

Financial Product Disclosure: Qblue Global Equities Responsible Transition Fund

Summary

The Qblue Global Equities Responsible Transition Fund (ISIN: IE000I45W962) has sustainable investment as its objective and is classified as Article 9 under SFDR.

The strategy invests in developed market equities and sustainability characteristics are evaluated using Qblue's proprietary sustainability framework, the Sustainability Cube™. This framework measures sustainability along three different dimensions:

- **Climate transition (climate):** indicators include, current carbon footprint, carbon targets, decarbonization initiatives and development of products and services supporting greenhouse gas emission reduction
- **ESG industry leadership (ESG):** current ESG score, ESG progress score and controversies screening
- **Alignment with UN SDGs (SDG):** UN SDG revenue, measured as company revenues aligned with the UN SDGs, Development of products and services supporting the UN SDGs

Evaluation of sustainability characteristics within these dimensions is assessed through three different approaches:

- *Actual:* Assessment of current positive and negative sustainability impacts. Indicators include current carbon emissions, as well as current revenues and products aligned with the measured sustainability dimension
- *Progress:* Measures how well the company is positioned for and contributes to the transition to a more sustainable economy. Indicators include contribution to relevant innovation, as well as goals and targets for reducing future sustainability impacts and risks
- *Sentiment:* Measures how well the company's sustainability efforts are perceived by the public? Indicators are based on published news articles from trusted sources, such as financial media, think tanks, and NGOs

The Sustainability Cube™ framework aggregates *Actual*, *Progress*, and *Sentiment* scores within each sustainability dimension (Climate, ESG, and SDG). The combined Sustainability Cube™ score is calculated as the geometric average of the scores from the three sustainability dimensions. The combined Sustainability Cube™ score is used to measure attainment of the sustainable investment objective.

No significant harm to the sustainable investment objective

In order not to do significant harm to environmental or social objectives, principal adverse sustainability impacts (PAIs) are taken into account in several steps of the investment process.

Company engagement and exclusion: Companies in the investment universe are screened for potential adverse impacts on sustainability factors. The Sustainability Committee decides if flagged companies are to be excluded from the investment universe or if progress can be made by engaging with the company.

Exclusions:

- Norms based exclusions: 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
- Country exclusions: 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.
- Industry/Sector exclusions: Companies with business activities in industries with excessive risk of principal adverse sustainability impacts (measured as percentage of revenues above a given threshold). 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

Sustainability Cube™ score: Sustainability characteristics for all companies in the investment universe are evaluated based on the Sustainability Cube™ framework. The framework includes several principal sustainability impact indicators on both 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 selecting companies for investment if they are among the 10% best rated within their region and industry.

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 (the 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.

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.

Thereafter, a multi-step conviction weighting methodology is applied, based predominately on the Sustainability Cube™ score, meaning that the higher the Sustainability Cube™ score the higher portfolio weight.

Finally, the portfolio is adjusted to obtain a balanced exposure to equity factors (Value, Momentum, Low Risk, Profitability, and Shareholder Yield).

Governance practices of investee companies are assessed when identifying companies for engagement and exclusions. Moreover, assessment of governance practices of investee companies

is included in the calculation of the Sustainability Cube™ score, and hence naturally integrated into the selection process of investee companies.

Proportion of investments

Qblue classifies an investment as sustainable, ie. an activity contributing to environmental and social factors, as defined under the SFDR, if the combined Sustainability Cube™ score of the investee company ranks in the top 25% within its region and industry.

We believe that sustainable investments, as defined above, contribute to both social and environmental factors. As sustainable investments need to be classified as either environmental or social under SFDR, we use the ranking of the Climate Transition component of the Sustainability Cube™ to calculate contribution to environmental factors and the ranking of the UN SDG component of the Sustainability Cube™ to calculate contribution to social factors. The relative degree of contribution to environmental and social factors will determine the split of sustainable investment into environmental investments and social investments. At any given point in time, the sum of environmental investments and social investments will be equal to the total amount of sustainable investments, but the split between environmental investments and social investments may vary over time.

Under normal circumstances, the financial product aims to invest at least 95% of its equity exposure in companies classified as sustainable investments as defined above.

The Fund is expected to invest minimum 35% of its equity exposure in sustainable investments with an environmental objective. At least 5% of these investments with an environmental objective will be in taxonomy aligned activities.

