Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Marsham USD Transitional Issuers Fixed Income Fund
Legal Entity Identifier: 549300FYV4DKJTQORG34

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective**: %	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** %	☒ It promotes E/S characteristics, but **will not make any sustainable investments.**

What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics by preferentially investing in companies that have already adopted and implemented best-in-class sustainability practices ("Best-In-Class companies"), and those on the path of transitioning towards and adopting such sustainability practices ("Transitional Issuers").

A selective approach is taken to industries that are carbon intensive or that have otherwise failed to substantially implement sustainable objectives or practices. Issuers in such industries are screened to ensure that they stand out in their efforts to transform existing business models and have a clear transition strategy in all material respects.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?
  We regularly assess information provided by each company that we invest in on behalf of our clients and monitor for any developments in regard to ESG factors.

Marsham Funds have a specific strategy whereby investment is made predominantly in Transitional Issuers. We consider transitional companies to be those that have not yet been recognised as ESG leaders but have the ambition and a clear strategy for the sustainability transition.

Marsham IM has developed a proprietary Transitional Scorecard, which helps rate companies according to their transitional strategy based on data from industry leading providers (e.g. CDP, Bloomberg) as well as AI-tools (e.g. Sevva). It then regularly assesses information provided by each company that the Fund invests in and monitors any progress or deviation with regards to any company's ESG factor guidance.

The scoring relies on binary responses to 50 questions, with answers determined by data rather than subjective analyst judgment. The resulting score shows: (1) Potential impact the company can achieve, (2) How well the company executes on reducing emissions.

We avoid investing in companies that are involved in product areas that we consider to be incompatible with responsible business practices. We exclude sectors with negative externalities and that are expected to lead to structural shifts, taking into account long-term industry trends and will not invest in companies that are unable to align to such shifts and trends.

Under our exclusion policy, norm-based exclusion criteria are applied to all potential investments, with reference to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multi-National Enterprises the EU Climate Transition Benchmarks (CTB) exclusion criteria, as further set out below :
• Exclusion of companies involved in any activities related to controversial weapons, including anti-personnel mines, cluster munitions, chemical weapons, and biological weapons, based on a third-party classification .
• Exclusion of companies involved in the cultivation and production of tobacco.
• Exclusion of companies deemed to be in violation of the United Nations Global Compact (UNGC) principals and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multi-National Enterprises.

Marsham IM employs a selective approach to investing in companies within the following sectors, in the event that it decides to do so:
• Thermal Coal;
• Conventional weapons;
• Gambling
• Airlines
• REITs

A selective approach is also taken to industries that are carbon intensive or otherwise have failed to substantially implement sustainability objectives or practices behind on sustainability objectives. Issuers in such industries are screened to ensure that they stand out in their efforts to transform existing business models and have a clear transition strategy in all material respects.

- What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objective?
  Not Applicable – Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

- How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?
  Not Applicable – Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

  - How have the indicators for adverse impacts on sustainability factors been taken into account?
    Not Applicable - Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

  - How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?
    Not Applicable - Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☐ Yes,
☒ No, the Fund does not consider principal adverse impacts on sustainability factors.

What investment strategy does this financial product follow?

The Fund's investment objective is to preserve assets in the long-term and to maximise total return by investing primarily in USD denominated Debt securities.

This will be achieved by investing primarily in USD denominated Debt Securities that have already adopted and implemented best-in-class sustainability practices ("Best-In-Class companies"), and those on the path of transitioning towards and adopting such sustainability practices ("Transitional Issuers").

The Fund may invest in both investment grade and sub-investment grade, with short as well as long duration without restriction. The Fund will mainly invest in developed markets, however, investments may be made in any geography including emerging markets.

The Fund employs a long-only strategy and will not carry out uncovered sales of securities. The Fund may also invest in money market instruments or cash for liquidity purposes.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

  The Fund aims to invest in companies which are on a clear and measurable path towards sustainability transition ("Transitional Issuers") and to a smaller extent into companies that already achieved it ("Best-In-Class" companies). We recognise both risks and opportunities presented by adaptation to climate change and seek to invest in companies that equally acknowledge the risks and embrace the opportunities available, positioning them in advantage to peers. ESG integration into our investment process thus considers double materiality:

  • Financial materiality – are events that financially impacts the company, so sustainability risks to the issuer; and

  • Impact materiality – impact of the issuer on the environment.

- What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

  Environmental and Social characteristics are promoted by the Fund, but no commitment is made to reduce the scope of the investments considered over time.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- What is the policy to assess good governance practices of the investee companies?

  The Fund benchmarks and assesses the governance practices of its investee companies against the requirements of the UK Corporate Governance Code (the "Code"). Key requirements of the Code include appointing an Independent Non-Executive Chair (not a present or former CEO); at least half the board being independent (excluding the Chair); a Senior Independent Director ("SID") should be appointed and the Non-Executive Directors ("NEDs") should meet at least annually, without the Chair being present and led by the SID, to assess the Chair's performance; independent-only representation on the Audit and Remuneration committees and majority independent on Nomination committee; and regular engagement with major shareholders and constructive use of AGMs.

