WHITE FLEET IV
SECULAR TRENDS

Buy & Care®
Investment Philosophy

Positive Impact Fund
Digital Disruption

Demographics

Climate Change
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**DE PURY PICTET TURRETTINI**

DE PURY PICTET TURRETTINI is an independent asset manager founded in 1996 in Geneva with over CHF 6 billion in assets under management. The company has been managing equity funds with a Buy & Care® active ownership approach since 2006 and has been a PRI signatory since 2008, making it a pioneer in responsible investment. The investment philosophy, common to all the funds, is to invest in companies exposed to long-term growth themes (around digitalization, demographics and the energy transition) and benefiting from sustainable competitive advantages.
PROPRIETARY
INVESTMENT
PHILOSOPHY:
BUY & CARE®
A Pioneer in Sustainable Finance

De Pury Pictet Turrettini (PPT) is an independent asset manager founded in 1996 in Geneva. Since inception, PPT has always demonstrated a great capacity for innovation, notably as a pioneer of responsible and sustainable investments.

In 2001 PPT initiated impact investing as a founding partner of Blue Orchard Microfinance. The year-after it created a dedicated private equity and listed equity investment platform (EIC now ENETIA) focused on the energy transition. PPT also launched the first engagement funds in continental Europe in 2006 with the Cadmos Engagement Funds and the underlying Buy & Care philosophy.

PPT is founding or early signatory of many key sustainable finance initiatives. We are signatory the UN Principle for Responsible Investments since 2008 and are scoring A+ in “Strategy and Governance”, “ESG Incorporation” and “Active Ownership”. We are founding member of Sustainable Finance Geneva and Swiss Sustainable Finance and Climate Actions 100+ among others.

“In 2019, the Cadmos Peace Investment Fund was nominated by the UN Principles for Responsible Investment (PRI) awards within the category "Active Ownership Project of the Year."
Investment Policy

In a context of structurally muted growth and global challenges captured in the UN Sustainable Development Goals (SDG’s), we are convinced that holding a diversified portfolio of high-quality companies underpinned by secular growth and positive impact drivers will generate superior risk-adjusted performance over a market cycle.

White Fleet IV – Secular Trends

This vision is implemented through the White Fleet IV – Secular Trends, a global equity UCITS V and Art. 8 SFDR active ownership fund, investing in companies meeting high quality fundamental criteria and benefiting from the ongoing paradigm shift driven by digital disruption, demographics and climate change.

Investment Case

Technology will create a digital disruption ecosystem (ubiquitous connectivity, big data, artificial intelligence and robotics), which will transform all sectors globally. This will be accelerated by demographic changes including the rise of the 4.4bn strong Generation Y (Millennials) & Z cohorts and 630m in emerging markets entering the global middle class. Additionally, long-term climate risks will catalyse the adoption of clean technologies and the revolution of the energy ecosystem. We believe that companies generating positive externalities and impacts, contributing to solving global challenges will continue to lead the markets and shape the competitive landscape. We therefore select highly profitable companies showing a sustainable competitive advantage within 8 secular trends (Ageing population; Water; Health & Wellness; Energy transition; Robotics; Rise of the emerging markets middle class; Millennials; Security).

3D Finance

Adding the third impact dimension of positive externalities to the traditional risk-return models provides more depth and perspective to our analysis and helps portfolio managers focus on longer-term material issues and in particular on the solutions the companies are developing to help solve global challenges. Positive impacts do clearly influence our quality/risk profiling as well as our growth/performance expectations. Through 3D Finance we integrate ESG/Sustainability and Positive impacts directly within our financial analysis.

Buy & Care®

Since 2006, the Buy & Care philosophy has successfully delivered strong financial performance combined with tangible impacts. We were indeed among the pioneer shareholders to integrate active portfolio management and active ownership in our investment funds. We invest (Buy) in sustainable and impactful companies which will benefit from major paradigm shifts and engage (Care) directly to help them generate further progress.

