

2023

EASTERLY US VALUE EQUITY FUND

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Sustainable Finance Disclosures Regulation (SFDR) - Article 8 Website Disclosures

1. Summary

The Fund's Sub-Investment Manager, Easterly Investment Partners, was founded in 1982 and is a long only, value-orientated asset management firm headquartered in Massachusetts, USA.

The Sub-Investment Manager aims to identify U.S. businesses, whose equities are trading at excessive discounts on a relative and absolute basis. Employing a process that is frequently contrarian and always catalyst driven, the Sub-Investment Manager then isolates the 25-40 best investment ideas, across all market capitalizations. Their rigorous proprietary analysis helps them to identify the presence of some form of significant catalyst. This part of the process affords them a different return profile than commonly seen in core value portfolios. The strategy follows a rigorous, fundamental, bottom up, value-orientated approach.

2. No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

3. Environmental or social characteristics of the financial product

The characteristics promoted by the Fund consist of investing in companies that exhibit environmental and social characteristics such as:

Environmental characteristics:

- Greenhouse gas ("GHG") emissions;
- Pollution & waste management;
- Water usage; and
- Environmental controversies.

Social characteristics:

- Supply chain management;
- Product safety;
- Employee diversity; and
- Social controversies.

Additional ESG considerations may include:

- Alignment to the UN Sustainable Development Goals;
- Environmental and social reporting, disclosures, and transparency;
- Positive momentum in E/S practices (which is the point at which it is considered that the company the Fund proposed to invest in has improved/looks to be improving its E/S practice(s)), factors and ratings; and
- Good corporate governance practices.

These environmental and social characteristics, together with governance factors, support the attractiveness of companies as long-term portfolio holdings for the Fund and complement the assessment of corporate culture and management undertaken by the Sub-Investment Manager on each of the companies. The Sub-Investment Manager believes companies with strong, quality, experienced management, demonstrate better understanding, monitoring and management of environmental and social risks.

4. Investment strategy

In addition to the environmental and social characteristics promoted, the Fund will seek to completely exclude investment in companies that are directly involved in, and/or derive significant revenue from, industries or product lines that include:

- Adult Entertainment (Production, Revenue >5%)
- Coal Production / Distribution (Revenue >5%)
- Gambling (Operations, Revenue >25%)
- Tobacco (Production, Revenue >5%)
- Banned Weapons (Revenue >0%)
- Weapons Production / Distribution (Revenue >10%)

In addition to the above-mentioned industries, the Fund will seek to exclude:

- Companies that have direct involvement in the production and/or distribution of controversial weapons, namely antipersonnel landmines, cluster munitions, biological and chemical weapons.
- Companies with known serious violations of internationally recognised norms and standards such as, but not limited to, the UN Global Compact, that the Sub-Investment Manager believes do not show a positive outlook and where it's believed that appropriate remedial action has not been taken.

These considerations are then linked to the exclusion criteria as outlined in this Supplement to ensure that the E/S characteristics of this Fund are met.

Implementation of selection criteria

- To qualify as an investable stock in the Fund, the Sub-Investment Manager will subject any potential company to various quantitative and qualitative analyses, including, but not limited to:
 - o creating detailed financial statement models on the company;
 - o bottom-up fundamental research;
 - o interacting with the target company's various management teams, competitors, suppliers, customers, consultants, trade journals and regulators (if applicable);
 - o reviewing sell-side research on the target company;
 - o analysing the target company's financial reports, insider trading due diligence, share ownership.
 - o understanding the existing large shareholders and any large sellers of securities in the company;
 - o carryout due diligence on the target company's historical trades through various cycles; and
 - o monitoring insider transactions.

These considerations are then linked to the exclusion criteria as outlined in this Supplement to ensure that the E/S characteristics of this Fund are met.

