

GIB AM Emerging Markets Active Engagement Fund

Website Disclosures

These disclosures were published on 1 January 2023 and remain in effect from that date.

SUMMARY

The following disclosures provide information about the GIB AM Emerging Markets Active Engagement Fund (the “Fund”) in accordance with Regulation EU 2019/2088 on sustainability-related disclosures in the financial services sector, as amended (“SFDR”). SFDR requires the disclosure of information relating to investment products which promote environmental or social characteristics, or have an sustainable investment objective.

GIB AM funds are categorised as either Article 8 or Article 9 funds. Article 8 funds promote environmental and/or social characteristics, provided that the investee companies follow good governance practices. They are not required to have sustainable investments as part of their investment objectives.

Article 9 funds have sustainable investment objectives, which means they invest in securities of companies that are involved in economic activities that contribute to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective, and that the investee company follows good governance practices.

GIB AM, as investment manager to the Fund, has categorized GIB AM Emerging Markets Active Engagement Fund as meeting the provisions set out in Article 8 of SFDR for products that promote environmental and/or social characteristics.

These disclosures are not marketing material, and should be read in conjunction with the Fund’s regulatory documentation, including its supplement and pre-contractual disclosures.

INVESTMENT STRATEGY

The Fund’s investment strategy aims to maximize risk-adjusted returns through its proprietary approach to high conviction, active emerging markets investing. The strategy seeks to maximize risk-adjusted returns by investing and engaging on operational and sustainability related topics.

The GIB AM Investment team engages with investee companies in order to recommend actions that can have positive impact on the company’s environmental and social standing. The progress of the engagement is monitored with the aim to drive change and improvement in a company’s overall sustainability standing in addition to other goals like operational efficiency.

Beginning from the due diligence process on prospect companies, the team identifies and formulates an engagement plan revolving around material environmental and social risks for each company alongside governance and strategic capital allocation issues. This is done before the initial investment is made. This process helps to reduce or mitigate environmental and social risks and negative impact on stakeholders if not improved. Interactions and recommended actions to drive sustainability positive change and improvements with every portfolio company is tracked.

Such analysis is considered a core part of the fundamental, bottom up research process that underpins our Emerging Markets approach. We believe that this approach drives better risk management at both the stock and portfolio level which can enhance returns through a stronger cashflow profile and/or a lower cost of capital.

In the due diligence part of the investment process, we consider principal adverse impacts (“PAIs”) on sustainability factors as part of the assessment of business risks and opportunities related with a prospect company. Through regular interactions with a prospect company, we are also able to assess the receptiveness and commitment to undertake an improvement on relevant PAI metrics.

The aim of creating tailored and focused ESG targets and agenda is facilitated by applying the same sustainability framework of Materiality Matrix, Sustainability Strategy and Management Alignment across all portfolio companies. In turn, the success of targets being met is further enhanced when Executives incentives are aligned accordingly.

PROPORTION OF INVESTMENTS

All investments in the Fund will be aligned with identified environmental and social characteristics as detailed in this document, and comply with the GIB AM Responsible Investment Policy (including excluded issuers).

The Fund has the ability to use derivatives; however, any usage of the derivatives will be for efficient portfolio management purposes only.

METHODOLOGIES FOR ENVIRONMENTAL AND SOCIAL CHARACTERISTICS

All GIB AM funds comply with the GIB AM Responsible Investment Policy, which is located at www.gibam.com.

Each of the Fund’s holdings has an engagement opportunity specific to the investment that is derived from an environmental, social, or other element;

The Fund also excludes any company with above threshold revenue exposure (as set out in the Fund’s pre-contractual disclosures appended to its Fund supplement) to the following excluded activities:

- Weapons - nuclear, civilian firearms, controversial
- Conventional Weapons
- Fossil fuels – oil and natural gas, thermal coal, oil sands, shale gas and oil
- Tobacco
- Adult entertainment
- Alcohol
- Gambling

The Fund further avoids investment in any companies that are in breach of the UN Global Compact (which refers to OECD Guidelines for Multinational enterprises and UN Guiding Principles on Business and Human Rights) through our exclusion policy.

DATA SOURCES AND PROCESSING

GIB AM uses a wide range of third party data providers to feed into our analysis, these include but are not limited to the following:

- MSCI
- Integrum ESG
- Bloomberg
- Company Reporting and Meetings
- Broker Research
- Credit Rating Agencies
- CDP
- Glass Lewis
- NGOs

These sources, combined with our own proprietary internal research, contribute to a mosaic of data that we use to aid in our analysis and shape our informed opinions.

