HEPTAGON Capital

2022

QBLUE GLOBAL SUSTAINABLE LEADERS FUND

Sustainable Finance Disclosures Regulation (SFDR) - Article 9 Website Disclosures

1. Summary

The investment strategy of the Fund is based on the economic rationale that the societal value of companies – defined as the sum of private value (traditional company intrinsic value) and public value (sum of positive/negative public externalities, such as air and water pollution, climate and public health impact, gender equality, etc.) – is currently not fully reflected in the valuation of companies. As the public value of business activities increasingly get included in company valuations, it is the Sub-Investment Manager's ("Qblue") belief that companies with superior sustainability profiles will outperform their peers.

The Sub-Investment Manager's approach to sustainability is based on a three-step process. (1) Engagement and/or exclusions, seeks to identify the companies in the investment universe to engage with or to exclude; (2) Identify industries or sub-sectors with unwanted inherent sustainability risks where mitigation is deemed insurmountable; (3) Utilisation of a proprietary sustainability model, Sustainability Cube™, to identify "best-in-class" sustainable companies. The model scores and ranks companies in the investment universe according to their sustainability standards along several dimensions. Dimensions considered include, but are not limited to; climate transition, ESG industry leadership and UN SDG alignment.

2. No significant harm to the sustainable investment objective

In order not to do significant harm to environmental or social objectives, the Sub-Investment Manager takes principal adverse sustainability impacts (PAIs) into account in several steps of the investment process. Firstly, the financial product does not invest in companies which:

- Intentionally and repeatedly violate rules laid down by national authorities on the markets in which the financial product invests or by central international organizations generally endorsed by the global community. This includes, but is not limited to:
  - UN Global Compact
  - OECD Guidelines for Multinational Enterprises.

- Are domiciled in countries covered by EU or UN sanctions, as well as countries where the sustainability risk with regards to money laundering, bribery, terrorist financing and tax avoidance are deemed unacceptable. The list of excluded countries is updated on an ongoing basis.

- Do business in industries with excessive risk of principal adverse sustainability impacts. This includes, but is not limited to, the following industries:
  - Tobacco
  - Thermal coal mining
  - Nuclear weapons
  - Controversial weapons
  - Oil sand extraction
  - Adult entertainment
  - Arctic drilling and exploration

Secondly, the Sub-Investment Manager evaluates the sustainability characteristics of all companies in the investment universe using their own proprietary sustainability model, the Sustainability Cube™. The model includes several principal sustainability impact indicators on environmental, social and governance issues. The Sustainability Cube™ model supports the "do no significant harm principle" by:

- Excluding companies with the 10% worst social scores
- Only investing in companies with the 20% best overall sustainability score within each region and industry

Forthcoming EU regulation requires that certain PAI indicators are taken into account in order to ensure no significant harm to environmental or social objectives. These indicators are integrated into the Sustainability Cube™

as data meet certain quality and coverage criteria. Data coverage on PAIs is incomplete and data quality varies across indicators, but the field is going through a significant development. The Sub-Investment Manager closely monitors this development and incorporates additional indicators as data coverage and quality improves.

3. Sustainable investment objective of the financial product

The objective of the financial product is to provide long-term capital growth by investing in companies that the Sub-Investment Manager believes contribute positively to social and environmental factors. The Fund aims to achieve its objective by investing in companies that, as measured by the Sub-Investment Manager's proprietary sustainability model (Sustainability Cube™), are ESG industry leaders, best positioned for the transition to a low carbon economy and aligned with the United Nations Sustainable Development Goals.

The Sub-Investment Manager seeks that, at all times, the capital weighted average sustainability score of the portfolio companies, within each industry (as per MSCI GICS level 1) within each region, is better than the 90th percentile of the sustainability scores – that is, corresponding to the 10% best companies – within the investment universe for that industry.

4. Investment strategy

The financial product invests in developed market liquid equity securities subject to the exclusions described in the section 'No significant harm to the sustainable investment objective'.

Companies in the investment universe are ranked based on the Sustainability Cube™ score, and the 10% highest scoring companies in each industry in each region are selected for the portfolio. If a company at a later stage falls below the 15% best companies, the company position is closed out. This part of the investment process is an important step towards achieving the sustainability objective of the financial product of investing in companies that the Sub-Investment Manager believes contribute positively to environmental and social factors.

