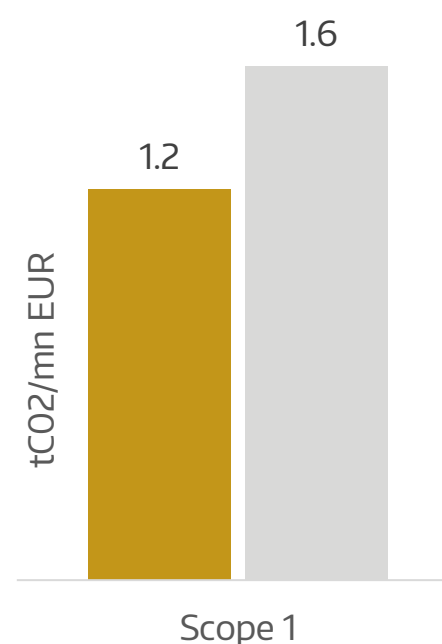
# Emissions

## Direct emissions

MSCI ESG research defines a portfolio's carbon footprint as the tons of CO2 emitted per EUR 1 million invested (tCO2/mn EUR).

Scope 1 emissions are direct greenhouse (GHG) emissions from the company's owned or controlled sources. This includes emissions associated with stationary combustion (heating), fugitive emissions (refrigerants), furnaces and company vehicles. It is estimated that Scope 1 emissions account for around 17%<sup>1</sup> of the healthcare sector's global carbon footprint.

In 2023, the Kieger Sustainable Healthcare Fund's tCO2/mn EUR were 24% below those of the MSCI World Healthcare constituents.

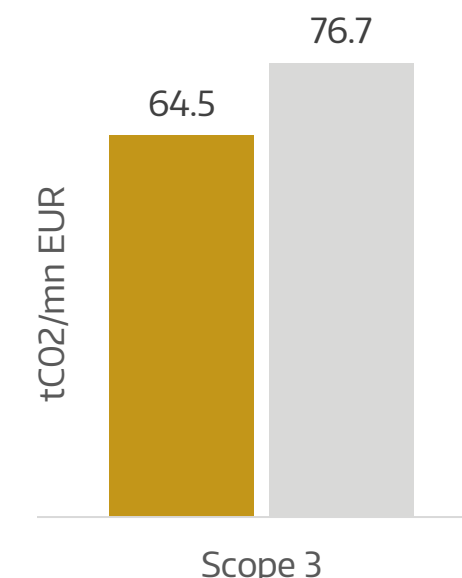


## Indirect emissions – now owned

Scope 3 emissions stem from the value chain of a company and are indirectly influenced by the organisation's activities, even though it does not own or control the assets involved. For healthcare, these are emissions stemming from production, transportation, and disposal of goods and services, such as pharmaceuticals, medical devices and hospital equipment.

71%<sup>1</sup> of the emissions in healthcare are estimated to come from the supply chain, an elevated level that can be explained by the interrelatedness of value chains. Scope 1 and 2 emissions of one company may be categorised as scope 3 emissions for another company.

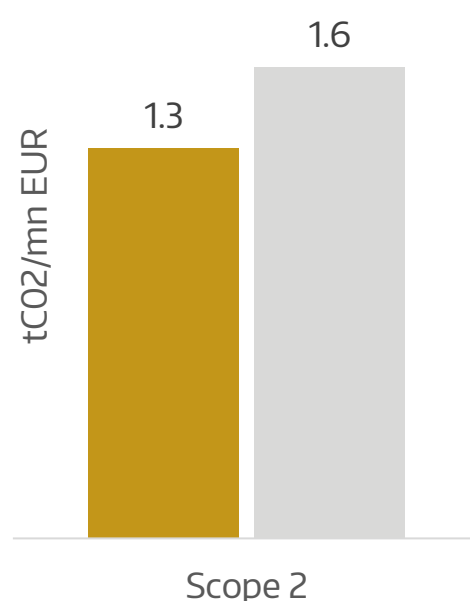
In 2023, the Kieger Sustainable Healthcare Fund's tCO2/mn EUR were 16% below those of the MSCI World Healthcare constituents.



## Indirect emissions - owned

Scope 2 emissions relate to indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although these emissions physically occur at the facility where they are generated, they are included in the company's GHG inventory since they are a direct result of the energy consumed by the company. It is estimated that Scope 2 emissions make up ca. 12%<sup>1</sup> of the sector's carbon footprint.

