

# Arcano Low Volatility European Income Fund – ESG Selection ("the Sub-Fund")

## Sustainability-related disclosures

### No sustainable investment objective

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

### Environmental or social characteristics of the financial product

The Sub-Fund promotes

- Environmental characteristics: climate change, natural resource use, waste management and environmental opportunities.
- Social characteristics: human capital management, product safety, social opportunities, as well as supply chain management.

### Investment strategy

The Sub-Fund promotes and attains the environmental and/or social characteristics by a five-step approach well defined in its investment strategy. The five-step approach is the following:

#### 1. Data gathering:

The portfolio manager ("PM") collects data on the ESG performance of potential investments by performing due diligence on them. In addition, ESG factors are evaluated by the PM using data available- from independent ESG research providers, which form part of the PM's investment analysis. Based on the data gathered, the investment analysts of the PM determines the ESG compliance of companies in accordance with both negative and positive criteria) and positive.

#### 2. Application of negative criteria:

The PM applies a negative screening excluding securities from the Sub-Fund's investment universe, that directly or indirectly linked to companies the primary business activity (more than 50% of its revenues) entails controversial practices, including at least but not limited to:

- Production of or trade in weapons and firearms,
- Extraction of oil and gas, thermal coal mining,
- Tobacco,
- Production of protected wildlife threatening substances banned by applicable global conventions and agreements,
- Pornography or prostitution,
- Gambling,
- Subprime lending or payday lending activities.

The PM also excludes companies which do not comply with the United Nations Global and are rated with an insufficient internal ESG score.

#### 3. Application of positive criteria/Assignment of an internal ESG score:

The PM assigns an Arcano ESG score to every potential investment on the basis of the data collected. The scores range from 0 to 100, with 100 classified as the best possible score.

The score considers both external scores and internal research based on below main steps:

- The country/sector score assigned to every issuer by external independent data providers is used as the base for our ESG risk assessment.
- Based on analysts' interaction with the company and on all internally gathered ESG information.
- The investment committee may propose a downward or upward adjustment of up to 20 points to the external independent ESG score reflecting the 3 following factors:
  - Quality: reflects the insights from the PM analysts' direct analysis of the robustness of the company's ESG structure, policy and incentives. It includes a detailed analysis of Environmental, Social and
  - Governance performance of the company. Improvement: this adjustment is meant to capture the expected forward evolution of ESG risk for the company not considered in the initial ESG score. Companies with a proactive ESG strategy and an improving risk profile benefit from a positive adjustment. Likewise are negative adjustments due to our perception of increasing future ESG risk exposure.
  - Transparency: Improving the quality and availability of information to allow the investment community to develop a better appreciation of the ESG risk linked to every issuer is one of our key long-term ESG objectives. Transparency in communication is pivotal in this perspective and is taken into account in our internal assessment.

To calculate ESG weights, the portfolio manager uses the implementation of scoring bands. Each issuer in the baseline index is bucketed into bands 1 – 5:

- Band 1 = Scores equal to or higher than 80
- Band 2 = equal to or higher than 60, less than 80
- Band 3 = Scores equal to or higher than 40, less than 60
- Band 4 = Scores equal to or higher than 20, less than 40 Scores
- Band 5 = Scores lower than 20

Each band functions as a scale which is utilized in the overall ESG integration approach as further described below.

4. Impact of ESG scores on investment allocation:

The ESG score limits the possible maximum exposure of the Sub-Fund to (i) a certain potential investment, and (ii) total investments with regards to a certain category of investments.

5. Monitoring and engagement:

Reviews of assigned scores are carried out quarterly and may also occur on a punctual basis (triggered by any ESG related news, events or indications). At the time of the assignment of the ESG score, the PM sets engagement targets, upon which companies' performance is evaluated quarterly. In the event of any ESG related news or events affecting a company whose securities are held in the portfolio the PM makes the relevant decision.

**Proportion of investments**

The Sub-Fund is expected to dedicate 80% to investments, that are aligned with the environmental or social characteristics promoted. A minimum of 5% of these aligned investments are sustainable.

**Monitoring of environmental or social characteristics**

Beside a quarterly review of the investments any ad-hoc indication can trigger a revision of the applied ESG scoring.

**Methodologies**

The PM performs exclusions and applies an ESG score to potential investments as outlined under Investment Strategy.

**Data sources & processing**

The PM uses data sources from external service providers and performs own due diligence and research.

**Limitations to methodologies and data**

Accuracy of data is also dependent on 3rd party providers, coverage of data sources can be less than 100% due to uncovered asset types, incomplete or inconsistent data and gaps in the coverage of these 3rd party providers.

**Due diligence**

Due diligence is carried out based on in-house ESG scoring and data providers. The environmental or social characteristics are considered as part of the investment selection process.

**Engagement policies**

Information on the proxy voting policy, which will be performed by UBS Asset Management AG, can be found in the following location: <https://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing.html>

Information on the engagement policy, which will be performed by the portfolio manager, can be found in the following location: <https://www.arcanopartners.com/en/web/guest/responsabilidad>

**Designated reference benchmark**

The Sub-Fund is actively managed. No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

***Investors are informed that the fund has filed the draft prospectus with the Commission de Supervision du Secteur Financier ("CSSF") reflecting the insertion of the annexes in accordance with Commission Delegated Regulation (EU) 2022/1288 (the "SFDR RTS"). To date the visa stamped prospectus has not been issued by the CSSF, the website will be updated upon receipt of the visa stamped prospectus.***