

ALMA CAPITAL INVESTMENT FUNDS – ALMA ADVENT GLOBAL CONVERTIBLE FUND

SUMMARY

The Sub-Fund is classified as a product that promotes environmental and social characteristics according to Article 8 of the Regulation (EU) 2019/2088, however it does not have as its objective sustainable investment. The Investment Manager will invest a minimum of 55% of assets that meet the environmental and social characteristics. For the purpose of promoting these characteristics, the Investment Manager researches ESG characteristics and applies a sector exclusion list.

NO SUSTAINABLE INVESTMENT OBJECTIVE

This Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE SUB-FUND

As part of the investment process, the Investment Manager considers a variety of environmental and social characteristics, as detailed below. These environmental and social characteristics are considered using a proprietary ESG scoring system (the "ESG Scoring System"). The ESG Scoring System is built around the concept of ESG risk and opportunity and produces an overall ESG rating for investee companies by assessing them against certain ESG matters as detailed below. In addition to this scoring system, ESG data is supplemented by Bloomberg ESG-related metrics, detailed reports from MSCI and a set of other ESG resources identified by the ESG Committee of the delegated Investment Manager (such as webinars, ESG-specific brokerage research, best practice ESG research published by non-profit entities and publicly available ESG-related company disclosures).

In relation to environmental characteristics, the Investment Manager shall consider various characteristics as they relate to an investee company, including, but not limited to, monitoring greenhouse gas emissions (by using a common denominator such as a percentage of sales), the level of exposure to companies with a primary sector of business in fossil fuels, the extent of investments in companies in certain high emission sectors and the water usage of a company. The Investment Manager shall also consider energy renewable ratios of a company, being a percentage of a company's total energy usage that it sources from renewable sources, in addition to carbon zero pledges of companies, toxic waste productions and the effects on biodiverse lands.

In terms of social characteristics as they relate to investee companies, the Investment Manager considers various characteristics, including, but not limited to (1) labour and community relations, (2) the extent of health and safety risks in relation to employees and contractors and the extent to which risks and events exist in injury, contamination, or intoxication and related regulatory risks as authorities enforce workplace standards, (3) the ratio of worker pay to executive pay and gender pay gap, (4) the extent of codified policies on workplace accident prevention, supplier codes of conduct, and protection for whistle-blowers, (5) policies to document, track, and address violations of United Nations Global Compact principles on employee grievances, and social violations referred to in international treaties and conventions; and (6) government regulatory activities, such as where employee or the community impact of corporate behaviour or operations leads to enforcement investigations or action by relevant local regulatory bodies.

Exclusions are also applied (as detailed below) as part of the construction of the portfolio and the ongoing monitoring process of the Sub-Fund, to ensure the Sub-Fund is actively promoting environmental and social characteristics.

The Investment Manager excludes the following types of companies from investments in the Sub-Fund:

- a) Companies engaged in the production or distribution of banned weapons (>0% of turnover), according to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (the "Ottawa Treaty"), the Convention on the Prohibition of Cluster Munitions ("Oslo Convention") and B- and C-Weapons pursuant to the respective United Nation Conventions (UN Biological Weapons Convention and UN Chemical Weapons Convention) and nuclear weapons including in countries included in nuclear-weapon states in the Treaty on the Non-Proliferation of Nuclear Weapons;
- b) companies that derive more than 10% of their turnover from the production or distribution of weapons;
- c) companies that derive more than 5% of their turnover from the production of tobacco;
- d) companies that derive more than 30% of their turnover from the production or distribution of coal; and

- e) companies assessed to be in severe breach of any of the UN Global Compact principles.

INVESTMENT STRATEGY

The investment objective of the Sub-Fund is to provide long-term returns similar to global equities with substantially lower volatility by investing primarily in convertible securities of global corporate issuers.

In seeking to achieve the Sub-Fund's investment objective, the Investment Manager employs a "bottom-up" investment approach that seeks attractive risk/return ratios from theoretically cheap positively asymmetric balanced convertible securities. In order to assess upside potential, each company is analysed from a fundamental perspective, using company financial statements, industry data, and meeting, speaking or conversing with management, where possible. Underlying equity fundamentals are examined to identify company and/or industry dynamics that could act as catalysts for favourable performance.