In 2023, the Kieger Sustainable Healthcare Fund's tCO2/mn EUR were 17% below those of the MSCI World Healthcare constituents..



■ Kieger Sustainable Healthcare Fund ■ Benchmark

# Principle Adverse Impact (PAI) indicators

Indicator	ISS ESG Factor	Portfolio Current	Coverage	Portfolio Year-1
1. GHG emissions	Scope 1 per mn EUR Enterprise Value	1.24	100.00%	1.24
	Scope 2 per mn EUR Enterprise Value	1.29	100.00%	1.56
	Scope 3 per mn EUR Enterprise Value	64.48	100.00%	74.28
	Scope 1+2+3 per Mio EUR Enterprise Value	67.01	100.00%	77.09
2. Carbon footprint	GHG emissions – Scope 1+2+3 per mn EUR Enterprise Value	67.01	100.00%	77.09
3. GHG intensity of investee companies	GHG emissions – Emissions intensity – Scope 1, 2 & 3 emissions (EUR)	258.88	100.00%	294.65
4. Exposure to companies active in the fossil fuel sector	Fossil fuel – Involvement (PAI)	0.00%	100.00%	0.00%
5. Share of non-renewable energy consumption and production	Non-renewable energy consumption	38.95%	54.51%	41.74%
	Non-renewable energy production	0.00%	100%	0.00%
6. Energy consumption intensity per high impact climate sector	Energy consumption intensity (GWh/mn EUR) – Manufacturing only	0.03	55.09% (70.74%)	0.03

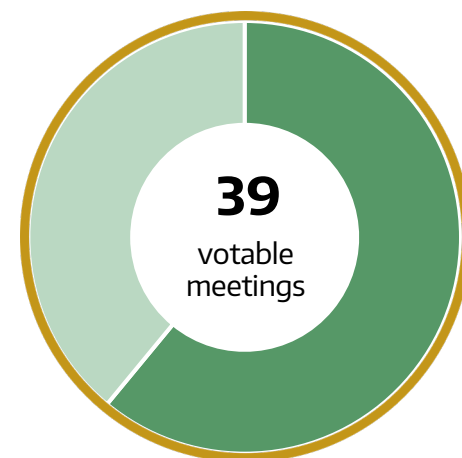
Indicator	ISS ESG Factor	Portfolio Current	Coverage	Portfolio Year-1
7. Activities negatively affecting biodiversity-sensitive areas	Companies negatively affecting biodiversity-sensitive areas	0.00%	100.00%	0.00%
8. Emissions to water	COD emissions per mn EUR EVIC	0.00	8.09% (18.87%)	0.00
9. Hazardous waste and radioactive waste ratio	Hazardous waste per mn EUR EVIC	0.05	57.63% (66.89%)	0.03
10. Violations of UN Global Compact (UNGC) principles and Organization for Economic Cooperation and Development (OECD) guidelines for multinational enterprises	UNGC/OECD guideline Violations	0.00%	100.00%	0.00%
11. Lack of processes and compliance with UNGC principles and OECD guidelines for multinational enterprises	Lack of processes monitoring UNGC and OECD guideline compliance	36.01%	100%	24.26%
12. Unadjusted gender pay gap	Unadjusted gender pay gap (mean)	0.00%	2.64%	0.00%
13. Board gender diversity	Women on board (%)	36.22%	100.00%	19.02%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Controversial weapons involvement (APM, CM, Bio, Chem)	0.00%	100.00%	0.00%

