CUSANA CAPITAL LLP

Environmental, Social & Governance (ESG) Policy

Chief Investment Officer: Robert Marshall-Lee

FOR PROFESSIONAL INVESTORS AND ADVISORS ONLY

Chief Investment Officer and Lead Portfolio Manager of Cusana Capital Emerging Markets franchise:

Robert Marshall-Lee

Rob was AAA rated by Citywire at the time he left Newton in late 2020 and his emerging market funds had attracted 5 Star ratings from Morningstar (2020).

He was at Newton Investment Management for 21 years. He founded the top-performing Newton Emerging Markets Strategy, which was subsequently renamed BNY Mellon Global Emerging Markets, and was the Lead Portfolio Manager and sole investment decision maker for:

- The BNY Mellon Global Emerging Markets Fund (since 2011); and
- Newton Oriental Fund (since 2019).

To November 2020, the BNY Mellon GEM Fund delivered top 1% performance vs the Emerging Markets funds peer group over 1, 5 and 9.5 years since he commenced management. (MorningStar 2020).

The Newton Oriental fund was also a top 1% performer in its class during Rob's management.

Rob led the Newton EM and Asian team having grown the GEM strategy from zero to over $3bn.

Subsequently, he joined Odey's "Brook" institutional business, where he launched an Emerging Markets strategy in evolution from the Newton strategy. This grew to approximately $300m AUM within 7 months and was top percentile performing over the period from inception in early June 2021 to early 2022, +6% ahead of benchmark by end March 2022, despite a market that challenged funds that simplistically screened for "quality growth" rather than "value".

Rob is a qualified Chartered Accountant and lives in Hampshire with his wife and three children.

Philosophy

The aim of the Cusana Global Emerging Markets strategy is to maximize client returns by investing in a concentrated portfolio of high quality companies which represent the most exciting capital growth opportunities in the Emerging Market.

We define high-quality companies as those that provide exceptional products and services to their customers, benefiting society and maintaining strong economic moats. These companies will demonstrate superior corporate governance, sustainable environmental and social characteristics, robust balance sheets and strong returns on invested capital. The industries in which we find these best opportunities have clear thematic tailwinds that drive sustained growth through economic cycles.

We construct high conviction portfolios of 20-30 stocks and we invest in companies with the intention of holding for the long-term (5-7 years). This shapes a high-quality mindset because we insist upon companies with the best compounding attributes and with superior corporate governance. We exercise patience and foresight in identifying future winners.

We do not make a distinction between “growth” and “value” as we understand that sustained growth drives value and so the terms are inherently entwined. Hence, we carefully consider the intrinsic value of each business based on a thorough and well-informed assessment of its growth prospects under a range of scenarios.

The sustainability of each company is integral to our assessment of value as long-term investors. Cusana prioritizes the assessment of ESG considerations with financial analysis, exercising judgment and experience to ensure that all stock holdings are run in the interests of all shareholders and are good corporate citizens that support societal development. Our due diligence focuses on two key aspects; the alignment of management and lead shareholders with minority investors and the environmental impact of the business rather than simplistic measures of performance.

Furthermore, governance practices are investigated so that we can be comfortable that companies will be good stewards of our capital.

We believe that a failure to implement solid Environmental, Social and Governance issues (“ESG”) poses a significant risk of diminution in the value of our companies and so a thorough analysis of ESG policies has been central to our investment process since 2011; it is pivotal to the valuation of any proposed investment.

We understand the importance of ESG matters for investors and hence strive to invest in a manner that emphasizes ESG in substance, rather than being lost in a process of quantification, false precision and box-ticking.

We believe that this more considered approach best protects our clients interests as well as those of the broader society.

Principles Approach to ESG

We believe that a principles-based approach enables Cusana to better assess highly complex issues for which available data may be inadequate or even misleading. Principles aid our judgment, so that we do not become lost in well-meaning but misguided quantification and false precision.

