

Assessment of Value

CIRCA5000 ICAV

April 2024



Contents

Introduction	3
Overview	3
Executive summary	4
Assessment of Value	5
1. Quality of service	5
2. Performance	7
3. Operator costs	9
4. Economies of Scale	10
5. Comparable market rates	11
6. Comparable services	13
7. Classes of units	14
Appendix I –List of investment objectives and investment policies	15



Introduction

CIRCA5000 ICAV (the “Fund”) is an open-ended Irish collective asset management vehicle which is constituted as an umbrella fund with variable capital and segregated liability between its sub-funds and registered in Ireland with registration number C491100 and authorised by the Central Bank of Ireland as a UCITS within the meaning of the Directive No. 2009/65/EC of the European Parliament and of the Council of 13 July 2009 as amended by Directive No. 2014/91/EU of the European Parliament and of the Council of 23 July 2014 as may be amended or replaced (the “**UCITS Directive**”).

The Fund has been authorised by the Central Bank as a UCITS on 28 November 2022.

Carne Global Fund Managers (Ireland) Limited (“Carne” or the “Operator”), a company regulated by the Central Bank to act as a UCITS management company and to carry on the business of providing management and related administration services to UCITS collective investment schemes has been appointed as Manager to the Fund.

The Fund was registered with the Financial Conduct Authority (“FCA”) pursuant to section 272 of the Financial Services and Markets Act 2000 effective 13 April 2023. Carne is the Operator of the Fund and in line with the requirements detailed in the approval e-mail issued by the FCA, the Operator is required to publish an Assessment of Value for the Fund on an annual basis. This requires Carne to assess the overall value that the Fund deliver to investors and to publish these findings annually.

Overview

Our Assessment of Value (“AoV”) process for determining if a fund delivered value involved examining investment performance, fund costs and quality of service. To do this, as Operator to the Fund, we independently consider information on each of the seven value assessment criteria listed below. If we determine that improvements are necessary, we will determine the actions required and monitor the activity undertaken to remedy the issues identified.

The AoV has been completed based on the performance data of the Fund up to 31 December 2023, the date of the audited financial statements.

It is the responsibility of the Carne Board of Directors to consider the outcomes of these assessments, ensure they are clear and fair, and to communicate to the investors if value has been delivered or, if not, identify potential next steps .

Our assessment criteria

In line with FCA requirements we have assessed the following criteria:






1. Quality of service
2. Performance
3. Operator costs
4. Economies of scale
5. Comparable market rates
6. Comparable services
7. Classes of units

Our assessment of value process utilises data gathered across the range of funds under management and utilisation of external market data, where applicable.







Executive summary

As at the date of this report the Fund had 5 active sub-funds and have been launched as set out in the table below. All sub-funds have been presented in the same report due to similar characteristics and findings across all sub-funds.




































Sub-fund name	Launch date	Delivered Value
CIRCA5000 Green Energy & Technology UCITS ETF	5 June 2023	
CIRCA5000 Clean Water & Waste UCITS ETF	5 June 2023	
CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	5 June 2023	
CIRCA5000 Health & Wellbeing UCITS ETF	5 June 2023	
CIRCA5000 Social & Economic Empowerment UCITS ETF	5 June 2023	

The outcome of our assessment with respect to the various criteria is included in this report for each sub-fund, together with relevant explanations and any actions being taken or necessary. The table below provides a summary of our assessment, using a traffic light system rating as described below:

Key:

	Delivered value
	Delivered value but potential action/monitoring required
	Fund has not provided value for investors
	Too new to rate

Findings:

	CIRCA5000 Green Energy & Technology UCITS ETF	CIRCA5000 Clean Water & Waste UCITS ETF	CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	CIRCA5000 Health & Wellbeing UCITS ETF	CIRCA5000 Social & Economic Empowerment UCITS ETF
1. Quality of service					
2. Performance					
3. Operator Costs					
4. Economies of Scale					
5. Comparable market rates					
6. Comparable services					
7. Classes of units					



However, it is important to emphasise that whilst, for most criteria we have sufficient information and data in order to make a meaningful assessment, this is not the case in respect of the assessment of investment performance. The investment objective of each sub-fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the relevant index. With that objective in mind, the sub-funds have provided investment results that, before fees and expenses, closely correspond to the performance of the respective indices. This is evidenced by each sub-funds' low tracking error¹ relative to their respective indices.