# Stewardship

## Proxy voting

### Meetings overview

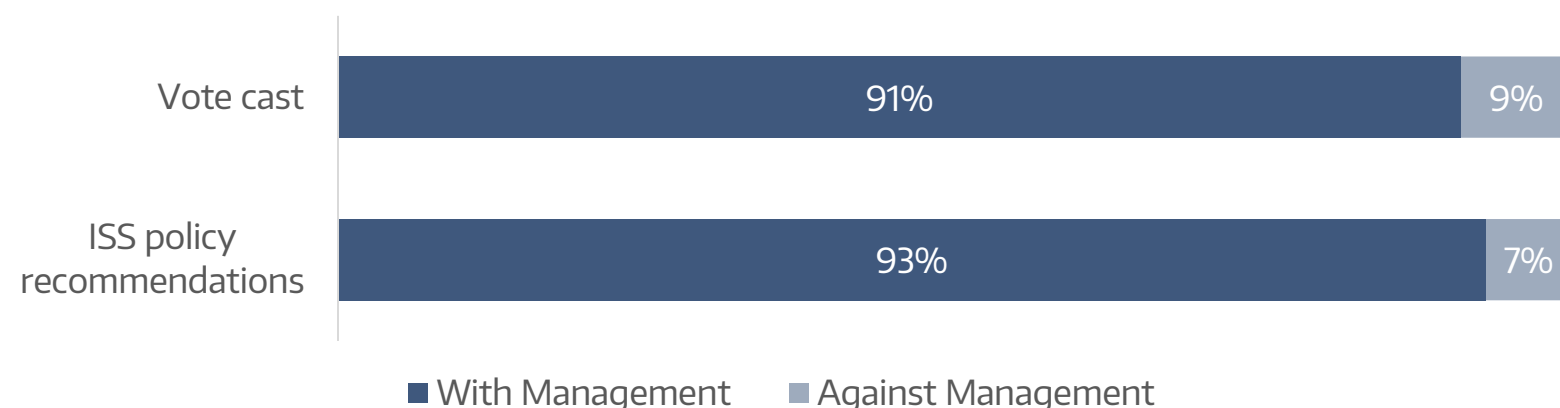
The chart presented summarises the Kieger Sustainable Healthcare Fund's voting activity in 2023. The data is collated and analysed throughout the year.



- No. of meetings voted 39
- No. of meetings where we voted against management on at least one voting point 25
- No. of meetings where we voted against ISS on at least one voting point 16

### Alignment with management

The votes cast on Kieger ballots during the reporting period are aligned with management recommendations in 91% of the cases, while the ISS Benchmark Policy recommendations are aligned at 93% with management recommendations.



Source: Kieger AG, ISS

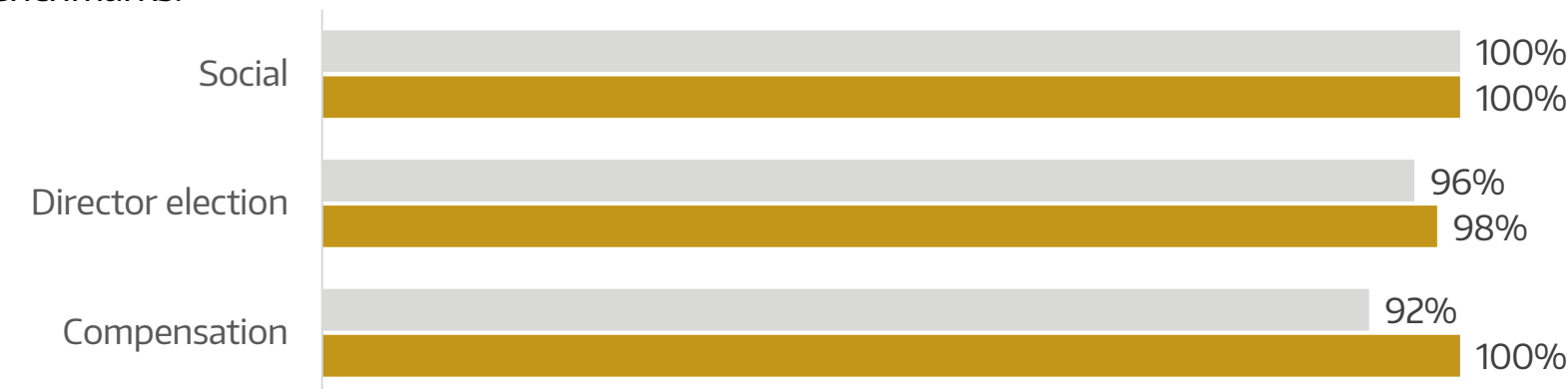
Since the beginning of 2020, we have been exercising our voting rights for all our investee companies, via the ISS proxy voting platform.

We use the stringent ISS sustainability voting policy, which refers to its framework of reference internationally-recognised sustainability initiatives such as the UN PRI, as our voting guideline.

