HEPTAGON
Capital

2023

HEPTAGON FUTURE TRENDS HEDGED FUND

LEI: 549300XP1IW483H6LZ90

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

1. Summary

The Fund seeks to invest in a diverse range of businesses offering exposure to the key trends which the Sub-Investment Manager ("Heptagon Capital LLP") believes will help shape the future. These trends naturally align with the Sustainable Development Goals of the United Nations and are trends which the Sub-Investment Manager believes will grow in importance regardless of the economy and regulation.

The Fund is highly concentrated with low levels of turnover, and is sector, size, and geography agnostic. Portfolio construction is conducted bottom-up, with an emphasis on quantitative and qualitative factors as well as ESG considerations. The Fund aims to exclude companies that are directly involved in, and/or derive significant revenue from, industries or product lines in areas such as, but not limited to, gambling, weapons, or tobacco and engages in active dialogue with companies to foster good ESG practices and improve the sustainability profile of companies in the long-term. The Fund makes use of index futures for market risk hedging purposes. Fund Manager, Alex Gunz, has worked in finance since 1997 and prior to joining Heptagon in 2011 was a top-ranked analyst at firms including Credit Suisse and JP Morgan.

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 may exhibit E/S characteristics such as:

• Efficient management of pollution and water usage;
• Efficient waste management;
• Transparency and disclosure of environmental and social reports;
• Lack of material environmental and/or social controversies;
• Human rights considerations;
• Overall good environmental practices;
• Employee diversity; and
• Alignment with UN Sustainable Development goals.

4. Investment strategy

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

• adult entertainment;
• alcohol;
• civilian firearms;
• gambling;
• mining;
• nuclear;
• oil;
• tobacco; and
• weapons.

To qualify as an investable stock in the Fund, each company is subject to a combination of quantitative and qualitative analysis and a comprehensive in-house due diligence process performed in different areas of a company.

Implementation of selection criteria

Through the implementation of selection criteria detailed below, an initial universe of 2,000+ companies results into a focused watch list of approximately 30-40 companies, and a final stock portfolio of approximately 25 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:

- Greenhouse gas (GHG) emissions/revenues;
- Management of pollution;
- Management of water usage; and
- Waste management.

Social:

- Percentage of female employees;
- Contribution to local communities/ regeneration;
- Avoidance of controversies; and
- Supply chains.

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:

- *accounting and/ or governance practices such as avoidance of accounting red flags, reporting in English, adherence to IFRS, timely and consistent reporting and tax transparency;*
- *board transparency level;*
- *quality of board;*
- *board remuneration; and*
- *seeks to avoid dual share class structures.*

5. Proportion of investments

In order to meet the environmental or social characteristics promoted, the Fund is generally expected to invest at least 80% of its long 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 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 Fund is mostly exposed to the following sectors; consumer discretionary, consumer staples, health care, industrial, information technology and real estate.

The Fund makes use of derivative instruments. The use of derivatives is not aligned with the ESG characteristics of the Fund as this is intended for market risk hedging purposes.

6. Monitoring of environmental or social characteristics

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:

- Greenhouse gas (GHG) emissions/revenues;
- Management of pollution;
- Management of water usage; and
- Waste management.

Social:

- Percentage of female employees;
- Contribution to local communities/ regeneration;
- Avoidance of controversies; and
- Supply chains.

7. Methodologies

When assessing these metrics, the Sub-Investment Manager considers the factors below to monitor how underlying companies meet the desired E/S characteristics:

- 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.

The Sub-Investment Manager uses an independent global ESG provider to enhance the ranking of businesses based on ESG criteria, and looks at ESG risk ratings, "momentum" scores, and controversies. Based around a combination of third-party data and internal analysis there is a correlation between ESG ranking and position size within the Fund.

8. Data sources and processing

Through comprehensive in-house due diligence, the Sub-Investment Manager analyses the business strategy, market position, long-term growth prospects and ESG credentials of investee and prospect companies. The Sub-Investment Managers supports its in-house models with various data sources and ESG data providers.

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

- Bloomberg data;
- MSCI: provides insights on company's "risk" ratings, "momentum" scores and controversy screening;
- Analysis is further complemented by ESG scores from providers such as Refinitiv;
- Various company reports; and
- Monitoring of articles and news.

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 across providers of ESG ratings;
- Lack of standardised reporting by companies;
- Different 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 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. This pre-investment due diligence assessment, together with adherence to exclusion criteria and selection process, decreases potential negative impacts of sustainability risks on returns 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 engages investee and universe companies. This involvement helps to develop an in-depth understanding of the individual companies and supports the company's management conversations around ESG concerns.

The Sub-Investment Manager regularly attends meetings and/or conference calls with company management, attends investor days, as well as thematic events and industry conferences, which provide the Sub-Investment Manager the opportunity to engage with investee companies.

The focus of analysis of possible issues with investee companies may include, amongst other factors, business structure and strategy, performance, capital structures, management, ESG factors, as well as internal controls and risk management.

12. Designated reference benchmark

The Fund does not have a sustainable designated reference benchmark.

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

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.

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