In our view, based on our assessment of the various criteria we concluded that, overall, each sub-fund is considered too new to rate. Given the recent launch of the sub-funds, there has not been sufficient time to make a reliable judgment of demonstrated value particularly in the performance area, however no concerns have been observed.

Assessment of Value

1. Quality of service

Are we satisfied that the quality of service being provided to the Fund for the sub-funds noted above represents value to investors?

We examined the range and quality of services provided by considering a number of key aspects including the investment process, investor experience and fund operations, to determine the quality of the service delivered.

- *Investment management:* the effectiveness of the process is validated through a number of governance processes and committees. Where any part of the service has been delegated, all service providers are leading companies in their specialised areas and have demonstrated a satisfactory quality of service. In relation to the Investment Manager we look at the breadth of knowledge and expertise, including portfolio managers, support teams, investment processes and disciplines together with ongoing communications and engagement with the sub-funds' investor base. Liquidity and risk are also reviewed and controlled by internal processes, within the Investment Manager, to ensure the sub-funds remain aligned to their objectives and within the parameters set out in the Fund's prospectus and supplements for the sub-funds. The objective of each sub-fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the relevant index. This objective is the primary component of our assessment of the quality of the investment management service provided and we assessed the sub-fund on this criterion. As the objective is to replicate the index, we are satisfied that the sub-funds have not deviated from implementing its investment objective and policy during the period under review.
- *Risk management:* Carne applies standard risk management procedures and governance processes. Carne reviews post trade compliance reporting on all investment activities performed by the Fund. We examine all operational issues which may affect individual sub-funds and impact the quality of service provided to investors. Detailed due diligence is performed on all delegates and actions are promptly followed up and remediated where required. We are satisfied that risk management processes applied to the sub-funds are appropriate and that an adequate service standard is adhered to in this regard.
- *Fund operations:* Carne, through our delegates that are appointed to the Fund, aim to ensure that all operations of the sub-fund are executed accurately and efficiently. Key Performance Indicators (KPIs) are monitored continually by Carne to ensure compliance with regulatory requirements and stable and effective operations. The sub-funds are serviced by top


¹ Tracking error is calculated as the standard deviation of the difference in returns between the fund and the benchmark over a certain period. A low tracking error indicates that the fund is closely tracking the index, while a high tracking error suggests a greater deviation from the index returns.



tier service providers, with the requisite level of skills and expertise. This is demonstrated through their day-to-day operations of the sub-funds and quality and timely delivery of required information to relevant stakeholders.

- *Investor experience:* client service is an important part of the service provided and we ensure that any communications are relevant, current and tailored to investors' needs to ensure clarity about the fund and the associated risks. We also monitor the quality of investor communications, including the frequency and delivery/distribution methods of these communications. Carne has not been advised of any investor complaints during the period since inception.

During the period under review there have been no material issues with the service providers appointed to the Fund including with respect to portfolio trades, investor deals, communications, reporting, timely and accurate calculation of prices, breach reporting and handling.

Conclusion:		The sub-funds were serviced to a satisfactory standard.
Next steps:	We will continue to closely monitor the quality of service of the sub-funds over the course of the year.	



2. Performance

Are these funds delivering on their investment objectives?

As part of the AoV process we review the performance of all sub-funds, net of costs and charges, to determine if the sub-fund has met its objective regarding performance.

As these are passive sub-funds tracking their respective indices, we review the respective tracking error of each sub-fund.

When measuring performance, we refer to the investment objective and investment policies of sub-funds to determine the appropriate methodology to evaluate performance and review if sub-funds are delivering on their investment objective.

