

ESG Focus - Fund Selection and Portfolio Creation

1. Creation of a sub-Universe (i.e. Global Equity funds). Currently we have identified eight sub-universes that we may use in our allocation strategy but this definition is open to add/remove as deemed necessary.

Equities	Fixed Income	Other
1. Global Equities	5. Aggregate Bonds	8. Flexible Allocation
2. Thematics	6. Corporate Bonds	
3. US Equities	7. Green Bonds	
4. European Equities		

2. Creation of Investment List(s) with the best 60% (where feasible) of Morningstar portfolio sustainability scoresⁱ. Under certain conditions, we may have to shift the aforementioned thresholdⁱⁱ due to sample size.

3. Rank selected Investment List of funds with the in-house Fund Selection Quantitative Modelⁱⁱⁱ for Funds of Funds.

4. Sort the top 10 funds of stage 3 with a three-factor equal weight ranking process aiming at higher momentum, lower volatility and best quality^{iv}.

5. With Portfolio Construction and maintenance/rebalancing, we adjust portfolio weights subject to the desired asset class exposure, geographic allocation and/or thematic preferences of the investment team as well as current market conditions. The fund follows a Flexible Allocation^v strategy. The fund is not a quant strategy. The fund is not targeting a particular E, S or G objective or score.

Rebalancing is not time interval dependent and may take place ad.hoc. Market conditions and investment team decisions not related to ESG criteria may determine the timing, frequency and the scope of a full or a tactical^{vi} rebalancing.

ⁱ Morningstar Portfolio Sustainability Score is an asset-weighted average of Sustainalytics' company-level ESG Risk Score. Lower scores are better. To receive such a score, at least 67% of a portfolio's assets under management (long positions only) must have a company ESG Risk Rating by Sustainalytics. (source: Morningstar Direct)

ⁱⁱ We use the 60% threshold or 60-percentile by default. When the universe is small, we may have to lower the threshold.

ⁱⁱⁱ The Fund Selection model is being back-tested on a regular basis every 1 to 3 years by the Fund of Funds & Fund Selection Team

^{iv} Equal-weight percent-rank of higher momentum (3M gross return over 1Year), lower 1Yr standard deviation and a synthetic quality factor that may include one or more ESG risk scores (Sustainalytics, other). With quality, we may assess size, tenure or other similar attributes, as well.

^v The fund can adjust its risk exposure in different market conditions. In bull markets it will invest mainly in equities while in more volatile times with no clear direction, it will turn balanced. In extreme bear markets it may go even ultra-defensive.

^{vi} A tactical rebalancing may be a small adjustment of the current positions or a replacement of an existing position because of, among other things, due diligence issues like fund size, concentration, change of scope, change of management team, etc.