To ensure data quality of providers, three key measures are implemented: (i) completion of the supplier documentation form; (ii) an extensive trial period; and, (iii) cross-referencing, which includes both data suppliers versus company reports and data suppliers versus data suppliers (e.g. Integrum ESG versus MSCI).

GIB AM does not process ESG data. Our investment approach is bottom-up company analysis, so raw data is integrated into the analysis and assessed by each analyst.

Despite rapid progress across companies and sectors, the lack of relevant data publicly available in the emerging and frontier markets remains quite commonplace, as such, alternative metrics may be used to track relevant and comparable sustainability risk factors. We therefore rely on estimates for our forecasts.

LIMITATIONS TO METHODOLOGIES AND DATA

The industry is facing the following limits regarding data, amongst others:

- Materiality
- Timeliness
- Data accuracy, audited or not
- Consistency across time and between peers

These limitations have no significant impact on our ability to achieve the long-term goal because we will always use our own analysis and opinion, based on team skill and experience, to achieve positive impact and financial returns.

We ensure the attainment of the Fund’s sustainable investment objective is not impacted by industry limitations by:

- Combining extensive company research and audited financial statements (previous full fiscal year) with the analyst’s opinion to assess the accuracy of reported percentages of revenue and capital expenditure exposure.
- Examining companies’ operational behaviours using their audited disclosures and third party estimates.
- Implementing company screens using third party data and audited disclosures.

DUE DILIGENCE

In the due diligence part of the investment process, the Investments team considers PAIs on sustainability factors as part of the assessment of business risks and opportunities related with a prospect company. Through regular interactions with a prospect company, the investment team is also able to assess the receptiveness and commitment to undertake an improvement on relevant PAI metrics. However, as noted above, with the lack of relevant data publicly available in the emerging and frontier markets quite commonplace still, alternative metrics may be used to track relevant and comparable sustainability risk factors.

ENGAGEMENT POLICIES

The initial sustainability engagement is typically a 12-18 month process and involves:

- **Materiality Matrix:** using a deep stakeholder analysis and survey in order to identify what the most relevant and material ESG risk factors are;
- **Sustainability Strategy:** establishing an ambitious long-term sustainability plan with a focus on area identified in the Materiality Matrix step; and,
- **Management Alignment:** incorporating ESG/sustainability KPIs into executive compensation.

We apply this framework across all our investee companies with the aim of creating tailored and focused ESG targets and agenda. By incorporating ESG KPIs into executive compensation schemes, we believe we increase the chances of the successful delivery of the plan.

The purpose of the engagement plan is to reduce the exposure to the identified risk factors or negative impact the company’s operations might have on the environment and stakeholders around it, for example reducing carbon emission, increasing gender diversity or introducing mechanism that may improve its human capital engagement level.

The strategy is underpinned by a two pillar process which firstly identifies undervalued businesses through its fundamentally driven bottom-up approach, and secondly engages with the companies held in the Fund’s portfolio which we believe will generate additional alpha from material ESG (and operational) improvements.

NO SUSTAINABLE INVESTMENT OBJECTIVE

The Fund promotes environmental and social characteristics, but does not have as its investment objective sustainable investments.

ENVIRONMENTAL AND SOCIAL CHARACTERISTICS OF THE FUND

The Fund's strategy (detailed above under Investment Strategy) promotes engagement with companies in order to address what we feel, following an assessment process, are an investee companies most material environmental and social risks.

Core to this process is identifying material ESG issues that can be improved by an investee company and in turn further reinforce and strengthen a company's competitive advantage.

Environmental and social characteristics that are promoted varies widely depending on the sector and geography where the company operates.

MONITORING OF ENVIRONMENTAL AND SOCIAL CHARACTERISTICS OF THE FUND

Upon investment and over the life of an investment, we assess and monitor these issuers using a variety of qualitative and quantitative data, where available, in line with the exclusions and thresholds as noted above in the section entitled Methodologies. Monitoring of investee companies is further facilitated by the engagement process detailed above under the section Engagement Policies.

DESIGNATED REFERENCE BENCHMARK

The Fund is actively managed, and while it uses the MSCI Emerging Markets Total Return Index for assessing the Fund's performance, it has not designated the Index as a reference benchmark for the purpose of SFDR.