The CIRCA5000 ICAV has 5 sub-funds, and the investment objective of each is to provide exposure to companies that align with the respective sustainable objective of each sub-fund. The investment policy of each sub-fund designates an index that is deemed to hold companies that provide the desired exposure, and the means to achieve the investment objective are identified as full physical replication of the respective benchmark index.

Given the investment policy of replication of indices, the metric used to evaluate the performance of the fund relative to its investment objective is Tracking Error. All 5 sub-funds have identified a range of 0.10% to 1% within which the Tracking error will be maintained under normal market conditions. A tracking error lower than 1% will indicate that the fund is closely replicating the performance of the index. Tracking Error is the market standard used to check if index-replicating funds are replicating the index as set out in the investment policy.

The Investment Manager regularly monitors the realised tracking error against the tracking error range identified in the supplements to ensure the sub-funds are complying with their investment policies. If the tracking error exceeds 1% at any point in time, we attempt to understand the drivers behind the same and if the investment manager is in breach of the investment policy, or if the tracking error is driven by market conditions.


Given that these sub-funds were launched in June 2023, the tracking error exceeded the 1% limit in the initial stages for 3 sub-funds (CIRCA5000 Green Energy & Technology UCITS ETF, CIRCA5000 Sustainable Food & Biodiversity UCITS ETF and CIRCA5000 Sustainable Food & Biodiversity UCITS ETF) and was within tolerance on an annualized basis for 2 sub-funds CIRCA5000 Health & Wellbeing UCITS ETF and CIRCA5000 Social & Economic Empowerment UCITS ETF). The sub-funds with an annualized tracking error exceeding 1% are not flagged as a concern given this is a standard practice observed across funds that seek to replicate indices in the first year of investing. Factors such as initial benchmark alignment, implementation costs and performance adjustment period during which fund managers optimize the portfolio to closely track the index, all drive a higher tracking error during the first year.

The tracking difference observed for these sub-funds are explained by each sub-fund's total expense ratio ("TER"), transaction costs from rebalancing and cash management, the withholding tax rates on international dividends received, as well as other day-to-day portfolio management friction costs (e.g. individual securities round lots, timing of the foreign exchange trades, etc.). An additional cause was a difference in foreign exchange daily valuation point between sub-funds and index for the first few months, however this was resolved in September 2023.



The performance of the sub-funds, benchmarks and the tracking error of each sub-fund relative to its benchmark during the period is presented as follows:

Fund Name	Fund return for Period	Benchmark return for Period	Difference Net of TER	TER (pro rata since inception)	Difference Gross of TER	Explanation of the tracking difference	Actual Tracking Error	Explanation of Divergence
CIRCA5000 Green Energy & Technology UCITS ETF	0.21%	0.54%	-0.33%	0.280%	-0.05%	Within tolerance	1.77%	This difference primarily relates to the index and fund using different FX valuation times for part of the period.
CIRCA5000 Clean Water & Waste UCITS ETF	7.34%	7.50%	-0.16%	0.280%	0.12%	Within tolerance	1.23%	This difference primarily relates to the index and fund using different FX valuation times for part of the period.
CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	-4.21%	-3.93%	-0.28%	0.280%	0.00%	Within tolerance	1.50%	This difference primarily relates to the index and fund using different FX valuation times for part of the period.
CIRCA5000 Health & Wellbeing UCITS ETF	4.64%	5.09%	-0.45%	0.280%	-0.17%	Within tolerance	0.98%	This difference primarily relates to the index and fund using different FX valuation times for part of the period.
CIRCA5000 Social & Economic Empowerment UCITS ETF	15.29%	15.60%	-0.32%	0.280%	-0.04%	Within tolerance	0.94%	This difference primarily relates to the index and fund using different FX valuation times for part of the period.

Conclusion:		Given the recent launch of the sub-funds, there has not been sufficient time to make a reliable judgment of demonstrated value in the performance area, however no concerns have been observed.
Next steps:	We will continue to closely monitor the performance of these sub-funds over the course of the year to determine if any further action is required.	



3. Operator costs

Are the fees charged to investors for management costs reasonable and fair?

The Board of Carne includes a number of independent directors, and all directors have extensive investment industry experience and together bring a broad diversity of viewpoints and expertise.