Thereafter, the Sub-Investment Manager deploy a multi-step conviction weighting methodology, based predominately on the Sustainability Cube™ score, meaning the higher such Sustainability Cube™ score the higher portfolio weight.

The Sub-Investment Manager assesses governance practices of investee companies when identifying companies for engagement and exclusions. Moreover, assessment of governance practices of investee companies is naturally integrated into the selection process of investee companies, since governance measures are integrated into the Sustainability Cube™ score.

- Engagement and exclusions
  - The Sub-Investment Manager excludes companies which intentionally and repeatedly violate rules laid down by national authorities on the markets in which the Fund operates or by central international organizations generally endorsed by the global community.
  - This includes, but is not limited to, UN Global Compact and OECD Guidelines for Multinational Enterprises.

- Selection of investee companies
  - Corporate governance is a key element of the ESG industry leadership dimension of the Sustainability Cube™ score, as well as sub-components of the UN SDG score dimension.
  - Investee companies needs to be among the most sustainable companies, as measured by the Sustainability Cube™, in order to be included in the portfolio which includes governance factors.

5. Proportion of investments

Under normal circumstances, in order to attain the sustainable investment objective, the financial product aims to invest all of its equity exposure in companies classified as sustainable investments as defined under the EU sustainable finance disclosure regulation. The Fund may also hold cash or cash equivalents, and the Fund may use derivative instruments for the purposes of efficient portfolio management and hedging.

6. Monitoring of Sustainable Investment Objective

The Sub-Investment manager will, on an ongoing basis, evaluate if the sustainable investment objective has been attained. The result will be reported to the Investment Manager and reported on the Sub-Investment Manger's website and as part of the SFDR periodic reporting on a yearly basis.

As described within the Investment Strategy section, companies in the investment universe are ranked based on the Sustainability Cube™ score, and the 10% highest scoring companies in each industry in each region are selected for the portfolio. The manager continuously monitors this scoring to ensure investment only in the best sustainable companies as ranked by the Sustainability Cube™, if a company at a later stage falls below the 15% best companies, the company position is closed out.

7. Methodologies

The sustainable investment objective is obtained if the capital weighted average Sustainability Cube™ score of the portfolio companies, within each industry (as per MSCI GICS level 1) within each region, is better than the 90th percentile of the sustainability scores.

For each region and industry, the distribution (across business days) of the capital weighted average Sustainability Cube™ score of the portfolio companies are calculated. The objective is attained, if the average score is above the 90th percentile for at least 90% of the time in all regions and industries.

8. Data sources and processing

Data for the Sustainability Cube™ is obtained from various data providers and data sources:

- MSCI (carbon emissions, environmental, social, and governance data, UN SDG alignment)
  - Macro data at segment or geographic level from academic, government, NGO datasets
  - Company disclosure (sustainability report, proxy report, AGM results, etc.)
  - Government databases, media, NGO, other stakeholders
  - Companies are invited to participate in a formal data verification process.
- Matter (sustainability sentiment data)
  - Natural Language Processing of UN SDG related news from 30.000 - 60.000 daily news articles
- Google patent database (green patents)
  - patent applications from 17 patent offices around the world.

Data quality assessment is performed by the data provider as well as by the Sub-Investment Manager.

- MSCI
  - Quality Review Committee:
    - This committee aims to conduct data quality checks on all companies prior to publication. Automated quality database checks flag to the committee when pre-specified conditions relating to score changes are triggered, or any suspect values.
  - Data review and company communication:
    - A data review process that allows companies to comment on the accuracy of company data for all MSCI ESG Research reports.
    - Companies are invited to participate in the data review process prior to the annual update
    - 50% of companies returned substantive feedback on ESG research in 2018
- Matter
  - Out of sample validation:
    - The Natural Language Processing algorithm is validated on an ongoing basis. Random sample of news data identified as either positive or negative for the SDGs are assessed by human eye.

- Sub-Investment Manager
    - Data consistency checks
    - Quality sampling
    - Completeness assessment

An aggregated Sustainability Cube™ score is calculated for the purpose evaluating the overall sustainability characteristics of companies in the investment universe. The objective, in designing this scoring framework, has been to create a robust and balanced measurement. The scoring methodology of the Sustainability Cube™ measures sustainability along several dimensions, with different indicators being considered in each dimension in order to attain the sustainable investment objective of the financial product. Dimensions include, but are not limited to:

- Climate transition score;
    - current carbon footprint, carbon targets, decarbonization initiatives and development of products and services supporting greenhouse gas emission reduction.
- ESG industry leadership score;
    - current ESG score, ESG progress score and controversies screening.
- Alignment with United Nation's Sustainable Development Goals ("UN SDGs") score;
    - SDG revenue, measured as a percent of total revenue that can be associated with sustainable impact categories and SDG Coverage, measured as the number of SDGs with related company revenues.