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| 3D Finance |
| Performance | Impact |
| Digitalization: Profound transformations in all sectors |
| Demographic changes: Major impact on economies |
| Climate risks: Revolution in energy ecosystems |

| Buy & Care® |
| Active Portfolio Management – Select tomorrow’s winners |
| Active Voting & Stewardship – Vote shares responsibly |
| Active Engagement & Impact – Engage for impact |

“As active owners we can influence the behavior of companies and...
accelerate the transition to more sustainable business models.”
Buy & Care® Implementation

We have demonstrated since 2006 that our Buy & Care® philosophy allows to better select tomorrow’s winners and improve our portfolio’s risk-reward-impact profile. Its three founding principles have proven their reliability through changing economic cycles.

1. Active Portfolio Management

PPT’s fundamental analysis starts with a holistic SWOT analysis to assess the sustainable competitive advantage of companies. We perform so called “double materiality” analysis, assessing how companies are affected by sustainability risks (ESG analysis) and how companies affect society as a whole (Impact analysis). We know the limits of data, so every effort will be made to visit the companies and increase our understanding of their sustainable competitive advantage. We invest in companies, not in stocks.

2. Active Voting & Stewardship

We are proud to have integrated active stewardship since 2006 within our Buy & Care® strategy. It starts by exercising our voting rights and deepening our knowledge of the companies’ governance, management, and financial structure. PPT’s portfolio managers exercise their voting rights directly and actively fulfill the rights and duties as a responsible shareholder.

3. Active Engagement & Impact

Through direct, expert-driven engagement meetings with portfolio companies, PPT portfolio managers directly promote further integrating sustainability into their business model. We conduct face to face engagement meetings formulating clear gaps and recommendations stimulating year on year progress. In order to generate even more measurable and additional impacts, PPT also fosters partnerships between companies and various impact-oriented organisations to make the SDGs a source of business value.

Governance

This section clarifies the roles and responsibilities of our governing bodies for an effective development and implementation of the Buy & Care philosophy. It ranges from the alignment of PPT’s sustainable finance objective with its core values to the effective execution at the operational level.

Board Level

Our Board of Directors oversees the coherent integration of the Buy & Care approach into PPT’s strategy. It defines our ambitions and objectives in line with PPT’s core values into a sustainable finance charter and strategy. The Board is also responsible for monitoring the implementation and effectiveness of the strategy.

Executive Committee Level

The Executive Committee oversees the implementation of the Buy & Care strategy within PPT’s operations through a validated action plan. It approves the necessary budgets and controls the implementation of the action plan.

Chief Sustainability Officer

The Chief Sustainability Officer develops the Buy & Care philosophy and coordinates with all PPT’s portfolio managers to ensure its integration into PPT’s investment processes. The CSO provides the necessary support to our investment decisions and committees (Buy). Similarly, the CSO provides the required infrastructure facilitating direct proxy voting and qualitative engagement meetings (Care).
1. ACTIVE PORTFOLIO MANAGEMENT
**Fund Management Team**

The flagship White Fleet IV Secular Trends fund has been managed since inception in 2018 by Paolo Bozzo. He is supported by Souleymane Diallo and Richard Haughton.

**Paolo Bozzo – Managing Partner – Fund Manager**

With nearly 20 years of investment and banking experience, Paolo Bozzo joined de Pury Pictet Turrettini in 2015 and launched the Global Equity strategies “Secular Trends” and “Rising Stars”. He is also responsible for the company’s equity investments and a member of the investment committee.

After having worked at Credit Suisse, Lombard Odier and Sal. Oppenheim, Paolo joined Bank of America Merrill Lynch in 2008 as a Director for the Equity Brokerage division.

He graduated at HEC Lausanne with a Bachelor and Master degree in Business and Administration.

**Souleymane Diallo – Senior Fundamental Analyst**

With over 10 years of investment experience, Souleymane Diallo joined de Pury Pictet Turrettini in 2019 as a Senior Fundamental Analyst. After 4 years spent with HSBC Global Asset Management (Paris, London), Souleymane joined Union Bancaire Privée in 2010, first as an IT project manager before becoming an analyst-portfolio manager within the Swiss and International Equities investment team.