In addition, the Investment Manager utilises the ESG Scoring System, developed by its environmental, social and governance committee (the "ESG Committee"), for each company in the Sub-Fund's portfolio. The Investment Manager uses ratings on the ESG Scoring System which leverage third-party ESG data sources. The Investment Manager identifies on a quarterly basis ESG scores of companies in the Sub-Fund's portfolio and places companies with lower ESG scores (i.e., the bottom 10th percentile average on the ESG Scoring System or at least 2 individual third-party scores) on a watch list. Those companies are further reviewed by the Investment Manager's analysts who will submit their conclusions and supporting rationale to the ESG Committee to document that further screening has been conducted and formally recorded.

In addition, with respect to all companies identified by the Investment Manager from their ESG score to be considered for inclusion in the Sub-Fund's investment portfolio, the Investment Manager utilises an MSCI screen to exclude from consideration those companies with a meaningful exposure to certain products.

On occasion, there may be a company where no ESG score is readily available through the Investment Manager's ESG Scoring System. The Investment Manager may decide to invest in such a company provided that (i) the company is not an excluded company; and (ii) the aggregate percentage of investments in a company with no ESG score does not exceed 10% of the Sub-Fund's portfolio at the time of investment.

The Investment Manager will manage the Sub-Fund in accordance with the Investment Manager's Responsible Investment Philosophy. The governance factors that the Investment Manager tracks include, but are not limited to, board and top executive diversity, executive compensation, overall disclosure transparency, handling of any corporate governance controversies and accounting conventions adopted.

As part of the Investment Manager's internal in-depth credit and equity analysis, it shall review publicly available ESG disclosures for all companies that are under investment consideration by the Investment Manager.

On a quarterly basis, the Investment Manager shall also evaluate, risk ratings and investment reports that detail the ESG practices of the companies in which the Investment Manager may invest by leveraging third-party data providers, including MSCI. This is part of the process to assess good corporate governance practices of potential investee companies.

PROPORTION OF INVESTMENTS

The minimum proportion of the investments used to attain the environmental and social characteristics promoted by the Fund is 55% of the net asset value.

Such exposure is reached through direct investment into target companies.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Investment Manager utilises its ESG Scoring System to identify portfolio holdings or potential investments with scores low enough to be included on a watch list for further ESG research. Divestments, reductions, and omissions from the Sub-Fund of holdings or potential holdings whose watch list inclusions are confirmed with further research assist the Investment Manager in attaining the environmental and social characteristics promoted by the Sub-Fund. After quarterly scrutiny of watch list holdings and related divestments and reductions, the Sub-Fund shall have less than 10% of its assets invested in watch list companies.

In addition, the Investment Manager applies a screening and exclusion process. The Investment Manager identifies companies that are to be excluded from investment in the Sub-Fund by utilising MSCI screens.

The Investment Manager excludes the following types of companies from investments in the Sub-Fund:

- a) companies engaged in the production or distribution of banned weapons (>0% of turnover), according to the "Ottawa Treaty, the Oslo Convention and B- and CWeapons pursuant to the respective United Nation Conventions (UN Biological Weapons Convention and UN Chemical Weapons Convention) and nuclear weapons including in countries included in nuclear-weapon states in the Treaty on the Non-Proliferation of Nuclear Weapons;
- b) companies that derive more than 10% of their turnover from the production or distribution of weapons;
- c) companies that derive more than 5% of their turnover from the production of tobacco;
- d) companies that derive more than 30% of their turnover from the production or distribution of coal; and
- e) companies assessed to be in severe breach of any of the UN Global Compact principles.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

As part of the investment process, the Investment Manager considers a variety of sustainability indicators to measure the environmental and/or social characteristics promoted by the Sub-Fund. The Investment Manager utilizes several data sources including to measure attainment of the financial or social characteristics of this financial product.

