ALMA CAPITAL INVESTMENT FUNDS – ALMA HOTCHKIS & WILEY GLOBAL VALUE EQUITY FUND

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:

ESG scoring:

The Investment Manager screens the companies in the investment universe of the Sub-Fund based on ESG ratings provided by data vendors and uses the results of this analysis as part of his investment decision process. The Investment Manager reserves the right to disagree with the vendor rating and create our own independent decision. Such screening does not aim a particular environmental or social factor, but rather an overall score for each company. The Investment Manager's analysis results in a "Fundamental Risk Rating" considering overall environmental, social and governance factors for each company. Such rating is used by the Investment Manager as part of the investment decision process.

Sector exclusions:

The Investment Manager will not invest in cluster munitions manufacturing companies in the Sub-Fund.

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 intends to invest its assets principally in equity securities. The Sub-Fund invests in companies of any size market capitalisation. The Sub-Fund will allocate its assets among various regions and countries (but in no less than three different countries). Under normal circumstances, the Sub-Fund will invest at least 40% of its net assets in the equity securities of companies located outside of the U.S. The Sub-Fund will invest primarily in companies located in developed countries, but may invest up to 20% of its assets in emerging markets.

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 sustainability risks into its bottom-up fundamental value process. This is materialized by the review of ESG and responsible investment considerations and the integration by the investment analysts of any environmental, social, or governance issue/practice that he believes could impact materially the sustainability and/or economics of the business into his analysis.

Good governance practices of investee companies is addressed through a review of different governance factors (such as management integrity, corporate structure or gender equality), engagement with the management and being an active shareholder.

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

A formal proxy voting policy is in place, that outlines voting guidelines and procedures, including explicitly addressing ESG issues. To assist in this effort, the Investment Manager has engaged third party research from Institutional Shareholder Service. The research analysts consider the recommendations of both the board and ISS before independently submitting the proxy vote.

PROPORTION OF INVESTMENTS

The minimum proportion of the investments used to attain the environmental and social characteristics promoted by the Fund is 50% of the net asset value.

Such exposure is reached through direct investment into target companies.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Investment Manager excludes investments in companies involved in the production and sales of cluster munitions. Additionally, the Investment Manager will seek to avoid investments in companies that have questionable environmental, social, or governance practices that result in weak Fundamental Risk Ratings. The Fundamental Risk Ratings are the result of their investment staff's research due diligence into material issues that impact a particular company. Each company is numerically rated, 1 to 5 (1 is best), based on business quality (includes environmental and social criteria), balance sheet strength, and governance. A quality or governance score of 5 indicates that our analyst determined the company is engaged in material and obvious value destructive activities or behaviors that are inconsistent with a long-term sustainable business. These ratings are review by the research sector teams and or portfolio managers. No more than one-third of the portfolio at the time of purchase should be invested in companies with a score of 5 in the quality pillar (includes environmental and social criteria).

A member of Investment Manager's ESG working group reviews portfolio Fundamental Risk Scores to ensure compliance with guidelines. Any failure to meet such guidelines would be reported to the ESG working group at the regular quarterly meeting.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Fund promotes ESG characteristics in a way that meets the specific criteria contained in Article 8 of SFDR. Accordingly, the Fund pursues an investment approach that explicitly promotes environmental or social characteristics, in the following way:

1. Environmental Factors – Material environmental issues will impact a company's business quality score within our fundamental risk rating framework. Examples of environmental factors that would positively affect its score include products/services/investments in clean technology, low emissions and/or initiatives to reduce emissions, and efforts to manage/limit natural resource use. Heavy polluters without initiatives to improve would score poorly.

2. Social Factors – Material social issues will also impact a company's business quality score within our fundamental risk rating framework. Examples of social factors that would positively affect its score include constructive labor relations, supportive community involvement, dedicated diversity initiatives, and progressive product safety programs. Controversial companies making unsafe products with strained employee relations would score poorly.