- The initial investment universe has approximately 1,000 stocks. As a result of an elimination phase that includes the above screening criteria, the above-mentioned restricted activities, as well as further ESG filters and strict governance criteria, roughly 700 companies are excluded.
- Through subsequent financial modelling, valuation, due diligence, and company specific ESG considerations, the Sub-Investment Manager will have a final portfolio that will normally consist of approximately 25-40 companies

The Sub-Investment Manager screens investments according to the following environmental and social criteria which may vary depending on the sector as well as data availability:

Environment:

- Improving greenhouse gas ("GHG") emissions
- Overall good environmental practices regarding areas such as water usage and pollution & waste management
- A lack of or well managed environmental controversies

Social:

- Good supply chain management
- Product safety
- Employee diversity
- A lack of or well managed social controversies

When assessing these indicators, together with the consideration of governance factors and qualitative data, the Sub-Investment Manager also aims to understand:

- a positive rate of change, progress in respect of the company's environmental and social objectives and disclosures; and
- areas for improvement, which leads to further engagement with investee/potential companies.

Good governance practices of investee companies

The Sub-Investment Manager is a signatory to the UN Principles for Responsible Investment (the "UNPRI"). As a signatory to the UNPRI the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. The Sub-Investment Manager screens:

- the size and experience of the board;
- board diversity and composition;
- number of independent directors;
- executive compensation; and
- accounting and financial disclosure practices.

The Sub-Investment Manager favours management teams exhibiting comprehensive, balanced, and thoughtful approaches to overall business risk management, including ESG matters.

5. Proportion of investments

The Fund aims to achieve its investment objective by investing primarily in a portfolio of equity securities and common stocks of companies located in the U.S. which are listed or traded on Recognised Markets. 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 under the conditions and within the limits laid down by the Central Bank.

All Fund investments go through the same screening and investment process and are made with environmental and social considerations, which may vary from industry to industry and from company to company. Therefore under normal circumstances, in order to meet the environmental or social characteristics promoted, the Fund is generally expected to invest at least 80% of its equity exposure in companies aligned with the E/S characteristics of the Fund but that may not be classified as sustainable investments as defined under the SFDR. The remainder could be held in companies that may not match the Fund's ESG criteria in its entirety or in cash or cash equivalents, nevertheless, all investments excluding cash and equivalents go through the same screening process and are made with ESG considerations. The strategy therefore follows a significant ESG integration approach as all equity investments are screened with ESG considerations. The Fund is mostly exposed to the following sectors; financials, IT, healthcare, energy, industrials, utilities, materials, consumer discretionary and consumer staples.

Derivative instruments are not used for investment purposes. However, the Fund may employ techniques and instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits laid down by the Central Bank.

6. Monitoring of environmental or social characteristics

ESG considerations are a meaningful component in the Sub-Investment Manager's framework for assessing a company's management, corporate culture and strategy alignment. The Sub-Investment Manager excludes companies directly involved in the activities described under section 2.1 and seeks to invest in companies that amongst others, meet the environmental and social characteristics described in section 1 above and governance practices as described in section 2.3 below.

The Sub-Investment Manager also seeks to engage in active dialogue with the management teams of companies to discuss ESG practices. The Sub-Investment Manager further seeks to monitor and engage with companies for ESG accountability through the use of proxy voting and shareholder engagement. The Sub-Investment Manager believes that this plays an important role of raising the sustainability profile of companies in the long-term.

7. Methodologies

Materiality of environmental and social indicators analysed to measure the attainment of the environmental and social characteristics may vary considerably from industry to industry and from company to company, and may be dependent on data availability. These may include, but are not limited to:

Environment:

- Improving greenhouse gas ("GHG") emissions
- Overall good environmental practices with regards to those environmental practices which are material to a specific company or industry
- A lack of or well managed environmental controversies (a controversy case is usually defined as an instance, or ongoing situation, in which company operations or products allegedly have a negative environmental, social or governance impact and the Sub-Investment Manager favours companies that (i) have not been involved in environmental and/or social controversies or (ii) if they have been involved, the companies have shown adequate risk management capabilities in dealing with those situations)

Social:

- Good supply chain management
- Product safety (ensuring compliance with product standards, eradicating product incidents and proactively disclosing information on product incidents/recalls)
- Employee diversity
- A lack of or well managed social controversies

8. Data sources and processing

The data sources used to analyse each of the environmental or social characteristics promoted by the Fund may include:

- Sustainalytics data.
- CDP data;
- ISS data;
- Bloomberg data;
- MSCI data;
- Broker research
- Various company reports; and
- Monitoring of articles and news.