The team at Cusana is very aware that institutional investors have a privileged role as capital allocators for society. This mindset has guided our investment approach since the genesis of the strategy in 2011. The world is a highly complex ecosystem, and whilst the development of ESG standards across global capital markets is certainly well-meaning, it is incredibly difficult for authorities to design a framework that is universal without material shortcomings and unintended consequences. Cusana, on the other hand, is a very focused investment firm with a single strategy and a small number of holdings extremely well known to the team. We can be far more discerning and considered in how we select a small number of high conviction holdings. Whilst we always expect the strategy to screen well on ESG factors, we would expect such scoring to understate the true ESG quality of the portfolio, which tends to include a positive material impact.

Our ESG principles derive from our experience in mitigating Emerging Market investment risks and optimizing client returns, whilst seeking to be at the leading edge of ESG, in substance, not just form.

Cusana ESG principles

1. We only invest in companies where we have confidence that there is alignment between any controlling shareholders, senior management and minority investors (i.e. Cusana funds). Minority shareholders must be treated equally with any lead shareholders.

2. We provide capital to companies that we believe will be good stewards of that capital and use that capital for profitable and useful endeavours.

3. We invest in companies with “best in class” governance, but also in “improvers”. We will focus engagement efforts on the latter where we can have more impact.

4. We look beyond immediately obvious environmental impacts (scope 1 & 2) and try to understand the impact of the entire value chain around the company and its indirect impact (scope 3 & 4) whether positive or negative - even where data is scarce. We prefer to invest in companies that are the solutions, not the problems.

5. We always act as long-term investors - taking a business-owner perspective in our voting and engagement.

6. Whilst as a matter of best practice we are fully cognizant of ESG data scoring and we strive to be at the leading edge relative to our peers, we will not allow the pursuit of these scores to define our process.

7. Our key priority is to review and understand corporate behavior and to avoid getting distracted by false quantification. Nonetheless, that focus must not detract from the importance of appropriate disclosure of both financial and ESG information.

It is important that we use our advantaged perspective to assess the key ESG issues. Unlike benchmark-centric or high trading strategies, we do not need to invest in problematic jurisdictions or industries, so we are able to ignore areas that are not expected to be investment-worthy. We can devote more time to engaging with our investee companies to help and encourage them to improve their ESG and financial performance.

Integration of ESG in Investment Process

Team

We believe that it is incredibly important that the Cusana investment team performs and integrates ESG analysis into the investment process rather than outsourcing it to a separate team. Our investors understand the context of the investment, how the companies fit into the world and what any controversies might be, often having monitored them for years. Having experienced the opposite approach, where ESG specialist teams conduct an effectively parallel ESG process, we observed that ESG specialists may fail to appreciate or understand the full context, such as having perspective on scope 4 type CO2 emissions. The result can be well-meaning but misguided decisions, whereas the true complexion of the issues may be more apparent to the investors with more relevant expertise in each industry or country etc.

Having full oversight of ESG analysis ensures that the investment team:

1. Integrate all material ESG considerations in our investment process;
2. Assess valuation and risk profile of stocks with more complete perspective; and
3. Engage with the companies in which we invest to improve their performance.

We use multiple sources of ESG information, and we believe it is the investors who are best placed to filter this information and interpret its impact on a company's financial performance, sustainability footprint and valuation.

Approach

ESG is formally and explicitly integrated into the Cusana investment process. This ensures consideration of all material ESG matters in advance of investment decisions. Specifically, the investment checklist that we deploy in relation to any potential new investment includes a range of ESG questions and considerations that should also be investigated before investment. For instance, assessing the occurrence of any historic related party transactions – into which we will look back as many years as we are able.

So, ESG considerations are integral to Cusana's investment analysis and are assessed in conjunction with and as part of our financial, thematic and macro analysis and valuation work.

Quantification and Scoring

It is usually very difficult to assign a monetary value or meaningful number to ESG issues and to integrate them into financial models. Rather, they tend to be difficult to quantify and, in the real world, ill-suited to crude screening approaches and scoring, despite this being the modus operandi for most investors seeking to integrate ESG analysis. We are deeply cynical of all scorecard-type approaches, as ESG-related disclosure by companies may be limited, unverified and non-standardized, especially within Emerging Markets where jurisdictional frameworks tend to be less developed.

