SFDR Disclosure: Trium ESG Emissions Improvers Fund

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Investment Strategy

The environmental and/or social characteristics promoted by the Fund comprise of investing in and constructively engaging with companies that have the potential to improve their environmental and emissions footprint better than their peer group. The Investment Manager uses its proprietary investment process, driven by primary research, utilising company data, third party data, third party industry consultants and corporate management meetings to determine which companies have the best improvement potential.

The Investment Manager follows the following Investment Strategy to attain the investment objective of the Fund:

Top-down sector analysis to narrow focus

We are focused on liquid alternative strategies that deliver low, or negative, correlation to markets and strong risk-adjusted returns.

Bottom-up Greenhouse Gas (GHG) analysis and pathways

The Investment Manager analyses the pathways for reducing emissions of investee companies' activities and value chain by:

- Assessing emissions data for proposed investments. This will utilise disclosed data or, where such disclosures are inadequate, the data of comparable companies, industrial processes, regulatory disclosure, and consultation with former industry executives.

- Seeking to estimate changes in corporate emissions going forward. The Investment Manager uses explicit corporate plans/targets, regulatory drivers, changes in their business, etc. and compares these emissions changes on both an absolute and a relative basis.

- Identifying the companies with the highest comparative and specific reductions based on emissions reduction plans that are both material and measurable, on both a per-unit basis and overall basis.

- Estimating capital expenditure required to achieve these direct GHG reductions, on a per company basis, (the marginal abatement cost) to identify the most cost-effective pathways to achieve emissions reductions, paying particular attention to companies which are investing in technologies /solutions which reduce emissions for less than prevailing European carbon prices.

- Identifying the firms with the best revenue opportunities in this transition by focusing on firms which are growing their percentages of sustainable sales and using capex as a leading indicator in the process.

Through the foregoing steps, the Investment Manager seeks to identify and engage with companies whose prices do not reflect the transformation and where Investment Manager can contribute ideas and support to this process.

The Investment Manager regards sustainable solutions as products or services which either (1) have negative or neutral GHG emissions on Scope 1, Scope 2 or Scope 3 basis, or (2) avoid GHG emissions in their lifetime use, or (3) support the ecosystem of a sustainable solution.

Engagement with Investee companies

Engagement activities may include the Investment Manager:

- Speaking to the board of directors or management of the companies to present ideas of possible pathways for corporate transformation;
- Working with the investor relations team to discuss how to engage investors and ESG rating agencies,
- Recommending external consultants to help implement transformations;
- Presenting views on capital allocation policies for transformation including advice on dividends, buybacks, divestitures, and capital expenditure;
- Speaking with other investors, media, investment banking analysts, and suppliers/customers about a company transformation;
- Forecasting emissions pathways and benchmarking against peers; and
- Working with former industry executives to develop additional transformative actions.

The Investment Manager compiles an Engagement Report detailing its engagement activities with investee companies. This report is published annually and is available to investors in the Fund.

Proportion of investments

Over 80% of the investments of the Fund used to attain the sustainable investment objective in accordance with the binding element of the investment strategy. The majority of the strategy is based on ESG engagement of the core long positions, and core shorts driven by company specific ESG issues. Industry/Sector hedges or indices may be used to reduce sector exposures and volatility. Roughly 20% of the strategy is more short-term and opportunistic in nature and involves responding to ESG and corporate event controversies. This opportunistic strategy may account for roughly 20% of fund capital. These positions typically have a shorter holding period and are implemented to seek to generate ongoing performance complementing the alpha expected from the longer-term investments of the core books, comprising the majority of the Fund’s exposure.

The remaining proportion of the investments of the Fund does not affect the promotion of the environmental/social characteristics as they each meet the following minimum environmental or social safeguards:

- The Investment Manager insists that all investee companies in which long positions are taken undertake to provide emissions disclosure and strongly encourage such disclosure be made by way of public filing to CDP.
- The Investment Manager will not take a long position in a company which violates the UN Global Compact.
- The remaining proportion of the investments are typically used for hedging or relate to cash/marketable securities held as ancillary liquidity.

Methodologies

In identifying investments which allow the Fund to promote the environmental characteristics referred to above, the Investment Manager adopts the following strategies.