Voting at AGMs and the outcome thereof is an integral part of the overall sustainability assessment of the companies held in our portfolio.

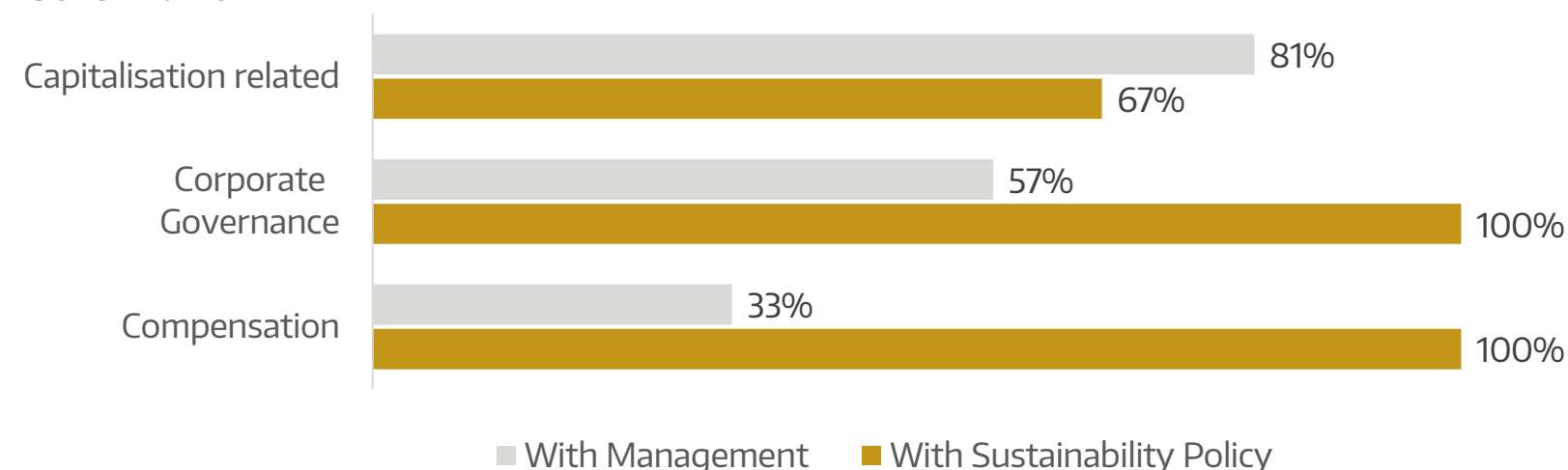
### Management proposals (selection)

Comparing the votes cast in support of Management proposals, ISS Benchmark Policy recommendations provides insight into the positioning of votes on proposals submitted by shareholders against the benchmarks.



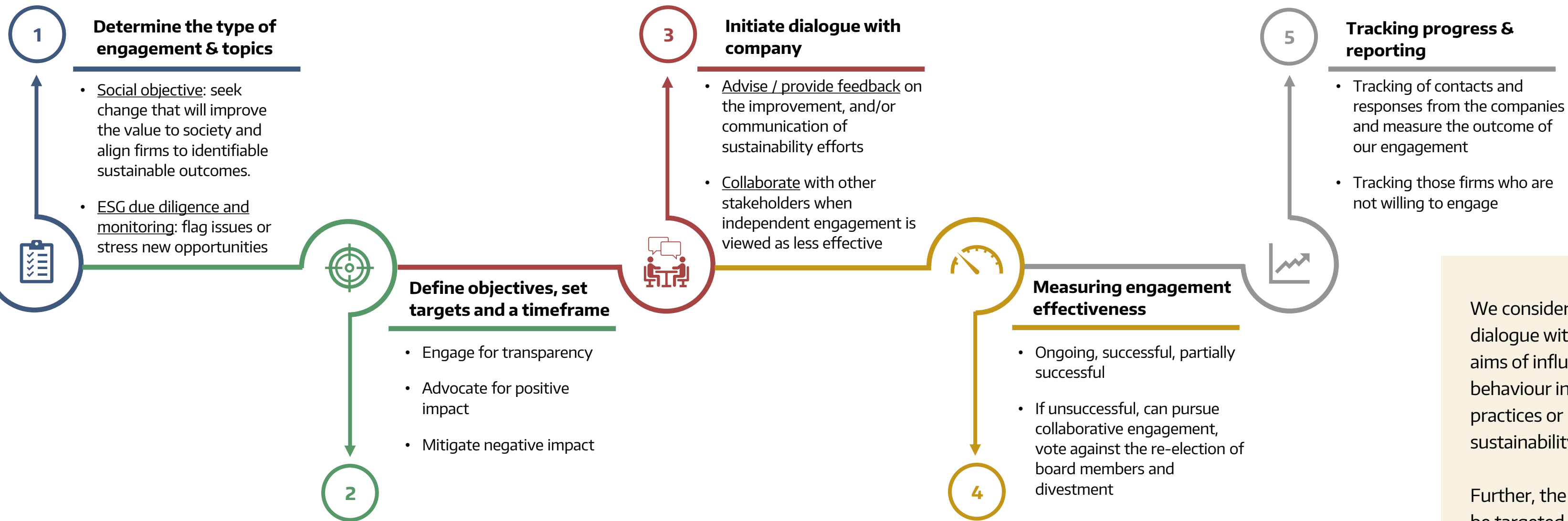
### Shareholder proposals (selection)