Many ESG data provider scores merely reflect differing disclosure. Capturing corporate behaviour as a simple number or letter grade fails to reflect complexity and nuance. We have found the analysis of many third party providers to differ meaningfully from our views where we know the stocks and issues extremely well. They do not have the calibre nor the perspective to conduct a more enlightened analysis. We prefer to exercise the judgment gained as seasoned investors from a holistic analysis of the business and its interaction with the world around it.

Cusana's long-term investment horizon (5-7 years) accentuates the importance of ESG analysis because as long term investors and sustainability of profits is critical to our valuation approach. By contrast, most investors have far shorter investment horizons and hence the long-term outlook matters less. Clearly, sustainability is likely to be of far less relevance to a 1-year forward P/E ratio assessment or to an investor focused on near-term earnings upgrades and downgrades.

We combine both qualitative and quantitative ESG factors into our overall analysis of a company using a five-year time horizon (sometimes longer) – to ensure that the value of the business is unlikely to be impaired by any failures to adhere to ESG standards. We rarely know exactly when such risks might manifest – for instance the timing of the recent Russian aggression (but our caution in that instance proved particularly well-placed).

Improvers or Best-in-Class?

Alignment of interests between minority shareholders and management (or controllers) means that good governance is a key prerequisite to investment. However, Emerging Markets are diverse and show a wide range of behavioural norms and market standards. Some are far more advanced than others, though this does not necessarily correlate with better or worse behaviour. At the company level, we tend to find that "improvers" often perform better than "best in class" companies.

We like to engage with companies to encourage improvement and have credibility with management teams to do so. It is therefore important not to automatically screen out those companies which are not yet best-in-class. Smaller and fast-growing companies may find their governance framework and disclosure lags their financial development, but these are often exactly the kind of companies in which we should be investing. We encourage them to work actively to provide greater disclosure, develop their environmental footprint and improve their ESG standards. It is our objective to generate superior financial returns whilst encouraging responsible corporate behaviour, particularly in small and mid-cap businesses where we will have more influence.

ESG Integration via Exclusions and our Investment Checklist

Right at the start of our stock selection process, we apply a filter to exclude sectors that we find incompatible with our investment style. Cusana will not invest in companies with the following exposures:

1. Adult entertainment (>5% revenues)
2. Armaments (>10% revenues)
3. Gambling (>10% revenues)
4. Tobacco (>10% revenues)
5. Thermal coal (>30% coal production or coal-fired generation revenues)

Cusana also applies the Norges Bank exclusion list, which we find puts very sensible acceptability parameters around company ESG characteristics, removing negative ESG companies from consideration.

We find these exclusions to be an illuminating source to many of our clients when assessing our ESG principles. Those exclusion fit with our views on sustainable businesses as they do not materially constrain portfolio performance. In fact, they often serve to enhance performance and/or reduce risk.

We further narrow our universe of potential investments through thematic, industry sector and macro analysis.

It is important to note that at an early stage of analysis, if we think that governance is materially misaligned with minorities, then we immediately stop further research and reject the idea.

Having narrowed the field to a few investments that appear likely to be appropriate investments for the strategy, we undertake a deep dive analysis on stocks to review our key requirements (sustainable competitive advantage, industry dynamics, financial performance, sustainability of the business etc). We will then deploy our investment checklist, including an assessment of any ESG factors (positive or negative).

The ESG-related questions within our investment checklist use the ten principles of the UN Global Compact as a foundation. We obviously aim to tailor such questions and topics for engagement to each company – but ask three key ESG questions:

1. What are the long-term ESG impacts of the business?

2. Are ESG indicators improving or deteriorating?
3. Are the ESG impacts sufficiently material to stop us investing?

Full details of the ESG questions within our investment checklist are set out at the end of this document.

Then we will seek to amass quantitative data to support our understanding and ensure we can compare the company with others in its peer group and in the portfolio. As well as data points which can be sourced from company disclosures, there are numerous external ESG indicators that have been developed to support investors (with varying utility). Environmental issues have seen the most development in this respect, where institutional investors have understandably focused on levels of greenhouse gas emissions in their investment portfolios following industry initiatives, such as the Montreal Pledge, the United Nations Environment Program Finance Initiative (UNEP FI) and popular movements such as fossil fuel divestment protests.