The ICAV employs an “all in one” fee structure for each sub-fund pursuant to which it pays out of each sub-fund’s assets a fixed total expense ratio (“TER”) of a percentage of each sub-fund net asset value (“NAV”) at each valuation point.


The ICAV is responsible for discharging all operational expenses, including but not limited to, fees and expenses of the Manager, Investment Manager, Depositary, Administrator, Distributor, the Directors, the costs of maintaining the Funds and any registration of the Funds with any governmental or regulatory authority; preparation, printing, and posting of prospectuses, sales literature and reports to Shareholders, regulatory fees of the Central Bank and other governmental agencies; marketing expenses; insurance premiums; fees and expenses for legal, audit and other services; paying for licensing fees related to each Fund’s Index and any distribution fees or expenses.

The ICAV will pay, out of the assets of each sub-fund, interest, taxes, brokerage commissions and other expenses connected with execution of portfolio transactions, including any extraordinary expenses such as extraordinary legal costs.

CIRCA5000 UK Ltd. acts as Distributor and Promotor to the Fund. In the event the costs and expenses of a sub-fund or class that are intended to be covered within the TER exceed the stated TER, the Distributor will discharge any excess amounts out of its own assets.

Effective management of costs is primarily the responsibility of both Carne and the Distributor to ensure costs are aligned with the fixed TER. Sub-fund costs are monitored to ensure the best rates are achieved. Where opportunities are identified to reduce charges to investors, the TER may be considered for amendment in the future.

In respect of operational costs, the Operator and the Distributor seek to leverage off existing relationships in order to obtain competitive rates from third party providers.

Conclusion:		We believe that the Operator has delivered value during the period under review.
Next steps:		We will continue to closely monitor impact of Operator costs to ensure appropriate for each sub-fund.



4. Economies of Scale


Have the economies of scale been realised and have savings been passed on to investors?

A sub-fund can generate economies of scale as it grows, as the costs of managing the fund decrease as the size of the fund grows. We have considered whether each sub-fund achieves economies of scale. We have considered this assessment at both Fund and sub-fund level so we can assess whether there are potential economies of scale in the fund and whether or not these have been achieved in practice.

The sub-funds have not yet completed their first year of operation and are still relatively small in size. However due to the Fixed TER expense arrangement in place, the investor does not bear the burden of the small size of assets under management ("AUM").

The Distributor monitors the actual expenses incurred compared to the Fixed TER charged to the investors on an ongoing basis. The Investment Manager due to its size and scale benefits through improved costs of services.

Sub-fund	AUM size – 31 Dec 2023 USD'000
CIRCA5000 Green Energy & Technology UCITS ETF	6,482
CIRCA5000 Clean Water & Waste UCITS ETF	6,715
CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	6,198
CIRCA5000 Health & Wellbeing UCITS ETF	6,289
CIRCA5000 Social & Economic Empowerment UCITS ETF	6,914

Conclusion:		We believe that the sub-funds have not reached a level where the sub-funds can benefit from economies of scale due to the small size of AUM. However, the impact of this is mitigated to investors by the Fixed TER arrangement, whereby the Distributor pays any excess of costs and fees incurred above the Fixed TER.
Next steps:	We will continue to closely monitor to determine where economies of scale can be achieved and whether the cost to investors continues to provide value for money.	



5. Comparable market rates
















Are the sub-funds priced reasonably compared to other competitor strategies?

The ICAV employs an “all in one” fee structure for its Funds pursuant to which it pays out of each sub-Fund’s assets a fixed TER of a percentage of each sub-fund’s NAV at the valuation point.

We examined the charges of each sub-fund at a share class level by comparing the price of the sub-fund share class against the ongoing charge (“OGC”) of other external peer groups using external market data available from both FE FundInfo and Morningstar Direct. Information available from FE FundInfo does not differentiate between passive and active funds. However is expected to be a premium on active ETFs compared to passive funds. The peer group compared to on Morningstar Direct was based on the relevant Morningstar Category and compared to other passive funds.