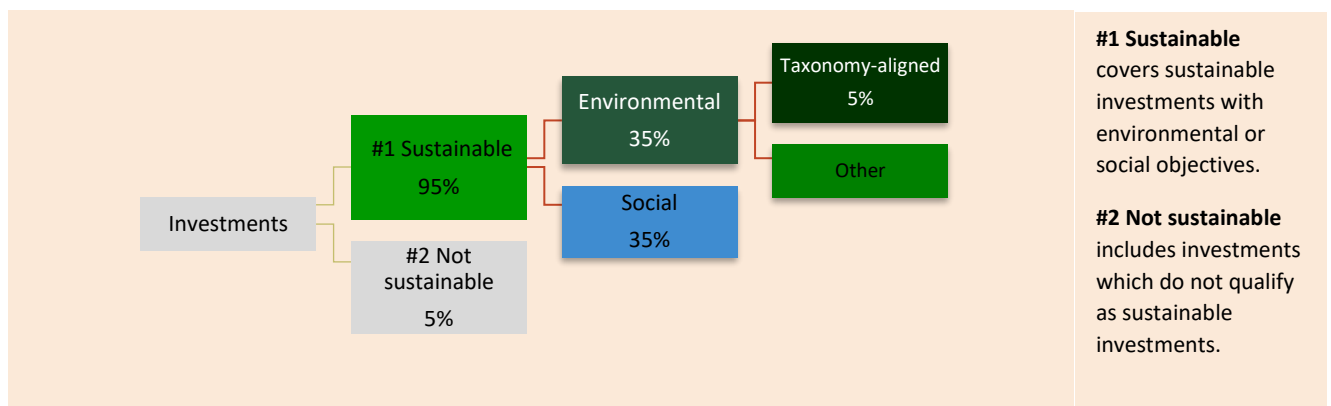
Data for measuring economic activities contributing to objective (a)-(f) in Article 9 of Regulation (EU) 2020/852, are still under development. As data coverage and data quality improves over time, the Sub-Investment Manager expects to increase the minimum commitment to sustainable investments with an environmental objective aligned with the EU Taxonomy.

The minimum degree to which investments in the Fund are in transitional and enabling activities ("taxonomy enabled") is 0%.

The Fund is expected to invest minimum 35% of its equity exposure in sustainable investments with a social objective.

The sum of environmental and social investments will, under normal circumstances, be at least 95%. But since the investment strategy does not control a fixed split between environmental and social investments, we can only commit to a minimum share of social investments of 35% and a minimum share of environmental investments of 35%.

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.



Monitoring of the sustainable investment objective

Qblue manager use the Sustainability Cube™ framework to monitor attainment of the sustainable investment objective as described in section 'Methodologies' below. The Sustainability Committee is responsible for deciding on indicators included in the framework, as well as continued development of the framework to ensure best possible measurement of attainment of the sustainable investment objective.

The extent to which the sustainable investment objective has been met will be published in Periodic Reports.

Methodologies

Qblue use the Sustainability Cube™ framework to evaluate attainment of the sustainable investment objective.

On a given day, the sustainable investment objective is attained 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 in the investment universe.

When assessing attainment of the sustainable investment objective over a period, the Sub-Investment manager believe the sustainable investment objective is met if it is met 90% of the time. The 10% shortfall is allowed to avoid forced selling of portfolio companies when new data are included in the Sustainability Cube™ score.

Data sources and processing

Qblue use the Sustainability Cube™ framework to evaluate attainment of the sustainable investment objective.

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

- MSCI (carbon emission, environmental-, social-, and governance data, UN SDG alignment)
 - Company disclosures (sustainability reports, proxy reports, 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 (innovation)
 - Data on granted patents from 17 patent offices around the world

Data quality assessment is performed by the data providers as well as by Qblue

- 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 returns 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
- Qblue
 - Data consistency checks
 - Quality sampling
 - Completeness assessment

The combined Sustainability Cube™ score used for evaluating the overall sustainability characteristics of companies in the investment universe measures sustainability along three different dimensions:

- **Climate transition (climate):** indicators include, current carbon footprint, carbon targets, decarbonization initiatives and development of products and services supporting greenhouse gas emission reduction
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The objective, in designing this scoring framework, has been to create a robust and balanced measurement of sustainability.

Limitations to methodologies and data

Sustainability factors are challenging to measure, and the involved data are 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.

Qblue believe that in order to attain the sustainability objective of the financial product, it is absolute 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, we aim 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 or social factor.

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 are not as easily accessible, and are often short, incomplete and to some degree noisy. Consequently, 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.

Engagement policies

Engagement policies for the financial product follows Qblue's general engagement 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 responsibly, 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.

Attainment of the sustainable investment objective

This section is only relevant for Article 9(1) and Article 9(3) products, that is, products which either have an index as reference benchmark or reduction in carbon emissions as its objective. Attainment of the sustainable investment objective for the financial product is instead covered by the 'Methodologies' section above.