  With respect to equity shares with a premium listing in the UK, these companies are required under the Listing Rules to report in their annual report and accounts on how

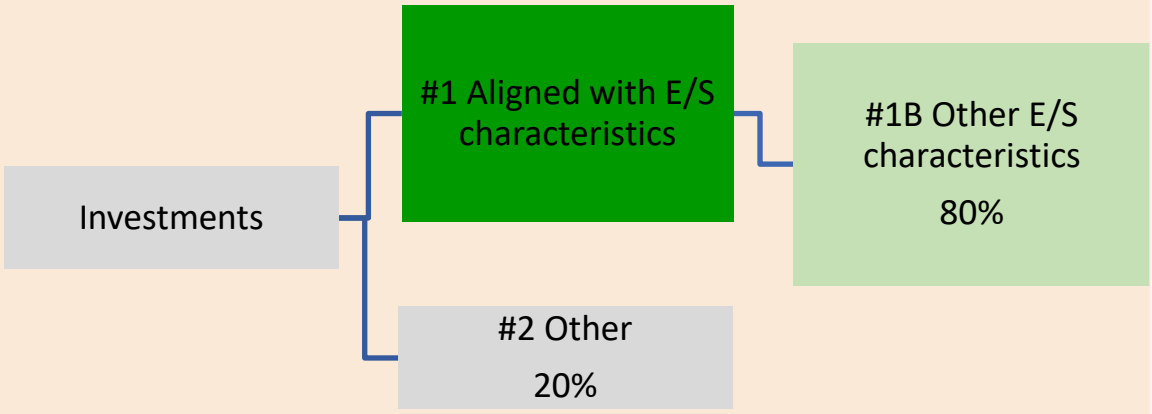
and to what extent they have complied with the principles of the Code, and to provide explanations for any deviations. With respect to other equity shares, equivalent disclosures are usually made, and in either case information on governance practices is collated and analysed by Sevva, which is an AI based investment research platform utilised by the Fund.

The Fund assesses each investment company's relevant disclosures, along with other governance related information collated by Sevva, and where there is any substantial deviation from the principles set out in the Code evaluates the risks and may divest as a result of the analysis.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product**.** The minimum share of these investments is 80%.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments**.**

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives. The minimum share of these investments is 0%.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments. The minimum share of these investments is 80%.

- How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?
  The Fund does not use derivatives for investment or hedging purposes.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest a minimum proportion of its total assets in environmentally sustainable economic activities as defined in Article of the EU Taxonomy.

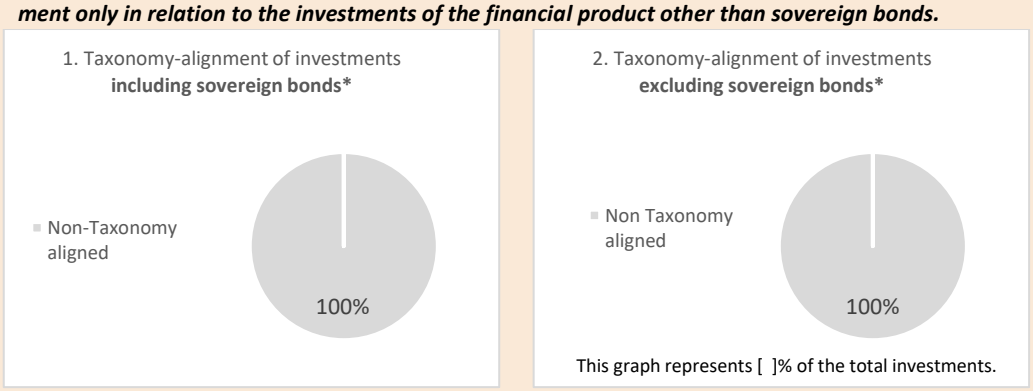
- **Does the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy[1]?**

  [ ] **Yes:**

  [ ] In fossil gas [ ] In nuclear energy

  [X] **No**

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

- What is the minimum share of investments in transitional and enabling activities?

  Transitional activities: 0%
  Enabling activities: 0%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not Applicable – Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What is the minimum share of socially sustainable investments?

Not Applicable – Environmental and Social characteristics are promoted by the Fund, but no commitment is made to invest any minimum proportion of the Fund's NAV in sustainable investments.

The minimum share of socially sustainable investments is 0%.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The Fund shall invest at least 80% of its NAV directly in a combination of companies that have already adopted and implemented best-in-class sustainability practices ("Best-In-Class companies"), and those on the path of transitioning towards and adopting such sustainability practices ("Transitional Issuers").

In practice, the Fund will invest substantially all of its assets in such investments. The purpose of the 20% buffer is to allow for holdings in money market instruments or cash for liquidity management purposes, and to avoid becoming a forced seller of assets where ESG ratings unexpectedly change, to allow for engagement with issuers or for further work to be undertaken to ascertain the reason for such changes and the prospects for re-rating.

With respect to minimum environmental and social safeguards, the Fund actively manages its holdings of any issuer that cannot be categorised as a Best-In-Class company or a Transitional Issuer to ensure that any ESG issues are promptly addressed, and where this is not possible the positition would be divested. The Fund also ensures that any credit institution where deposits are held or the issuer of any money market instrument held are reputable institutions that have the required licenses and authorisations in the UK or in jurisdictions with equivalent regulatory regimes.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

☐ Yes,
☒ No

- How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?
  This question is not applicable, as the Fund does not have a designated reference benchmark for the purposes of measuring its performance, either in relation to its financial performance or to the attainment of its environmental and social objectives.

- How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?
  This question is not applicable, as the Fund does not have a designated reference benchmark for the purposes of measuring its performance, either in relation to its financial performance or to the attainment of its environmental and social objectives.

- How does the designated index differ from a relevant broad market index?
  This question is not applicable, as the Fund does not have a designated reference

benchmark for the purposes of measuring its performance, either in relation to its financial performance or to the attainment of its environmental and social objectives.

- Where can the methodology used for the calculation of the designated index be found?
  This question is not applicable, as the Fund does not have a designated reference benchmark for the purposes of measuring its performance, either in relation to its financial performance or to the attainment of its environmental and social objectives.

Where can I find more product specific information online

More product-specific information can be found on the website:
https://marshamim.com/usd-fixed-income/