In addition to measuring companies' current status along these dimensions, the Sustainability Cube™ Score also evaluates how well companies are positioned for the transition to a more sustainable economy, as measured by company strategy and development of sustainable products and services.

9. Limitations to methodologies and data

Assessing a company's sustainability status may have challenges related with the need for improved quality of the sustainability data available. Challenges include:

- Sustainability analysis requires a broad range of supplementary data and data quality enhancements to ensure robustness, as sustainability data may initially be insufficient and incomplete
- Sustainability is a dynamic process and changes over time.
- Sustainability should be measured based on the companies' current position as well as the forward looking trajectory, and if possible with the addition of measures of sentiments and perceptions of the companies' sustainability standards but backward looking information fails to capture direction of travel.

These challenges are addressed by:

- Use of varied data sources and sustainability dimensions;
- Real time controversies screening to ensure potential issues are addressed early;
- Data provider engagement to fully understand the data; and
- The robustness of the multi-dimensional Sustainability Cube™.

Sustainability factors are in nature challenging to measure, and the data involved is often incomplete and insufficient. Missing data in sub-dimensions of the Sustainability Cube™ are imputed on a best effort basis to avoid excluding companies with incomplete sustainability data. The Sub-Investment Manager believes that, in order to attain the sustainability objective of the financial product, it is absolutely key to allocate significant resources, on an ongoing basis, to search for new relevant data sources and develop tools to optimize the insight of existing data.

In addition, the Sub-Investment Manager aims to always measure sustainability factors using various data sources and cover different aspects of such factors. The philosophy behind the Sustainability Cube™, used in the investment process, is that sustainability is multi-dimensional and dynamic, and no single data point can capture all aspects of any environmental of social factor.

10. Due diligence

As the investment strategy of the financial product is systematic and rule based, the investment strategy implementation as well as the monitoring of investee companies on relevant matters, including financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, are mainly based on quantitative measures.

As the financial product only invests in liquid financial instruments traded on a regulated marketplace under a transparent disclosure regime a lot of the required data regarding financial information is publicly available in good quality. With respect to sustainability, data is not as easily accessible, and is often short, incomplete and to some degree noisy. As a consequence, an important part of the investment due diligence is to make sure that relevant data for ensuring compliance with the regarding financial and non-financial topics, including sustainability, are available in a good quality as described in the Data Sources and Processing section.

11. Engagement Policies; and

Engagement for financial product follows the Sub-Investment Manager's general engagement policy
https://qbluebalanced.com/policies/

Company dialogue is an important part of the Sub-Investment Manager's sustainability framework, as they believe engagement is generally the best strategy for contributing to improving sustainability and responsible behaviour in companies. As a general rule, the Sub-Investment Manager intends to exercise its voting rights in investee companies. The Sub-Investment Manager aims to protect and grow the value of investments by ensuring that the portfolio companies diligently mitigate risks and have the lowest possible capital costs, by acting responsible, and at the same time encouraging companies to grow earnings by pursuing sustainable opportunities that support the goals of society and the global community. This forms the basis for the principles for exercising the voting rights.

12. Attainment of the Sustainable Investment Objective

This section is only relevant for products which either have an index as reference benchmark to attain the sustainable investment objective or reduction in carbon emissions as its objective. Attainment of the sustainable investment objective is instead covered by the 'Methodologies' section above.

Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity.

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For all definitions of the financial terms used within this document, please refer to the glossary on our website: https://www.heptagon-capital.com/glossary.

Risk Warnings

The Fund is subject to special risk considerations including geographic concentration risk, portfolio concentration risk and operational risk. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. Any investor should consider the investment objectives, risks and charges and expenses of the fund carefully before investing. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment.

SFDR

The Fund has been classified as an Article 9 for the purposes of the EU's Sustainable Finance Disclosure Regulation ("SFDR"). The Fund has sustainable investment as its objective alongside financial return. The Fund invests primarily in assets classified as sustainable investments as defined under the SFDR. Please see prospectus for further information on the Fund's sustainable objective and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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