Comparing the votes cast in support of Shareholder proposals, ISS Benchmark Policy recommendations provides insight into the positioning of votes on proposals submitted by shareholders against the benchmarks.



# Direct engagement

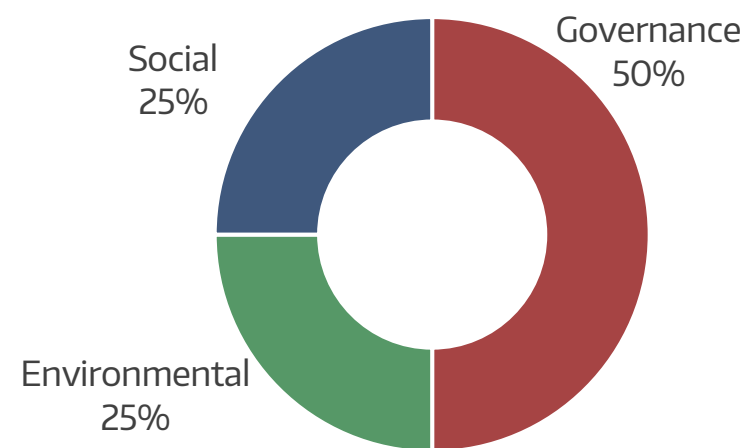
## Engagement lifecycle



We consider engagement an open dialogue with a company with the aims of influencing its activities or behaviour in order to improve ESG practices or its impact on key sustainability topics.

Further, the engagement should be targeted and aligned with the Fund's specific sustainability goals.

## Meeting topics



In the course of 2023, the team approached 4 investee companies with topics mainly related to ESG considerations. Within the Environmental space, the aim of our engagement was to improve transparency and quality of scope 3 GHG emissions data. Additionally, during our interactions with managements, the goal is to understand their company's control mechanisms for product quality and safety (including the performance of clinical trials, ethical marketing and data security).

In late 2023, the team has further refined its stewardship methodology and we aim to accelerate the company's contribution to the fund's social objectives in 2024 and beyond.

# More about Kieger

## Helping purposeful clients make a positive difference

Launched over two decades ago to advise entrepreneurial investors with deep roots in the pharmaceutical industry, Kieger is an established and time-tested organisation which has successfully navigated multiple market cycles.

At Kieger, our ambition is to help you make a positive difference for future generations through excellence in the management of your assets. Sustainability is central to everything we do. It is a primary decision-making criterion for investment, never an afterthought.

- **Ambitious:** We are ambitious catalysts for innovation and positive societal change, using our talent and enthusiasm to challenge the status quo and shape a better future for all.
- **Dedicated:** Our dedication to client-focus ensures a meaningful impact in every interaction. Our team's extensive investment experience and deep knowledge in each area of expertise delivers tailored, transparent, and holistic investment solutions.
- **Positive Difference:** We use several data sources as a basis for analysis. Each decision is assessed at multiple levels (analysts, sustainability & impact committee).
- **Purposeful:** We embody purpose in everything we do, fostering honesty, trust, and a culture of imaginative collaboration to provide optimal solutions for our clients. Purposefulness defines our corporate culture and investment philosophy: we prioritise caring for our world and society, ultimately building a better future for generations to come.