A focus on system-wide emissions/environmental impacts along the entire value chain:

The Investment Manager regards the emissions/environmental impacts created by the entire value chain of a prospective investment's activities. This includes, both upstream (suppliers) and downstream (customers) as critical to the sustainable investment objective of reducing carbon emissions and other environmental impacts. The Investment Manager studies system-wide dynamics, rather than merely those of the prospective investment itself. As a result, the Investment Manager recognises that high-emitting companies can help lower system-wide emissions/environmental impacts, while low-emitting companies can cause increased system-wide emissions/environmental impacts. For example, firms that manufacture insulation are, prima facie, high emitters but the insulation they produce reduces energy requirements in buildings by a factor of many times the energy required in the insulation manufacturing process. Thus, the Investment Manager considers insulation a system-wide solution and companies that provide it should be encouraged, not excluded as investments. Meanwhile, activities such as mining iron ore or drilling for oil are not emissions intensive at this stage, but downstream the oxidation of iron ore in steel and the combustion of gasoline/diesel in auto engines are highly emitting processes.

Focus on improvement rather than divestment of polluting assets:

The Investment Manager believes that the objective of system wide carbon emissions/environmental impact reductions may be achieved by actively engaging with management of firms who operate improving a polluting facility to encourage them to reduce emissions and not by selling the operation to private owners, who may resist disclosure or reduce safety and environmental standards.

Careful selection of investee companies in which to invest:

The Investment Manager takes account of broader governance and social practices of investee companies through use of external ratings (MSCI/ Integrum) and proprietary research, in particular with regard to sound management structures, employee relations, remuneration of staff and tax compliance.

Given the foregoing, Investment Manager only makes investments where it has concluded, based on a careful, meticulous, and comprehensive analysis, that a pathway for sustainable environmental improvement/system-wide benefit exists. In particular the Investment Manager seeks to identify superior marginal opportunities for achieving emission reductions.

The Investment Manager implements and monitors this strategy on a continuous basis through:

Operating an exclusion policy

The Investment Manager operates an exclusion policy in sectors/industries for which it cannot conclude such a pathway exists. Such sectors include but are not limited to alcohol, tobacco, gambling, weapons manufacture, animal testing, thermal coal, and rainforest logging.

Top-down sector analysis to narrow focus

The Investment Manager analyses each industry sector from a top-down basis. we focus on the most effective paths for de-carbonisation and emissions reductions within each sector by examining the key technologies in that sector, and assessing which processes, geographic footprint, and regulatory support are necessary for success.

Bottom-up Greenhouse Gas (GHG) analysis and pathways:

The Investment Manager analyses the pathways for reducing emissions of investee companies' activities and value chain by:

- Assessing emissions data for proposed investments. This will utilise disclosed data, or where such disclosures are inadequate, by using the data of comparable companies, industrial processes, regulatory disclosure, and consultation with former industry executives.
- Seeking to estimate changes in corporate emissions going forward. The investment manager uses explicit corporate plans/targets, regulatory drivers, changes in their business etc. and compares these emissions changes on both an absolute and a relative basis.
- Identifying the companies with the highest comparative and specific reductions based on emissions reductions plan that are both material and measurable, on both a per-unit basis and overall basis.
- Estimating capital expenditure required to achieve these direct GHG reductions, on a per company basis, (the marginal abatement cost) to identify the most cost-effective pathways to achieve emissions reductions, paying particular attention to companies which are investing in technologies /solutions which reduce emissions for less than prevailing European carbon prices.
- Identifying the firms with the best revenue opportunities in this transition by focusing on firms which are growing their percentages of sustainable sales and using capex as a leading indicator in the process.

Through the foregoing steps, the Investment Manager seeks to identify and engage with companies whose prices do not reflect the transformation and where Investment Manager can contribute ideas and support to this process.

The Investment Manager regards Sustainable solutions as products or services which either (1) have negative or neutral GHG emissions on Scope 1, 2, 3 basis, or (2) avoid GHG emissions in their lifetime use, or (3) support the ecosystem of a sustainable solution.

Data sources and processing

The Investment Manager undertakes his own proprietary primary research to determine the view of the ESG credentials of companies in our investment universe.

In addition, the Investment Manager utilises external rating services MSCI and Integrum, along with environmental ratings from Carbon Disclosure Project (CDP) to aid its monitoring of the ESG profile of companies in its investment universe.

Limitations to methodologies and data

The Investment Manager acknowledges that data relating to ESG factors and its use can be:

- Hard to quantify,
- Inconsistently processed/report by ESG service providers
- Inappropriately forced into a "one size fits all" or "tick the box" framework.
- Subject to late, inaccurate, or biased reporting

The Investment Manager addresses these issues through:

- Careful analysis and consideration of multiple data sources, assessing for consistency over time and cross sectionally.
- Continuous monitoring of ESG factors and profiles of ESG companies as discussed above.
- Due diligence of data with the company

Engagement Policies

Engagement activities may include the Investment Manager:

- Speaking to the Board of Directors or Management of the companies to present ideas of possible pathways for corporate transformation,
- Working with the Investor Relations team to discuss how to engage investors and ESG rating agencies,
- Recommending external consultants to help implement transformations,
- Presenting views on capital allocation policies for transformation including advice on dividends, buybacks, divestitures, and capital expenditure,
- Speaking with other investors, media, investment banking analysts, and suppliers/customers about a company transformation,
- Forecasting emissions pathways and benchmarking against peers,
- Working with former industry executives to develop additional transformative actions,
- The fund manager compiles an Engagement Report detailing its engagement activities with investee companies. The Report is published annually and is available to investors in the fund.