The Sub-Investment Manager believes that analysing relevant ESG factors is important to gaining a holistic understanding of the companies in which the Fund invests. Therefore, the Sub-Investment Manager believes that doing the research themselves and relying on their own judgement is critical in order to integrate ESG into company analysis and decision making, this also ensures data is up to the quality standards expected by the Sub-Investment Manager to support investment decision making.

Third party data providers are used to support some aspects of the in-house research as well as for reporting purposes.

9. Limitations to methodologies and data

Limitations on methodologies and ESG data include the lack of consistency, reliability, comparability, and quality of the data available. This is driven by issues including, but not limited to:

- Lack of common methodology;
- Lack of standardised reporting by companies;
- Different estimation models and analytical tools for unreported data;
- Difficult to quantify factors and unverified or unaudited information; and
- Backward looking information that fails to capture “direction of travel”.

These limitations are addressed by:

- Use of varied data sources;
- Company engagement to understand data at source; and
- Reliance on internal research and analysis using third party data as complementary information

10. Due diligence

The Sub-Investment Manager’s internal process and investment due diligence provides an initial filter for reducing potential sustainability risks impacting the Fund. This process includes:

- Exclusion of certain harmful industries or business activities; and
- Constant monitoring of factors under consideration, news flow and market development.

Together with internal analysis, the Sub-Investment Manager uses an independent global ESG provider to enhance the ranking of businesses based on the ESG criteria, and looks at ESG risk ratings, “momentum” scores, and controversies. The Sub-Investment Manager also seeks to engage in active dialogue with the management teams of companies to discuss ESG practices. The Sub-Investment Manager further seeks to monitor and engage with companies for ESG accountability through the use of proxy voting and shareholder engagement. The Sub-Investment Manager believes that this plays an important role of raising the sustainability profile of companies in the long-term.

The Sub-Investment Manager assesses sustainability risks at the pre-investment stage and on an ongoing basis as follows:

Pre-investment - due diligence assessment:

Any business identified as having a high probability of a potential sustainability risk impacting future returns would not be included in the final portfolio. As a result of this pre-investment due diligence assessment, together with adherence to the exclusion criteria and selection process described, the Sub-Investment Manager believes that the potential impact of sustainability risks on returns are significantly decreased at the outset.

Ongoing assessment:

Where there is a marked deterioration in sustainability of a business, evidenced both by quantitative factors such as a decline in ESG risk ratings noted by an independent global provider and factors such as negative perceptions over a business' operating practices, the Sub-Investment Manager will seek to engage with the business' management, and if unsatisfactory, potentially exit from the investment.

11. Engagement policies

The Sub-Investment Manager also seeks to engage in active dialogue with the management teams of companies to discuss ESG practices. The Sub-Investment Manager further seeks to monitor and engage with companies for ESG accountability through the use of proxy voting and shareholder engagement. The Sub-Investment Manager believes that this plays an important role of raising the sustainability profile of companies in the long-term.

12. Designated reference benchmark

The Fund does not have a sustainable designated reference benchmark.

I 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>.

I 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.

I SFDR

This Fund has been classified as an Article 8 for the purposes of the EU's Sustainable Finance Disclosure Regulation ('SFDR'). The Fund promotes environmental and/or social characteristics but does not have sustainable investment as its primary objective. It might invest partially in assets that have a sustainable objective, for instance assets that are qualified as sustainable according to EU classifications but does not place significantly higher importance on the environmental objective of each underlying investment. Please see [prospectus](#) for further information on the Funds environmental and/or social characteristics and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

Heptagon Capital LLP, 63 Brook Street, Mayfair, London W1K 4HS
tel +44 20 7070 1800
email london@heptagon-capital.com

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