Responsible Investment Policy

- IVO Capital Partners -

ESG-related issues are becoming increasingly important in today's world due to megatrends such as accelerating urbanization, which plays a big role in pollution and climate change, or population and economic growth which puts pressure on natural resources.

IVO Capital Partners believes that there is a strong relationship between ESG factors and risk-adjusted return. Several publicly acknowledged academic studies have shown how including ESG criteria into analysis allows for risk reduction (e.g. by pricing externalities), and therefore contributes to fiduciary duties regarding investors.

MISSION AND VISION

Our mission is **to deliver a superior risk-adjusted return to our investors by selecting bonds exhibiting a yield not justified by standalone credit metrics.**

In the fixed-income market, a higher yield generally means a lower credit quality. The only exceptions happen when the domiciliation country of a high-quality company encounters a period of macro-economic stress. Our dedicated investment team conducts thorough analysis of the company's fundamentals in order to correctly assess credit risk. We do not engage in macro-economic plays but rather invest in companies that have a better credit profile while taking into account ESG-related issues in their long-term strategy.

National regulations are evolving, encouraging asset managers to have a positive impact on environment and society. We do believe that emerging countries will eventually catch up with the level of industrialization of rich countries and need incentives to improve their environmental, social and governance standards in order to accomplish a sustainable development and reduce negative externalities.

INVESTMENT STRATEGY

As an asset manager, IVO Capital Partners focuses on listed and private debt and mainly invests in the following instruments:

1. Listed fixed income or assimilated from private or public issuers
2. Litigation finance-related securities including loans, debt instruments, unlisted or listed shares of vehicles involved in litigation finance

The investment strategy and responsible policy presented in this document applies to the first above-mentioned asset class only, declined through IVO Fixed Income EUR UCITS Fund and mandates, which in total represents 75% of the total assets under management of IVO Capital Partners as of 31st December 2018. As the very specific characteristics of litigation finance require a dedicated expertise to conduct ESG analysis, we don't apply yet ESG criteria to this asset class.

The IVO Fixed Income EUR UCITS Fund follows a Global High Yield bond strategy with a focus on Emerging Markets, employing a fundamental approach to capitalize on mismatches between bond yields and the intrinsic credit quality of their issuers. The fund´s contrarian and opportunistic approach aims to acquire bonds at discounted valuations. The strategy employs a high conviction, benchmark-agnostic approach to explore the entire spectrum of the listed universe within the bond market, without geographic constraints.