Multi-billion asset manager, founded in 2000



Deep roots in healthcare, dedicated to sustainable and impact investing



Specialised in listed equity healthcare, private markets and multi-asset investments



36 employees



Based in Zurich, Switzerland, regulated by FINMA and Luxembourg, regulated by CSSF



# Our commitments

Dedication towards sustainable investing is important for building a more environmentally and socially responsible future

We have integrated sustainability into our strategic vision and made a commitment to external charters and initiatives.

Dedicated to responsible investment and acting in the best long-term interest of our beneficiaries



Principles for Responsible Investment (PRI)

Commitment to investing in and for the transition towards a world with net-zero greenhouse gas emissions.

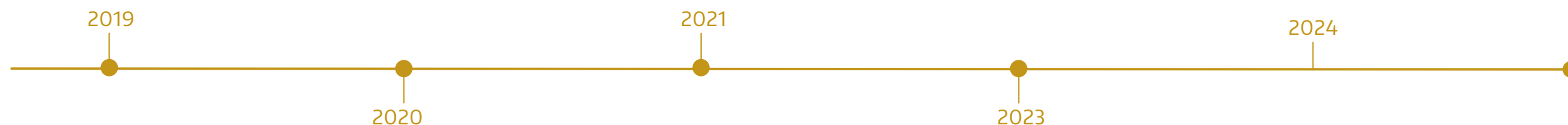


Net Zero Asset Management initiative (NZAM)

Partnership for Carbon Accounting Financials (PCAF)



Partnership for Carbon Accounting Financials



The global champion of impact investing, dedicated to increasing its scale and effectiveness around the world..



The Global Impact Investing Network (GIIN)

Proud signatory of Access to Medicine Foundation



Access to Medicine Foundation

Kieger is also a proud member / signatory of:



Regulated as manager of collective assets by:



**KIEGER**  
*dare to care*

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### Information for Swiss Investors:

This is an advertising document. The state of the origin of the fund is Luxembourg. In Switzerland, the representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Banque Cantonale de Genève, 17, Quai de l'Île, CH-1204 Geneva. The prospectus, the key information documents or the key investor information documents, the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative.

### Information for German Investors:

The Fund's Facilities agent in Germany is ACOLIN Europe AG, with the registered office at Reichenaustraße 11a-c, 78467 Konstanz. The Prospectus (in English) and the KIID (in German), may be obtained free of charge at the registered office of the Facilities agent, or electronically by Email [facilityagent@acolin.com](mailto:facilityagent@acolin.com), or by using the contact form at <https://acolin.com/services/facilities-agency-services>.

### Information for Austrian Investors:

The Facility agent according to EU Directive 2019/1160 Article 92, as well as tax representative in Austria, is Erste Bank der oesterreichischen Sparkassen AG, with the registered office at Am Belvedere 1, A-1100 Vienna. The Prospectus (in English) and the KIIDs (in German) may be obtained free of charge at the registered office of the Facility agent, or electronically by Email [foreignfunds0540@erstebank.at](mailto:foreignfunds0540@erstebank.at). The Fund is marketing in multiple member states of European Union and Switzerland. The management company reserves the right to terminate the arrangements made for the marketing of the Fund in accordance with Article 93a of Directive 2009/65/EC. The issuer of this marketing communication in Europe (excluding Switzerland) is Kieger Capital Partners S.à r.l.

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The Morningstar® Sustainability Rating™ is intended to measure how well the issuing companies or countries of the securities within a fund's portfolio are managing their financially material environmental, social and governance, or ESG, risks relative to the fund's Morningstar Global Category peers. Morningstar assigns Sustainability Ratings by combining a portfolio's Corporate Sustainability Rating and Sovereign Sustainability Rating proportional to the relative weight of the (long only) corporate and sovereign positions. Corporate and Sovereign Sustainability Score and Investment Style as of 30-04-2022. Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

The Morningstar Style Box™ is a nine-square grid that, for equity funds, depicts three investment styles (value, growth, and core) for each of three size categories (small, mid, and large). The Style Box provides an easy-to-follow visual representation of fund characteristics and enables informed comparisons and portfolio construction based on what funds actually hold.

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