

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 regards the promotion of environmental characteristics, the Fund aims to have a portfolio that results in a lower environmental footprint than the investable universe, as measured by carbon intensity.

As regards the promotion of social characteristics, the Fund avoids investments in companies which do not follow good governance practices. In addition, the Trading Advisor operates an exclusion list and is committed to not investing in any issuer that derives a majority of revenue (greater than 50%) from certain activities such as: illegal (as per the meaning of the 1997 Mine Ban Treaty of Ottawa) and nuclear weapons, adult entertainment, tobacco producers and thermal coal.

INVESTMENT STRATEGY

Qualitative analysis:

The fundamental nature of the Trading Advisor's research process leads to a deep understanding of a company's business, the products and services it provides, as well as its corporate culture. Along with the long term investment horizon, this results in an understanding of the qualitative outlook of a company's Sustainability Risk and the impact of ESG events on a company. The Trading Advisor has also embedded ESG-specific analysis that takes into consideration a broad range of quantitative ESG factors (including, for example, carbon intensity, water and waste usage, workforce diversity and fair opportunities, board structure and overall corporate social responsibility strategies) that are reported by companies and by third party specialist research providers. The combination of these processes produces a deep ESG analysis. Ongoing monitoring of ESG factors assists in identifying investments that fit the Trading Advisor's ESG criteria and avoiding those investments that do not.

Quantitative analysis:

The Trading Advisor uses an internal proprietary model to assess ESG factors as they apply to potential investee companies which includes an analysis of and periodic internal reporting on a company's disclosure, trends and comparisons to peers from company-reported metrics and integrates the assessment of potential investee companies by multiple third party specialist solutions. The model tracks a company's behaviour and progress from an ESG perspective. Low scoring companies, which fall below the norm of the portfolio from an ESG perspective, can be flagged for further research, to identify the reason for this and to help the Trading Advisor decide if it is comfortable holding the position.

The Trading Advisor subscribes to third party data on carbon intensity. The carbon intensity at an individual asset and portfolio level is monitored and judged against an average of the investable universe. The environment is a critical element of the ESG research and monitoring this metric ensures that the investment process leads to positive, demonstrable and independent environmental outcomes which can be monitored over time. The use of this third party data is independent from the Trading Advisor's other internal analysis and the result is a definitive metric that shows how the Trading Advisor is performing on the environmental characteristics it promotes.

Sector exclusions:

Sector-based exclusions (as set out in the Trading Advisor's exclusion list referred to above) prevent investments into activities that are deemed to be inappropriate for the strategy of the Fund.

Good governance practices of investee companies are addressed through a review of different governance factors (such as management integrity, corporate structure or gender equality). Many of these factors form part of the Trading Advisor's proprietary model used for ESG scoring. As part of this review, the Trading Advisor seeks to maintain a qualitative understanding of the business and its management in order to assess good governance practices.

The Trading Advisor issues an annual questionnaire to each of the investee companies, which includes a range of questions, including questions on the company's ESG policy and efforts. This assists in cases where the information may not be readily available through external data providers and gives a more qualitative view on the company's commitment to ESG matters. If an issue is identified from the questionnaire, this would give the Trading Advisor reason to follow up with the company. The questionnaire is also a tool used to promote ESG disclosure and the improvement of ESG policies. The Trading Advisor is also able to proxy vote in respect of the investee companies, through an online proxy service.

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 binding elements are described in the “Investment Strategy” section above.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Trading Advisor uses a combination of qualitative and quantitative analysis to measure the attainment of the environmental and social characteristics of the Fund.

Examples of the sustainability indicators used as part of this qualitative and quantitative analysis include:

- carbon intensity, as measured against the universe of data;
- scores of the Trading Advisor’s internal proprietary model, which includes a wide range of ESG factors;
- proportion of the Fund’s portfolio exposed to issuers in accordance with the Trading Advisor’s exclusion list set out above.

These are described in more detail in the “Investment Strategy” section above.

DATA SOURCES AND PROCESSING

The Trading advisor uses various data sources to attain the environmental and social characteristics promoted. It currently uses data directly reported by investee companies, Sustainalytics (for Carbon Intensity data), Bloomberg (for raw data inputs into the proprietary model) and MSCI, RobecoSam and CDP (for third party inputs).

Using a wide range of sources ensures data quality. Providers are reviewed regularly and alternative providers are explored for comparison.

Data comes in different forms dependent of the provider. Some data is received directly via Bloomberg terminal, subscription data is received from the provider in the form of xls files and other data is accessed directly from websites containing the information or linking to reports.

The Trading Advisor does not estimate data. Some of the data providers do use estimated data within their own products.

LIMITATIONS TO METHODOLOGIES AND DATA

The methods used to achieve the environmental and social characteristics promoted rely on both qualitative and quantitative analysis, with the data element is very important in the underlying process. Limitations come from the fact that we are still at an early stage of companies reporting appropriate data in a complete and consistent manner, such that sometimes data does not exist or cannot be relied upon. This is something that is considered within the broad analysis and built into the quantitative methods.

These limitations are managed by the variety of data sources used throughout the analysis. Engagement policies give investee companies the ability to clarify or elaborate on topics which may not be clear from just looking at the data. The qualitative part of the analysis and deep understanding of the investee companies gives additional comfort, giving context to the raw data.

DUE DILIGENCE

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ENGAGEMENT POLICIES

The Trading Advisor issues an annual questionnaire to each of the investee companies, which includes a range of questions, including questions on the company's ESG policy and efforts. This assists in cases where the information may not be readily available through external data providers and gives a more qualitative view on the company's commitment to ESG matters. If an issue is identified from the questionnaire, this would give the Trading Advisor reason to follow up with the company. The questionnaire is also a tool used to promote ESG disclosure and the improvement of ESG policies. The Trading Advisor is also able to proxy vote in respect of the investee companies, through an online proxy service.

DESIGNATED REFERENCE BENCHMARK

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

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