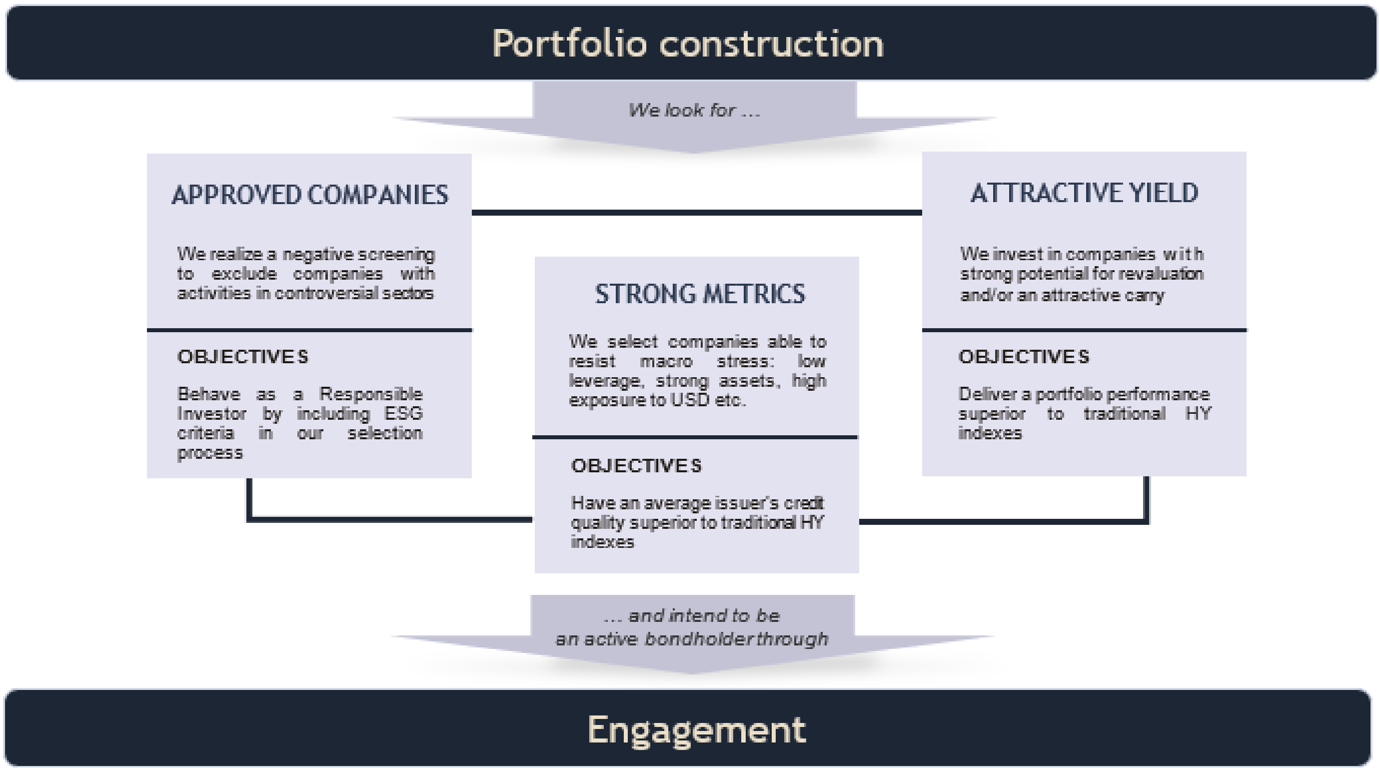
Our investment strategy can be summed up as investing in worldwide fixed income following a "bad country, good company" or "bad sector, good company" approach in order to deliver a superior yield to traditional high yield products with a lower risk. As a consequence, a large part of our investment universe is represented by emerging markets issuers as macroeconomic/sovereign debt crisis are more frequent in those markets. This approach differs from traditional US or UE high yield management strategies which are generally focusing instead on "leveraged companies/good countries".

We intend to deliver attractive returns by selecting:

- Low leveraged companies with high exposure to USD;
- in countries affected by temporary macro-economic pressure;

… while taking into account environmental, social and governance criteria:

- through our analysis process and investment decision;
- by excluding companies with no responsible policy in controversial sectors;
- by engaging with companies to encourage them to improve impact on society and environment.



ESG DEFINITION

IVO Capital Partners relies on the following definition of *Sustainable Development* provided by the World Commission on Environment and Development in the Brundtland Report:

Sustainable development is development that meets the needs of the present without compromising the ability of the future generation to meet their own needs.

Responsible investment aims to promote sustainable development, taking into account environmental, social and governance factors, to generate long-term returns.

Environment

Environmental risks are associated with climate change, air and water pollution, deforestation, natural resource depletion, waste management, biodiversity loss and land degradation.

Social

Social issues relate to workplace safety, labor relations and equal opportunities, Human Rights, human capital management, products & services safety, sourcing and manufacturing practices, marketing practices and community relations.

Governance

Governance is about board composition and independence, accounting risk and financial disclosure, bribery, corruption and conflict of interest, shareholder rights and executives' remuneration.

ESG INTEGRATION

While it can be easier to evaluate ESG performance in developed markets, emerging markets face further issues such as lower governance standards or data that is less available and reliable. However, these specificities do not make ESG approach incompatible with emerging markets, but rather make it even more valuable and necessary.

ESG failures such as corruption, opaque shareholder structure or insufficient level of safety control can have consequences on high yield issuers and cause distress or default situations. To assess issuer quality, our analysts have been taking ESG considerations into account for a long-time. This is especially true on governance aspects for instance, which are of particular importance in emerging markets. It was therefore a natural evolution to start implementing a proper ESG policy in our investment process.

To enhance this vision, **IVO Capital Partners became a signatory to Principles for Responsible Investment of the United Nations in February 2017**.

