



## **Article 10 (SFDR)**

### **Website Disclosure for an Article 8 Fund**

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**SpesX - Energy Transition Liquid Opportunities Fund**



## Context

This disclosure is made by FIEE SGR S.p.A. (the “**Investment Manager**”) in respect of SpesX - Energy Transition Liquid Opportunities Fund (the “**Fund**”), a sub-fund of MontLake Oriel UCITS Platform ICAV, pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“**SFDR**”) and Article 23 Commission Delegated Regulation (EU) 2022/1288.



## A. Summary

The Fund promotes environmental characteristics in accordance with Article 8 of SFDR but does not have as its objective sustainable investment.

The Fund seeks to achieve its investment objective through investments in companies active in one or more sub-sectors of the Energy Transition, which includes, but is not limited to, (i) energy production, storage, efficiency, management and optimization, including any technology, component or systems that could improve energy efficiency, reduce carbon emissions or facilitate the transition to cleaner energy systems in any way and (ii) exposure to materials used in energy transition, recycling and other environmentally friendly technologies or systems, or related to farming.

In order to ensure that ESG criteria are systematically included in its investment process, during the pre-trade due diligence process of potential investments for the Fund, proprietary ESG internal analysis is conducted to assess the relevant company's exposure to the Energy Transition.



## B. No sustainable investment objective

The Fund promotes environmental characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (the “**SFDR**”) but does not commit to making any sustainable investments. As a consequence, the Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



## C. Environmental or social characteristics of the financial product

### What are the environmental or social characteristics promoted by this financial product?

The Fund promotes environmental characteristics by taking both long and short positions in equities and debt securities issued by companies globally exposed to the transition to a cleaner energy world (the “**Energy Transition**”).

The Fund promotes environmental characteristics by taking: (i) long positions in issuers that demonstrate good environmental practices, and (ii) synthetic short positions in respect of companies which the Investment Manager considers to be badly positioned for the Energy Transition, such as companies involved in fossil fuel production or in respect of companies which the Investment Manager considers to be well positioned for the Energy Transition but overpriced. Synthetic short positions in companies that are climate disadvantages are included within investments that promote

environmental characteristics.

The Fund achieves this through long investments in companies, technology or system that could improve energy efficiency or reduce carbon emissions or facilitate the Energy Transition in any way, or exposure to materials used in energy transition, recycling and other environmentally friendly technologies or systems, or related to farming.

Synthetic short positions in companies that are climate disadvantaged (i.e. companies involved in fossil fuel production) or well positioned for the Energy Transition but overpriced (i.e. “green bubbles”, companies where it has been assessed that the risk has been underestimated by the market and are consequently overvalued) are included within investments that promote environmental characteristics.



#### D. Investment strategy

**What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?**

The Fund seeks to achieve its investment objective by seeking to take advantage of the Energy Transition, through long investments in companies such as those involved with renewable fuel sources, renewable electricity generation, related infrastructure and services, producers of batteries and battery materials, electric vehicle manufacturers and related businesses (such as producers of electric vehicle chargers), producers of hydrogen technologies, including electrolyser and fuel cell producers, energy efficiency, residential energy efficiency, smart cities (i.e. cities which use information and communication technologies, like 5G, to increase operational efficiency, share information with the public and improve both the quality of government services and citizen welfare), public lighting, energy storage, energy management companies, any other technology or system that could improve energy efficiency or reduce carbon emissions or facilitate the Energy Transition in any way, or exposure to materials used in Energy Transition, recycling and other environmentally friendly technologies or systems, or related to farming.

The Fund will also seek to take synthetic short positions in companies which are directly involved in ongoing very severe ESG controversies or on single name securities that are overvalued or not compliant with ESG criteria and badly positioned for the Energy Transition.

The investment process begins with defining its investment universe, which will primarily include, but not be limited to, companies that are principally engaged in Energy Transition and sustainable resource industries as described above.

In order to ensure that ESG criteria are systematically included in its investment process, during the pre-trade due diligence process of potential investments for the Fund, proprietary ESG internal analysis is conducted to assess the relevant company's exposure to the Energy Transition.

More in details, investments and target investments receive an overall score out of ten and are placed within one of the following categories based on this score:

- **Best-in-class (score 7-10)**
- **Neutral (score 4-6)**
- **Lagging (score 1-3)**

ESG exclusion criteria are applied to potential long investments to ensure compliance with minimum ESG standards, based on the ESG score and from data provided by external data providers, so that only companies that score 6 or higher are considered eligible for inclusion in the Fund's long investments.

The Fund take synthetic short positions on single name securities that are overvalued or not compliant with the ESG criteria and badly positioned for the Energy Transition. Companies with a score of less than 5 are deemed badly positioned for the Energy Transition.