He holds an engineering degree from the ESME Sudria and a Master’s degree in Asset Management from the University of Paris Dauphine.

**Richard Haughton – Senior Quantitative Analyst**

With nearly 10 years of investment experience, Richard Haughton joined de Pury Pictet Turrettini in 2021 as a Senior Quantitative Analyst. Richard previously worked as a Quantitative Analyst at Union Bancaire Privée, in charge of specific risk analysis and development of ad-hoc solutions for portfolio construction.

He holds a BSc in Econometrics from the University of Geneva and has gained extensive programming skills, conceiving and developing especially a widely used risk-analysis, portfolio construction and investment proposal tool.

**Experienced Investment Specialists**

The portfolio management team is backed by experienced and complementary investment specialists providing macro-economic, thematic, sectorial and ESG support.

**INVESTMENT SPECIALISTS**

- Christopher Quast, Chief Investment Officer
- Anne Henry Aeschimann, CFA, Portfolio Manager
- Jean-Pierre Banzet, Portfolio Manager, SFAP

**SUSTAINABILITY & ENGAGEMENT**

- Dominique Habegger, Chief Sustainability Officer

**RISK MANAGEMENT & COMPLIANCE**

- François Favre, Risk & Compliance Officer
- Christophe Kuntz, Chief Risk Officer

**ENERGY TRANSITION SPECIALISTS**

- Andreas Schindler, CFA, Fund Manager
- Dr. Daniel Steger, Fund Manager
- David Stuber, Analyst
Investment Process

Just as for the other funds managed by PPT, the White Fleet IV Secular Trends Fund follows a structured investment process selecting 45 companies out of a universe of 1,500 in a diversified portfolio generating superior risk-adjusted performance.

Screening

We only select companies exposed to our 3 fundamental transformation drivers and to the 8 secular trends that we’ve identified, after applying ESG norms-based, value-based and business conduct exclusions. This first screening conducts to a watch list of about 500 companies.

Fundamental Analysis

An in-depth fundamental analysis is conducted based on 5 criteria: sustainable competitive advantage, growth prospects, management track-record, returns & profitability, balance sheet and free cash-flow generation. We hence reduce our watch list to about 150 quality growth companies.

Valuation

We select about 80 of the most attractively valued companies according to their excess returns, profitability ratios and earnings growth profile.

Portfolio Construction

In this last step we build a concentrated global equity portfolio highly diversified across themes, sectors and regions.

Exclusions

We distinguish between three types of exclusions. We do not compromise with them and in particular with norms-based exclusion. Values-based exclusion are generally based on current turnover limits set at 5%. As an active owner, we like to accelerate the transitioning of companies and allow exceptions when capital expenditure do not exceed 1% of the activities. Last but not least, we also exclude companies whose business conduct obviously violate international norms.

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<th>Norms-based exclusions</th>
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<td>Categorical exclusion of firms that violate international treaties on controversial weapons, such as</td>
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<td>- The Convention on Cluster Munitions</td>
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<td>- The Chemical Weapons Convention</td>
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<td>- The Biological Weapons Convention</td>
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<td>- The Treaty on the Non-Proliferation of Nuclear Weapons</td>
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<table>
<thead>
<tr>
<th>Values-based exclusions</th>
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<td>Excluding companies whose activities have a negative impact on society or the environment, (thresholds based on specific exposure level, typically 5% for producers):</td>
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<tr>
<td>- Tobacco, gambling, adult entertainment</td>
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<td>- Thermal Coal (&gt;20%)</td>
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<td>- Manufacturers of conventional weapons, civil firearms, and nuclear weapons support systems</td>
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<th>Business conduct exclusions</th>
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<td>Firm-wide exclusion of companies found to</td>
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<td>1. systematically violate international norms,</td>
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<td>2. where the breaches are particularly severe, or</td>
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<td>3. where management is not open to implementing the necessary reforms</td>
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Screening for Secular Trends

Since 2016, we construct a portfolio of equities aligned with our three transformation drivers (digital disruption, demographics and climate change), selecting around 45 quality companies with high exposure to the 8 secular trends we have identified.