3. Governance Factors – Material governance issues will impact a company's governance score within our fundamental risk rating framework. Examples of governance factors that would positively affect its score include diverse/staggered/skilled boards, appropriate/aligned compensation programs, prudent capital allocation, and ethical corporate behavior. Companies with non-diverse, controlling boards, with misaligned incentives, and unethical corporate behavior would score poorly.

The Investment Manager scores all companies using a proprietary framework called Fundamental Risk Ratings. Each company is scored on three pillars: business quality, balance sheet, and governance. Material social and environmental issues will be reflected in the business quality score while material governance issues will be reflected in the governance score. These scores affect the risk profile of each security and therefore influence decision making. Additionally, the analyst review third party ESG scores as a supplemental check.

DATA SOURCES AND PROCESSING

Data sources used to help inform the Investment Manager's opinion on material environmental or social issues are wide-ranging and vary by company and industry. They leverage a variety of third-party vendors including Wall Street research, company filings, industry contacts, industry research, company presentations, company meetings, etc.

There can be no assurances that the data is of high quality or accurate as ESG reporting standards are in the early stages of development. Nevertheless, they use multiple data sources is to improve data quality.

Data are processed on a case-by-case basis at the discretion of the industry analyst. The processed information ultimately informs each company's Fundamental Risk Ratings, which influences position sizing (and whether to take a position at all).

A considerable percentage of environmental data are estimated by the companies themselves. It is difficult to calculate carbon emissions with great precision, but the quality of estimates has improved over time and appear to be directionally reliable. Most social related data is not estimated, e.g., percentage of female/diverse employees/managers.

LIMITATIONS TO METHODOLOGIES AND DATA

ESG data reporting is improving but is still in an immature stage of development. Much of the important data are self-reported by companies. Where the ESG issue is material to the Investment Manager's investment thesis, they attempt to corroborate these data when possible but there is not always an alternative source. In these cases they are limited to relying on accurate self-disclosure.

Poor data disclosure standards can lead to comparability challenges. The Investment Manager relies on their analyst's investment judgement to make the best decision based on the information available. They believe it to be rare that a company would fabricate data, as the likely repercussions would be severe.

DUE DILIGENCE

As part of its investment process, the Investment Manager integrates sustainability risks into its bottom-up fundamental value process. This is materialized by the review of ESG and responsible investment considerations and the integration by the investment analysts of any environmental, social, or governance issue/practice that he believes could impact materially the sustainability and/or economics of the business into his analysis.

ESG issues are also factor into the peer review portion of the process through their fundamental risk ratings, which incorporate ESG factors.

All investment decisions compare the discount to intrinsic value with the risk profile. To help quantify the risk profile, the Investment Manager has adopted a proprietary scoring methodology-fundamental risk ratings.

Investment risk is scored on three factors:

- Business quality;

- Balance sheet strength; and

- Governance.

Scores range from 1 (best) to 5 (worst).

Environmental and social factors are incorporated into the business quality score and governance is incorporated in the governance score. The scores are determined by sector teams after thorough debate.

Third party ratings/research are used as a reference and source of information (primarily MSCI's ESG Manager platform), but the Investment Manager reserves the right to disagree with vendor ratings and creates his own independent decisions

ENGAGEMENT POLICIES

The Investment Manager meets with management teams across the globe.

It does not take a uniform approach to interviewing company management, because each company and each management team is unique. If it determines that an ESG factor influences a company's intrinsic value or risk profile, it will address the issue with management. The Investment Manager considers itself as active owner but not as an activist investor.

A formal proxy voting policy is in place, that outlines voting guidelines and procedures, including explicitly addressing ESG issues. To assist in this effort, the Investment Manager has engaged third party research from Institutional Shareholder Service ("ISS"). The research analysts consider the recommendations of both the board and ISS before independently submitting the proxy vote.

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 30 November 2022