Short positions on securities with a score of less than 5, together with long positions on companies with a score 6 or higher are considered compliant with the ESG criteria. On the other side, long positions on securities with a score of less than 5, together with short positions on companies with a score 6 or higher reduce the Fund's investments compliant with the ESG criteria.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Fund's binding elements include:

- At least 80% of the Fund's long single name/corporate investments are aligned with environmental characteristics. These characteristics are defined as companies globally exposed to the Energy Transition;
- A minimum of 50% of the Fund's investments will promote environmental characteristics. Synthetic short positions in companies that are climate disadvantaged are deemed to increase the cost of capital for those companies and as such are deemed to promote environmental characteristics. Synthetic short positions in companies that are climate disadvantaged will also be included within investments that promote environmental characteristics;
- Companies which are directly involved in ongoing severe ESG controversies, based on ESG controversy analysis are excluded from the long investments, although the Fund may take synthetic short positions in them.

**What is the policy to assess good governance practices of the investee companies?**

The Fund assesses, as part of its analysis of long investments, the investee company's decision-making processes and controls, as well as how the investee company's management balances the interests of shareholders, employees, suppliers, customers, the community and other stakeholders.

Assessed areas may include:

- The composition of the executive team and board of directors, including the experience, diversity and distribution of roles, along with succession planning and board evaluation;
- Executive remuneration, including short-term and long-term incentives and their alignment with investor interests;
- Risk control and reporting, including auditor independence and tenure;
- Shareholder rights and related party transactions



**E. Proportion of Investments**

**What is the planned asset allocation for this financial product?**

At least 50% of the Fund's portfolio is aligned with environmental characteristics promoted by the Fund. Synthetic short positions taken in companies that are climate disadvantaged are deemed to increase the cost of capital for those companies and as such are deemed to promote environmental characteristics, and are included within the percentage of the Fund's investments that promote environmental characteristics.

A minimum of 80% of long single name/corporate investments will be aligned with the environmental characteristics promoted.

The remaining proportion of investments not aligned with the promoted characteristics may include:

- Securities that do not attain the minimum ranking for environment characteristics promoted by the Fund;
- Instruments used for liquidity, efficient portfolio management, and/or hedging purposes, notably cash, deposits, government treasuries and derivatives such as Credit Default Swaps, Equity Index Futures and Options.

In any case, the Investment Manager ensures that those investments are made while maintaining the ESG profile of the Fund.



## F. Monitoring of environmental or social characteristics

### What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?

Investments are assessed against one of the following ESG criteria:

- Percentage of capital expenditures (CapEx) that is being deployed now and in the near future (max 3 years) towards activities related to Energy Transition;
- Percentage of revenues from Energy Transition activities;
- Percentage of earnings before interest, tax, depreciation and amortization (EBITDA) from Energy Transition related activities.



## Data sources and processing

### How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

During the pre-trade due diligence process of potential investments for the Fund, proprietary ESG internal analysis is conducted to assess the relevant company's exposure to the Energy Transition.

To ensure that environmental characteristics are met throughout the lifecycle of the Fund, the Investment Manager monitors the ESG profile of all securities and issuers that form part of the minimum percentage of investments aligned with environmental characteristics.



## G. Methodologies

### What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?

The Fund measures the attainment of the environmental characteristics by relying on the following criteria:

- **ESG Internal Score:** the investment process is based on conducting an internally developed deep fundamental analysis on companies, which assigns an ESG score to each potential investment based on the proportion of their activities (as measured by turnover, enterprise value, EBITDA, or similar metrics) which are related to the Energy Transition.

Only companies in the Best-in-class category or in the upper part of the Neutral category are eligible for inclusion in the Fund's long investments.

- **Negative Screen:** Companies which are directly involved in ongoing very severe ESG controversies, based on the ESG controversy analysis, are excluded from long investments, although the Fund may take synthetic short exposure to them.

Further details in respect of the ESG investment methodology are described under the section "D - Investment Strategy".

**What are the data sources used to attain each of the environmental or social characteristics?**

The Investment Manager draws on information from various sources, such as proprietary fundamental analysis, ESG research providers, third-party analyses (including those from brokers), credit rating services and financial and general media.



**I. Limitations to methodologies and data**

**What are the limitations to the methodologies and data sources? (including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)**

The methodologies and data may be limited, inter alia, by:

- Limits on the availability of data;
- The need to use estimated data.

The Investment Manager’s Proprietary Methodology is designed to take account of and adapt to changes to regulations, requests from clients, market practices and data availability.

Certain aspects of the Proprietary Methodology may be changed, so that they have a greater or lesser impact. These aspects do not affect the extent to which the environmental characteristics promoted by the Fund are achieved.

**J. Due diligence**

**What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?**

The Investment Manager carries out due diligence on the underlying assets in the investment process on a regular basis as described under the section “F - Monitoring of environmental or social characteristics”.



**K. Engagement policies**

**Is engagement part of the environmental or social investment strategy?**

- Yes  
 No

**If so, what are the engagement policies? (including any management procedures applicable to sustainability-related controversies in investee companies)**

The investment Manager promotes better environmental outcomes through its voting rights in accordance with the own dedicated policy.



L. Designated reference benchmark

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**

Yes

No

**Change Log**

**08.04.2024, *Version 1*: issuance**