Class charges were examined in the following ways to compare TERs and OGC:

1. against a customised peer group based on data sourced from FE FundInfo Analytics.
2. against a customised peer group based on data sourced from Morningstar Direct.


	CIRCA5000 Green Energy & Technology UCITS ETF	CIRCA5000 Clean Water & Waste UCITS ETF	CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	CIRCA5000 Health & Wellbeing UCITS ETF	CIRCA5000 Social & Economic Empowerment UCITS ETF
Share Class	USD Accumulating	USD Accumulating	USD Accumulating	USD Accumulating	USD Accumulating
Sub-fund Fixed Expense ratio	0.49%	0.49%	0.49%	0.49%	0.49%
Compared to Peer Groups					
FE FundInfo Analytics					
OGC – Global ETFs, Ireland domicile, AUM less than USD10m (both passive and active)	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 
OGC – Global ETFs, Ireland domicile (both passive and active)	4 th Quartile 	4 th Quartile 	4 th Quartile 	4 th Quartile 	4 th Quartile 
Morningstar Direct					
OGC - ETF Equity by Morningstar Direct Category (passive funds)	3 rd Quartile 	2 nd Quartile 	3 rd Quartile 	3 rd Quartile 	4 th Quartile 



Morningstar Direct Category	<i>EAA Fund Other Equity</i>	<i>EAA Fund Sector Equity Water</i>	<i>EAA Fund Sector Equity Agriculture</i>	<i>EAA Fund Sector Equity Healthcare</i>	<i>EAA Fund Global Large- Cap Blend Equity</i>
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For the period from launch to 31 December 2023, the Distributor has not earned an fees as the actual operating costs of the sub-funds have exceeded the Fixed TER for the period ended 31 December 2023.

The table indicates that the Fixed TER charged to the sub-funds is relatively higher than other equity ETFs. It is not possible to directly compare the TER or OGC on these sub-funds to others following the same investment strategies due to the bespoke nature of the investment strategies and comparative indices.

Conclusion:		We found that the sub-funds are priced comparatively more expensive to other funds in the broad sector. However, due to the nature of the sub-funds, it is not possible to have a direct comparison for funds following a similar investment strategy.
Next steps:	We continue to monitor that costs are priced reasonably compared to their peers and impact on the future performance of the sub-funds.	








6. Comparable services


Are the sub-funds priced reasonably compared to other Carne products with similar strategies?

Comparable services is an internally focused assessment against other sub-funds whereas comparable market rates is an externally focused assessment against external competitor peer funds. It is not possible to directly compare the TER charges for the sub-funds to others following the same investment strategies due to the bespoke nature of the investment strategies and comparative index.

However, we reviewed internal products that we consider having similar investment objectives, investment policies and similar assets under management, noting that Carne data does not differentiate between active and passive management.

	CIRCA5000 Green Energy & Technology UCITS ETF	CIRCA5000 Clean Water & Waste UCITS ETF	CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	CIRCA5000 Health & Wellbeing UCITS ETF	CIRCA5000 Social & Economic Empowerment UCITS ETF
Share Class	USD Accumulating	USD Accumulating	USD Accumulating	USD Accumulating	USD Accumulating
Sub-fund Fixed Expense ratio	0.49%	0.49%	0.49%	0.49%	0.49%
Compared to Peer Groups					
Carne – Equity ETFs					
TER - ETFs	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 	3 rd Quartile 

The population of ETF comparison under management within Carne is too small a universe to provide a comparative peer group, therefore the findings that these are in the 3rd quartile is not considered an indicator of poor value for money for investors.

Conclusion:		We found that the sub-funds are priced comparatively more expensive to other ETFs managed by Carne. However, due to the nature of the sub-fund, it is not possible to have a direct comparison for funds following a similar investment strategy.
Next steps:	We continue to monitor that costs are priced reasonably and to consider if any action is required given future AUM and performance.	




7. Classes of units

Are the investors in the most appropriate and lowest charging unit classes for which they are eligible?

A typical Investor would be one who is seeking capital appreciation over the long term. Such an investor is also one that is able to assess the merits and risks of an investment in the shares of the relevant class of the Fund.