- Percentage of investments in issuers with a combined E and S score above the minimum threshold set for this Fund within the Investment Manager's proprietary score which combines selected data criteria from trusted and third party data, utilizing Bloomberg, covering multiple ESG risk metrics in conjunction with the portfolio managers' overall relative value decision making.
- Percentage of investments in issuers involved in activities excluded by the Fund.
- Share of investments in companies in compliance with the UN Global Compact Principles.

On a quarterly basis, the Investment Manager shall also evaluate risk ratings and investment reports that detail the ESG practices of the potential investee companies in which the Investment Manager may invest by leveraging third party data providers, such as MSCI.

As described above, the Investment Manager also excludes companies in industries deemed as harmful from an environmental or social perspective.

DATA SOURCES AND PROCESSING

The Investment Manager obtains raw data for its ESG Scoring System from a number of third-party ESG ratings providers, accessed through both the Investment Manager's Bloomberg interface as well as through public disclosures provided by the third-party ESG ratings providers. The Investment Manager uses an internal proprietary system to process the ratings obtained both to convert them to common scales and to reduce perceived disproportionalities in the ratings results. In reviewing companies placed on the watch list due to lower ESG scores, the Investment Manager may utilize information obtained through a variety of sources, including but not limited to ESG information and data provided by Bloomberg or the third-party ESG ratings providers, MSCI, company public disclosures, and the bottom-up investment approach utilized in fundamental analysis by the Investment Manager's research team. The companies subject to exclusions discussed in the Environmental or Social Characteristics of the Sub-Fund are compiled via MSCI.

LIMITATIONS TO METHODOLOGIES AND DATA

Data obtained for the Investment Manager's ESG Scoring System, resulting in companies placed on its watch list, and used for the Investment Manager's research process, ESG-related or otherwise, is subject to limitations, including but not limited to, availability across multiple third-party ESG ratings providers, consistent provision of such data from the third-party ESG ratings providers to Bloomberg, timeliness and basis of the ratings or data that may be using information from past time periods, timeliness of company disclosures and updates of ESG-relevant metrics, and differences in ESG ratings methodologies across different ratings providers. The Investment Manager, in its sole discretion, may obtain raw data for its ESG Scoring System from a number of sources and/or substitute entirely new third-party ESG ratings providers in place of an existing provider should it feel data availability or ESG ratings methodologies limit the quality of the outputs of the ESG Scoring System.

DUE DILIGENCE

As part of the investment process, the Investment Manager considers a variety of environmental and social characteristics. These environmental and social characteristics are considered using a proprietary ESG scoring system (the "ESG Scoring System"). The ESG Scoring System is built around the concept of ESG risk and opportunity and produces an overall ESG rating for investee companies by assessing them against certain ESG matters. In addition to this scoring system, ESG data is supplemented by Bloomberg ESG-related metrics, detailed reports from MSCI and a set of other ESG resources identified by the ESG Committee of the delegated Investment Manager (such as webinars, ESG-specific brokerage research, best practice ESG research published by non-profit entities and publicly available ESG-related company disclosures).

Exclusions are also applied as part of the construction of the portfolio and the ongoing monitoring process of the Sub-Fund, to ensure the Sub-Fund is actively promoting environmental and social characteristics.

ENGAGEMENT POLICIES

As part of the Investment Manager's internal in-depth credit and equity analysis, it reviews publicly available ESG disclosures for all companies that are under investment consideration by the Investment Manager.

On a quarterly basis, the Investment Manager also evaluates risk ratings and investment reports that detail the ESG practices of the companies in which the Investment Manager invests by leveraging third-party data providers, including MSCI. This is part of the process to assess good corporate governance practices of potential investee companies. The Investment Manager's ESG Scoring System uses ratings which leverages third-party ESG data sources, on many aspects of governance. The Investment Manager engages with the company to determine the company's efforts for improvement in their governance or to clarify results found in the Investment Manager's research in relation to governance issues. Such engagement includes email, telephone calls, video conference calls, in person meetings at investment conferences or company site visits.

DESIGNATED REFERENCE BENCHMARK

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product.

Last updated on 10 April 2024