

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

The environmental and or social characteristics of this Sub-Fund include:

Sector exclusions:

The Investment Manager will not invest on behalf of the Sub-Fund in companies involved in production, sales and distribution of weapons or pornography.

The Investment Manager will not invest in companies which have more than 5% of their annual turnover coming from tobacco production or more than 15% of their annual turnover coming from sales and distribution of tobacco products.

ESG Approach:

External data sources are the starting point for the ESG research performed by the investment manager. The external sources score credits from 1-10 and the research team at the Investment Manager reviews these scores and applies their own research as necessary. Those that score 4 and above as well as any sustainable bond issues are immediately eligible for purchase. Credits that score between 2 and 4 require ESG research by the Investment Manager's team of analysts. Scores below 2 are generally not eligible for purchase however a compelling forward looking thesis may allow for exceptions to be made. ESG scores are stored in a central database and factor into the security selection and portfolio management decisions.

A reference benchmark has not been designated for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund..

INVESTMENT STRATEGY

The Sub-Fund seeks to invest principally in fixed income instruments including bonds, convertible bonds, bank deposits, and other types of debt securities of issuers with their principal business activities and interests located in emerging markets countries.

The portfolio construction of the Sub-Fund marries the Investment Manager's thematic top-down view with its proprietary bottom-up research.

Further details on the investment strategy are provided in the investment objective and policy section of the special section of the prospectus.

As part of its investment process, the Investment Manager integrates environmental, social and governance factors ("ESG") into its proprietary bottom-up research. External data or the work of their research team results in an ESG score which influences security selection and portfolio management decisions. Credits are scored on a 1-10 scale. Those that score 4 and above as well as any sustainable bond issues are immediately eligible for purchase. Credits that score between 2 and 4 require ESG research by the Investment Manager's team of analysts. Scores below 2 are generally not eligible for purchase however a compelling forward looking thesis may allow for exceptions to be made.

Governance of portfolio investments is critical to the Investment Manager's investment process. The Investment Manager is often a proactive investor via creditor committee leadership, advisory boards, boards of directors, and even judicial action. This involvement is central to the up-front investment analysis before entering an asset, and is at the heart of the asset management and value recognition process during ownership. Beyond monitoring, the Investment Manager actions governance and exercise all investment and legal rights at all times.

The Investment Manager will ensure that all long investments are reviewed and evaluated against the applicable national laws on environmental, health, safety and social issues. When investing in emerging markets securities, they must remain mindful of these prohibitions and strictly avoid countries which are objectionable due to social oppression, terrorism or other unacceptable behavior.

PROPORTION OF INVESTMENTS

The minimum proportion of the investments used to attain the environmental and social characteristics promoted by the Fund is 90% of the net asset value.

Such exposure is reached through direct investment.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

In addition to sector exclusions, the Investment Manager makes use of external ESG scores which may be supplemented by their own work, pre-investment screening for ESG concerns and periodic review by their ESG team to verify that portfolio positions are within the required ESG guidelines and supported by research as applicable. An ESG Committee meets monthly to discuss any pertinent issues and may review certain investment opportunities for approval when quantitative criteria are not met. Beyond these ESG oriented processes, the Investment Manager has a thorough portfolio risk management process in place.

This risk management process has three key components:

Top-Down Risk Management – Overall and sector betas are constantly monitored and kept in-line with prevailing Gramercy short-term top-down view scores while being cognizant of the medium-term scores. Country, regional and industry betas are constantly monitored and kept in-line with prevailing short-term top-down view scores and themes. As alpha is established, beta may be tactically reduced, liquidity increased and take-profit and stop-loss targets tightened. Stress tests are conducted to test the impact of relative exposures against large market moves that can be deducted from top-down view themes.

Bottom-Up Risk Management – As trades work and alpha is achieved, the relative attractiveness of keeping the position erodes. Winners will be reduced/rotated as they rise and reach target levels (without relying on mechanical triggers). When it is clear a trade is not working, we will re-examine the thesis and continued attractiveness. Losses will be stopped-out to avoid impactful mistakes (without relying on mechanical triggers).

Assessing Results/Feedback Loop – Alpha relative to the active risk taken (i.e. Information Ratio) is the key consideration to assessing success. The firm closely tracks daily progress and reflects upon appropriate compensation for the current risk position. While important at the fund level, the firm is also interested in the underling (e.g. sector, country, region or industry) trade-offs as well. Daily performance attribution constantly identifies winners & losers and any bias in the approach or unexpected return drivers. This feedback allows for continuous improvements.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Portfolios are monitored to verify that restricted credits are not held. In addition, positions are monitored to verify that their ESG score is above the Investment Manager's accepted threshold and that questionable credits have been diligenced by the research team. The nature of the underlying business may impact what specific factors the research team further diligences when they perform their own ESG research with environmental, social and governance factors being potential avenues for exploration.

DATA SOURCES AND PROCESSING

As part of the investment research, which includes ESG related research, the investment manager utilizes data from multiple, major external providers that may include, but are not limited to: Bloomberg, JPMorgan, Moody's and MSCI. In addition, company reports and filings as well as industry reports may be used to source data and other fundamental or quantitative information.

The Investment Manager understands that while data sourced externally can generally be relied upon for accuracy, factors such as methodology and timing may impact the data. As such, the investment manager endeavors to the extent possible to reference multiple sources as a check of the data, and then apply their own techniques and judgement to assess the data and influence their decisions.

Data may be consumed after automated processes load the data into the Investment Manager's proprietary systems or it may be processed/consumed directly from tools or documents provided directly by the source. Typically, some combination of automation and human judgement are applied.

The Investment Manager believes the vast majority of data and information to be predicated on actual results but understands that estimation is a normal aspect of financial research and forecasting. The proportion of data that is estimated will vary with the source and with the timing and time frame(s) examined. At any moment, and depending upon the source(s), as much as 35-50% of data applied could be estimated.

LIMITATIONS TO METHODOLOGIES AND DATA

The investment manager believes that the limitations to methodology and data predominantly stem from the potential incompleteness of data, incorrectness of data or the intentional misstatement of data or information. The Investment Manager believes that the processes applied to research an opportunity from an investment and an ESG perspective go to great lengths to minimize the potential impact of the potential limitations on the portfolio despite the fact that absolute assurance cannot be given.

DUE DILIGENCE

As part of its investment process, the Investment Manager integrates environmental, social and governance factors (“ESG”) into its proprietary bottom-up research. A combination of external ESG scores and the work of their research team results in an ESG score which influences security selection and portfolio management decisions.

ESG factors influence the overall credit analysis and recommendations of the Investment Manager’s research team.

Third party data sourced from JP Morgan and Moody’s are the starting point for the ESG research of the Investment Manager’s analyst team who may revise these third party scores upwards or downwards. Credits that begin with a score of 4 or below from the vendor information are subject to additional research and credits scoring below 2 are not eligible for purchase.

ENGAGEMENT POLICIES

With regards to engagement, the Investment Manager meets with corporate management teams and sovereign issuers across the globe. It does not take a uniform approach to these interviews as each situation is unique. If it determines that an ESG factor influences a company’s intrinsic value or risk profile, it will address the issue. The Investment Manager considers itself as active owner but not as an activist investor.

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 6 December 2022