We may consider data from external ESG providers but often find qualitative assessment more useful than the quantified scores, though we use both.

- ***Quantitative scoring methodologies are most usefully applied to well recognized ESG questions but tend to be backward-looking.***

- ***Qualitative measures, which might include critical future developments, need more imaginative application and tend to be more forward-looking.***

We note that third party quantitative assessments, such as MSCI and Sustainalytics, can only score data which exists and is quantifiable; this tends to focus analysis on **disclosure** rather than behavior, even though the latter is far more important to true ESG-related outcomes. Our assessment aims to have broader perspective of issues, quantifiable or not, according to their substance and materiality. This is irrespective of ease of quantification.

The conclusion of our ESG analysis will identify key topics for engagement with company management – and of course any red flags (potential or actual) which would prohibit investment. This assessment will form the foundation of future engagement.

Engagement

The investment industry is key to driving behavioral change, as it can allocate the flow of capital to those companies and governments that are seen to be good actors and away from poor stewards of capital, making capital more expensive to them. This may also shape how executives and owners are remunerated due to linkages to share prices etc. The global nature of capital flow ensures that non-compliers would effectively be denied external investment. Currencies and cost of capital tend to work in parallel to this end.

For businesses this can have serious ramifications – if demand for securities decreases and stock prices fall it will be highly dilutive to raise new capital and may be impossible. This strikes us as capitalism at its best.

We will therefore actively engage with our investee companies where we perceive their activities or failure to consider fully the impact of sustainability as a risk to shareholder value. The EM investment team will be responsible for any company engagement. Engagement is a fundamental part of the process and is normally undertaken through correspondence or, if necessary, company meetings. We will always seek to offer solutions for management and will be highly respectful of the issues they face when submitting those proposed solutions. However, if within the medium term we feel the company is not doing enough to remedy situations of concern, we will withdraw our support for the investment. We will typically keep our activities and correspondence with corporates confidential.

Stewardship and Voting

Cusana plans to be a signatory to the voluntary UK Stewardship Code ("the Code") which covers engagement by Cusana with UK equity issuers, but which Cusana will apply globally. The seven principles of the Code state that Institutional investors should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities.
- have a robust policy on managing conflicts of interest in relation to stewardship, which should be publicly disclosed.
- monitor their investee companies;
- establish clear guidelines on when and how they escalate their stewardship activities.
- be willing to act collectively with other investors where appropriate.
- have a clear policy on voting and disclosure of voting activity; and
- report periodically on their stewardship and voting activities

Cusana uses Institutional Shareholder Services (ISS) Benchmark Policy recommendations as a primary reference for proxy voting decisions. While ISS guidelines inform our approach, Cusana may vote differently from the default ISS recommendation where it disagrees with ISS's perspective on a particular issue.

Sector Asset Management (SAM) Group is a signatory to the United Nations Principles for Responsible Investment (UN PRI). While Cusana is not a standalone signatory, it contributes to and is included in the SAM Group's UN PRI reporting, and its ESG approach forms an integral part of the SAM Group's responses. Knut Kjaer, the Chairman of our partner organization and shareholder in SAM, was a member of the team which drafted the original UN PRI.

Cusana Governance

Cusana has an Executive Committee which consists of Wollert Hvide (Non-Executive Chairman), Jos Trusted (Founding Partner, CEO), Rob Marshall-Lee (Founding Partner, CIO). The responsibility for investment and the integration of ESG practices at a strategy level rest with the investment team and ultimately the CIO – but any significant policy updates required will be managed by the Executive Committee.