No sustainable objective

The Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The Investment Manager takes account of broader governance and social practices of investee companies through the use of external ratings (MSCI/Integrum) and proprietary research, in particular with regard to sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Manager operates an exclusion policy in sectors/industries for which it cannot conclude such a pathway exists. Such sectors include but are not limited to alcohol, tobacco, gambling, weapons manufacture, animal testing, thermal coal, and rainforest logging.

The Investment Manager will not take a long position in a company which violates the UN Global Compact.

In assessing the contribution made by the Fund's investments, the potential for adverse impacts and confirming they cause no significant harm to the environmental and social characteristics outlined above, the Investment Manager takes into account certain indicators.

An illustrative list of such indicators follows:

- Greenhouse gas (GHG) Emission related and carbon footprint indicators (Scope 1, Scope 2, and scope 3 GHG Emissions & GHG intensity of investments)

- Emissions of pollutants

- Environmentally sensitive generation/use/reuse of energy, water, and waste

- Social & Employee, Respect for Human Rights, Anti-Corruption /Bribery matters (viz. gender equality, protection of human rights etc. and anti-corruption/bribery

The Investment Manager will not take a long position in a company which violates the UN Global Compact.

Environmental or social characteristics of the financial product

The Investment Manager will invest in and constructively engage with investee companies that have, based upon the Investment Manger's analysis and judgment, the potential to improve their environmental and emissions footprint better than their peer group so as to minimise the emissions/environmental impacts created by the entire value chain of a prospective investment's activities.

The Investment Manager will not take a long position in a company which violates the UN Global Compact.

The environmental and/or social characteristics promoted by the Fund comprise of investing in and constructively engaging with companies that have the potential to improve their environmental and emissions footprint better than their peer group.

Due diligence & monitoring of environmental or social characteristics

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through:

- Monitoring as part of our ongoing direct engagement with companies

- Monitoring changes in third party (MSCI ESG) ESG ratings of investee companies, which changes serve as a signal for reassessing the proprietary ESG rating.

- Monitoring service such as the ESG service providers for ESG controversies that can impact on the fundamental valuations and which may trigger divestment.

- Review of corporate disclosures viz annual corporate social responsibility reports and relevant press release

The Investment Manager monitors the performance of the Fund in following the UN Sustainable Development Goals. This is done through the Cambridge Impact Framework Methodology. The Investment Manager published a report on SDG alignment and methodology and discusses this as part of corporate engagements when appropriate.

The Investment Manager takes account of broader governance and social practices of investee companies through the use of external ratings (MSCI/Integrum) and proprietary research, in particular with regard to sound management structures, employee relations, remuneration of staff and tax compliance.

Designated reference benchmark

The Fund does not have a specific designated reference index is to compare sustainability performance.

EU Taxonomy disclosure

The Fund does not make a commitment to having a minimum share of its investments with an environmental objective that are aligned with the Taxonomy Regulation.

As of 31st December 2023, the Fund's percentage of Taxonomy alignment is 11.44%. The Fund's percentage of Taxonomy alignment across the 2023 reference period was 8.49%.

The Investment Manager recognises that the current regulatory technical standards of the Taxonomy Regulation are incomplete and do not apply to every sector. We use MSCI's EU Taxonomy Methodology to provide the data for our funds' taxonomy alignment.

Where MSCI are unable to provide taxonomy numbers, or for companies outside the EU which are not mandated to produce taxonomy reporting the Investment Manager will apply revenue mapping to estimate taxonomy alignment and engage with management for further details. Revenue considered eligible for EU Taxonomy alignment is the portion of company revenue that is associated with activities described in the EU Taxonomy delegated acts irrespective of whether the revenue meets any or all of the technical screening criteria set in the EU Taxonomy.

As the regulatory technical standards of the Taxonomy Regulation are finalised, the Investment Manager will update its methodology and analysis. The Investment Manager is happy to share its methodology and revenue mapping with investors in the Fund on a stock-by-stock level. The Investment Manager plans to discuss its methodology with companies' managements as part of its investment process.