Our approach relies on three principles:

Since then, we have achieved many steps:

- We have integrated ESG principles into our investment policy and made it public;
- We have promoted a Head of Sustainability Research, with previous experience in SRI and Impact investing, in charge of leading transformation and reviewing accomplishments on an annual basis in order to monitor progress and continue improving ESG integration;
- We have trained our employees with UN PRI Essentials (Head of SR) and UN PRI Fundamentals certifications (analysts);
- We have made the whole investment team responsible for ESG analysis and achievement of objectives relating to ESG, from the portfolio manager to all of our financial analysts.
- We have initiated engagement with several companies of our portfolio, in order to get a better understanding of their ESG strategy.

EXCLUSION POLICY

In order to identify companies to be excluded from our investment universe, we realize a sector-based and norm-based negative screening. Nonetheless, we do believe that the decision not to invest is not always the best option to help emerging economies to grow. In order to engage with companies corresponding to the below-mentioned exclusions, we allow them a 18-month period to become compliant before divestment (maximum 5% of the portfolio).

1/ Pornography

In order to protect young public and vulnerable people from non-ethical contents, we **entirely exclude** from our investment universe all the issuers **specialized in pornographic activities** (pure players, movie, commercial or video game producers, retail shops) and **all companies with more than 5% of revenues** from these activities (shareholder interests or others). This category is not eligible for the 18-month engagement period.

2/ Controversial weapons

Controversial weapons have been condemned by several international conventions. As a consequence, we **totally exclude** companies implied in development, production, stockpiling, use or transport of **cluster munitions** (prohibited by the Convention on Cluster Munitions), **anti-personnel mines** (prohibited by the Ottawa Treaty) and **chemical, biological or nuclear weapons** (respectively prohibited by the Chemical Weapons Convention, the Biological Weapons Convention and the Nuclear Weapon Ban Treaty recently passed in 2017). This category is not eligible for the 18-month engagement period.

3/ Alcohol

Alcohol consumption is responsible for negative effects on health and society, increasing situations of violence and the number of car accidents. Alcohol kills 3 million people every year, representing 5.3% of the total deaths each year and 13.5% of the young adults (20-29 years). We **exclude** all companies with **more than 10% of their revenues from related activities** (including producers, grocery stores, restaurants) **and no responsible policy** regarding promotion, advertisement, adequate employee training and participation to responsible consumption initiatives.

Data available on World Health Organization website.

4/ Tobacco

Tobacco causes health problem and kills up to half of its users for a total of 7 million people each year from which 890 000 are non-smokers being exposed to second-hand smoke (WHO). A study realized in 2012 in both high income and middle to low income countries have evaluated the amount of healthcare expenditure due to smoking-attributable diseases at US$422 billion (Goodchild, Nargis, Tursan d'Espaignet). We **exclude** all companies with **more than 5% of their revenues from the tobacco industry**, including producers and distributors, **and no responsible policy regarding health and environment.** For instance, the strategic plan of a current big player of the industry is to withdraw its activities from tobacco to invest in healthier alternative. As a consequence, we don't exclude the possibility to invest in companies following the same scheme.

5/ Gambling

Gambling may have negative impact on players who suffer from compulsive behavior and may lead to bankruptcy, social issues with employer and family, use of illicit products and psychologic troubles. We **exclude** all companies from **the gambling industry** (casinos, online gambling website, TV shows, bookmakers) **with no responsible policy** regarding promotion, advertisement, adequate employee training and client support initiatives.

6/ Palm oil and paper pulp

Palm oil and paper pulp production are a threat to biodiversity and carbon sequestration by causing deforestation. Ultimately, they can participate to enhance global warming if production is not managed in a sustainable way. As a consequence, we **exclude palm oil and paper pulp producers with no responsible policy** regarding forest restoration, wildlife and environment conservation.

7/ Fur

Fur products are controversial because of the harm they cause to endangered species and animal welfare. Environment pollution generated by dyes and chemical product use are also to be taken into account. We **exclude** all companies with **more than 10% in the textile industry** (producers and retailers) **which have no anti-fur policy or did not confirm they do not engage in any activity involving the use of fur.**

8/ Nuclear

Although nuclear energy is a lower greenhouse gas issuer than most of the others technics of energy production and have a low marginal cost, controversies come from the high risk for security and environment of plant dismantling and nuclear waste. We **limit to 5% of the portfolio** all companies which have revenues **from activities in the nuclear industry**.