Appendix – Investment Checklist ESG components

Governance – alignment & minority protection
Alignment of interest, State intervention /ownership, Key performance indicators of management, dividend policy and buy backs
Skin in game – equity holdings, incentives, whether founder etc
Minority shareholders treated equally, board structure
Related party transactions/dilution
Behavioural signals
Capital allocation track record, time horizon
Environmental
Carbon footprint in full scope industry/societal context and direction of travel/efforts to mitigate. Is the company a cause or solution for climate change?
Water/raw material/other pollution – remedial efforts?
Social
Culturally good corporate citizen or superficial approach to ESG? Improvement?
Treatment of workers and community – N.B. local and global context
Diversity and direction of travel
ESG summary & engagement
Are any of the above ESG considerations red flags to stop us investing?
Key topics for engagement and voting

This Information Sheet is not intended to be relied upon as the basis for any investment decision, and is not, and should not be assumed to be, complete.

Notice to Persons in the European Economic Area

The Fund is an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive, Directive 2011/61/EU of the European Parliament and the Council of the European Union of 8 June 2011 on alternative investment fund managers and any applicable implementing legislation or regulation thereunder ("**AIFMD**"). Sector Fund Services AS is the AIFM of the Fund (the "**AIFM**"). Sector is authorised and regulated by the Financial Supervisory Authority of Norway (Finanstilsynet) as a full-scope AIFM for the purpose of the AIFMD and has been appointed for the purposes of marketing the Fund. The AIFM has appointed Capricorn Fund Managers Limited ("**Capricorn**") to provide discretionary investment management of the assets of the Fund and Capricorn has agreed to provide regulatory hosting services to Cusana Capital LLP ("**Cusana**"), pursuant to which Capricorn will host certain seconded personnel of Cusana for the purposes of their conduct of discretionary management activities on behalf of the Fund.

Shares in the Fund (the "**Shares**") may only be marketed to prospective investors which are domiciled or have a registered office in a member state of the EEA ("**EEA Persons**") in which the AIFM has registered the Fund for marketing under the relevant national implementation of Article 31or 32 of AIFMD, as the case may be, and in such cases on to EEA Persons which are "Qualifying Investors", being (a) "professional investors" within the meaning of Annex II of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, the Markets in Financial Instruments (MiFIR) Regulation (EU) No 600/2014 and any implementing legislation or regulation thereunder ("**MiFID**") or (b) investors otherwise permitted to invest in the Shares pursuant to the rules of the Central Bank of Ireland. This document is not intended for, should not be relied on by and should not be construed as an offer (or any other form of marketing) to any other EEA Person.

A list of the EEA member states in which the Fund is qualified for marketing is available from the AIFM upon request.

The Shares may not be offered, sold or otherwise made available to any retail investor within the meaning of Regulation (EU) 1286/2014 (the "**PRIIPS Regulation**") in the territory of the EEA, including investment made in the EEA by such entities or persons from third countries. Consequently, no key information document required by the PRIIPS Regulation for offering or selling the Shares or otherwise making the Shares available to retail investors in the EEA has been prepared; and therefore offering or selling the Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Notice to Persons in the United States

Any interests in any investment vehicles referred to in this document have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**1933 Act**") or qualified under any applicable state securities statutes, and such interests may not be offered, sold or transferred in the United States of America (including its territories and possessions) or to or for the benefit of, directly or indirectly, any U.S. Person (as defined in the following sentence), except pursuant to registration or an exemption. In this context, a "U.S. Person" is a person who is in either of the following two categories: (a) a person included in the definition of "U.S. person" under Rule 902 of Regulation S under the 1933 Act or (b) a person excluded from the definition of a "Non-United States person" as used in CFTC Rule 4.7. Any investment vehicles referred to herein have not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "1**940 Act**"). Interests in any investment vehicles referred to herein are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to any U.S. Person except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

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The Shares of the Fund will not be marketed to retail investors in the United Kingdom within the meaning of the U.K. version of the PRIIPs Regulation, which is part of U.K. law by virtue of the U.K. European Union (Withdrawal) Act 2018 (as amended), as supplemented by the Packaged Retail and Insurance-Based Investment Products (Amendment) EU Exit Regulations 2019 (the "**U.K. PRIIPs Regulation**"), including investment made in the United Kingdom by such entities or persons from third countries. Accordingly, no Key Information Document (as defined in the U.K. PRIIPs Regulation) will be prepared in relation to the Fund.