In all cases, the costs to the investor is the same across each share class as the same Fixed TER would apply.

Only Authorised Participants may subscribe for and redeem ETF Shares in the sub-funds directly with the Fund. However it is envisaged that shares will be bought and sold by private and institutional investors in the secondary market, therefore it is not always possible to monitor if investors are in the most appropriate and lowest charging class for which they are eligible.

Conclusion:		It is not always possible to monitor if investors are in the most appropriate and lowest charging class for which they are eligible given the investors trading in the secondary market. However, it is also noted there is currently only 1 active share class available for subscription and there are no lower cost share classes available.
Next steps:	Continue to monitor that investors are in the appropriate share class.	



Appendix I –List of investment objectives and investment policies

CIRCA5000 Green Energy & Technology UCITS ETF	<p>The investment objective of the Fund is to provide exposure to companies that are enabling and driving the transition towards a carbon neutral economy.</p> <p>In order to achieve its investment objective, the Fund will generally seek to replicate the net total return performance of the impact CIRCA5000 Green Energy & Technology Impact Index (the “Index”), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the “Fees and Expenses” section of the Prospectus.</p> <p>By replicating the Index, the Fund will invest primarily in a portfolio of equity securities that, as far as practicable, comprise the component securities of the Index in similar proportions to their weightings in the Index.</p>
CIRCA5000 Clean Water & Waste UCITS ETF	<p>The investment objective of the Fund is to provide exposure to companies that are finding sustainable solutions to reduce the strain placed on natural resources by human consumption.</p> <p>In order to achieve its investment objective, the Fund will generally seek to replicate the net total return performance of the impact CIRCA5000 Clean Water & Waste Impact Index (the “Index”), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the “Fees and Expenses” section of the Prospectus.</p> <p>By replicating the Index, the Fund will invest primarily in a portfolio of equity securities that, as far as practicable, comprise the component securities of the Index in similar proportions to their weightings in the Index.</p>
CIRCA5000 Sustainable Food & Biodiversity UCITS ETF	<p>The investment objective of the Fund is to provide exposure to companies having a positive impact on the health of the global ecosystem and on biodiversity.</p> <p>In order to achieve its investment objective, the Fund will generally seek to replicate the net total return performance of the impact CIRCA5000 Sustainable Food & Biodiversity Impact Index (the “Index”), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the “Fees and Expenses” section of the Prospectus.</p> <p>By replicating the Index, the Fund will invest primarily in a portfolio of equity securities that, as far as practicable, comprise the component securities of the Index in similar proportions to their weightings in the Index.</p>
CIRCA5000 Health & Wellbeing UCITS ETF	<p>The investment objective of the Fund is to provide exposure to companies focussed on ensuring that every person on the planet has access to the basic requirements to lead a healthy life, most notably: healthcare, nutrition, sanitation, housing, and care.</p> <p>In order to achieve its investment objective, the Fund will generally seek to replicate the net total return performance of the impact CIRCA5000 Health & Wellbeing Impact Index (the “Index”), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the “Fees and Expenses” section of the Prospectus.</p> <p>By replicating the Index, the Fund will invest primarily in a portfolio of equity securities that, as far as practicable, comprise the component</p>



	<p>securities of the Index in similar proportions to their weightings in the Index.</p>
<p>CIRCA5000 Social & Economic Empowerment UCITS ETF</p>	<p>The investment objective of the Fund is to provide exposure to companies focussed on ensuring the provision of economic and social opportunities to underserved populations.</p> <p>In order to achieve its investment objective, the Fund will generally seek to replicate the net total return performance of the impact CIRCA5000 Social & Economic Empowerment Impact Index (the “Index”), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the “Fees and Expenses” section of the Prospectus.</p> <p>By replicating the Index, the Fund will invest primarily in a portfolio of equity securities that, as far as practicable, comprise the component securities of the Index in similar proportions to their weightings in the Index.</p>





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Unity through simplicity™

Signatory of:
 PRI Principles for
Responsible
Investment