9/ Oil sands

According to International Boreal Forest Conservation Science Panel, extracting and refining oil sands is "the most polluting and carbon intensive oil process on earth, draining wetlands, diverting rivers and stripping all trees and vegetation from the forest". Production requires 4 barrels of water for each barrel of oil. Production of these unconventional oil & gas results in environmental and health risks from contaminated water storage containing cancer-causing pollutants. It is also often related to indigenous rights violation.
As emerging markets are especially exposed to oil extraction and production, we do **exclude** all companies with **more than 10% of their revenues coming from oil sands extraction.**

10/ Countries under International sanctions and trade embargos

As of January 2019, United Nations have imposed sanctions and restrictive measures regarding the 16 following countries: Afghanistan, Central African Republic, Democratic Republic of Congo, Eritrea, Guinea-Bissau, Iran, Iraq, Lebanon, Libya, Mali, North Korea, Somalia, South Sudan, Sudan, Syria, Yemen. Measures can be about: prohibition of exporting arms or equipment used for internal repression; asset freeze and prohibition to make funds available; travel restrictions; mandatory cargo inspections; prohibition of exportation, installation or operation of telecommunications equipment used for interception of internet and telephone communications; supply or procuration prohibition of items contributed to nuclear or military industries (non-exhaustive list).

As our universe is highly exposed to emerging markets, we systematically check during our investment process if the company under analysis is **incorporated or has significant** (more than 5% of its revenues) **activities in the above-mentioned countries**. If so, we closely ensure that its activities in the related country **are not sanctioned by the UN**. Only after making sure they are not, we are very attentive to whether they adopted a **responsible policy including at least specific elements regarding Human Rights.**

INVESTMENT PROCESS

The main risks linked to "stressed countries" are local economic recession, local currency devaluation and nationalization. Portfolio managers developed a strong investment expertise through their previous experience in debt capital market and trading desks of corporate investment banks, which were specialized on these complex situations. Our research team is currently based in Latin America (Mexico) to have a better view on local economies, legal policies and macroeconomic dynamics of each country.

To receive more information about our investment process, including screening, fundamental analysis, portfolio construction or monitoring, please contact our sales representatives.

ESG PROCESS

Financial analysts are responsible for negative-screening and ensuring companies do not have activities belonging to the exclusion list, prior to start any fundamental analysis. A double check from a compliance officer is also realized before any investment decision. The portfolio compliance is reviewed on a regular basis.

Analysts use different sources to gain access to information they need:

- *Official publications from companies: sustainable report, annual report, online resources etc.*
- *Direct communication between companies and PM/Analysts: quarterly calls, one-on-one meetings, on-site visits, conferences and roadshows;*
- *Companies answers to emails and questionnaires;*
- *Research notes/ratings from financial or ESG data providers;*
- *News and alerts on emerging markets and ESG issues (REDD Intelligence, Debtwire, Novethic);*
- *Market data (Bloomberg)*

The role of our Head of Sustainability is simultaneously to implement strategy, lead discussions for improvement and monitor progress towards our objectives which are reviewed on an annual basis.

ENGAGEMENT

We believe that engagement is possible as a bondholder and is all the more necessary in emerging markets. Indeed, it allows us to gain access to more ESG information to get a better understanding of the companies' strategy and influence emerging economies towards better practices in the long-term. Instead of acting unilaterally through divestment, we choose to let room for opportunities, for companies to engage and take responsibility.

High-yield issuers are more likely to be receptive to engagement by bondholders and open to negotiate, as they have greater incentive to meet investors' requirements, especially those who regularly use the market for refinancing.

Engagement approaches are collectively decided upstream by the Head of sustainability, investment analysts and salesforce, as an integral part of the investment strategy. Actions are implemented afterwards by the portfolio managers and ultimately incorporated into investment decisions.

In order to get better incentives, on top of targeted sectors, we select the company we engage with depending on the weight of our investment and the level of their ESG disclosure. Before investing, we also look at those who have activities in controversial activities or countries, and if so, we require a responsible policy to insure their respect of Human Rights and International Environmental Conventions.

To further increase our negotiating power, we are willing to define common goals with other bondholders or equity holders for collaborative engagement. Please contact our investment team directly if you wish to discuss future partnership.