**Energy Transition**

Global energy markets are undergoing structural changes. Fossil fuel dependence, volatile and elevated energy prices, climate change and air pollution are some of the challenges that have spurred investments and innovation. The current energy path is putting the world on a CO2 emissions trajectory making irreversible climate change a reality. In 2019, the world invested $262bn in new renewable energy capacity, more than six times the level in 2004. An energy-secure future for all will require a balanced energy mix as well as energy efficiency.

**Water**

Water is recognised as the number one global risk to the economy, the environment and the people. On our planet 2.4bn people have no access to proper sanitation facilities and close to 50 countries are officially classified as being water-stressed. Global water demand is set to overshoot supply by 40% by 2030, and by 2050 3.9bn people will be living under “severe” water stress. To address these challenges, the fund will invest in Water treatment; Water management; Water infrastructure & supply and Water-friendly energy.

**Health & Wellness**

By 2030, 50% of the population could potentially be classified as obese. Governments are thus setting targets to tackle physical inactivity. The trend towards healthy living can be seen in numerous consumer categories, from sporting goods taking share of apparel and footwear, to growth in the “naturally healthy” food and beverage markets. Healthy living is increasingly becoming a way of life for many consumers, which is a factor driving individuals to exercise. The secular trend of health and wellness will continue to support the growth of sport apparel & equipment, nutrition and healthcare.

**Aging Population**

People aged 65+ will outnumber children under 5 for the first time in human history by 2047, and falling birth rates mean that some countries are heading towards a potentially catastrophic decline in population. We believe that all aspects of society and the economy need to be viewed through the lens of this demographic transformation. To address these challenges, the fund will invest in pharmaceuticals & healthcare: age-related or cardiovascular diseases, Alzheimer’s, diabetes, hearing aids, dental and vision care; Financials: insurance, asset & wealth management and Consumer: senior living, managed care, pharmacies, anti-aging, travel & leisure.

**Rise of the Emerging Markets Middle Class**

The global shift of economic power from West to East has accelerated over last decade. The exponential rise of the Asian middle classes and the ongoing urbanisation trends in Asia are likely to further enhance this transfer of economic power. In 15 years’ time, almost 60% of the roughly one billion households earning more than $20,000 a year will live in the developing world. We expect strong growth in education, insurance and wealth management, beauty & cosmetics, travel.

**Robotics**

Penetration of robots and artificial intelligence (AI) has hit every industry sector, and has become an integral part of our daily lives. Automation is expected to add net new quality jobs even though 30% of UK jobs will be replaced by robots by 2035. Key for education, smart homes, intelligent diagnosis and healthcare, this transition will also generate social challenges for companies to manage. From an environmental perspective, robotics and AI are expected to have positive externalities through factory automation, new means of transport, smart design, etc.

**Millenials**

Millenials or “Generation Y” is the demographic cohort born between 1981 and 1996 stricto sensu. Globally, there are about 2bn Millenials of which 86% live in emerging markets. In the US, the 75mn strong Millennials cohort has overtaken Baby Boomers in 2015 as the largest living generation. While Boomers are aging and shrinking in size, the Millennials generation continues to grow, driven by immigration, and is expected to peak in 2036E only at 81.1mn. Millenials are a digital native and savvy generation, with 95% mobile phone penetration. They favor e-commerce over traditional retail, online brokers & crowd funding over traditional banks.

**Security**

Globalisation is driving the need for safety in fields as varied as the global food supply chain, the outsourcing of critical functions, food mislabeling, counterfeit drugs, toxic toys, declining air, water and soil quality, tropical diseases and hospital-acquired infections. Cybersecurity has become a national security issue public and is forcing corporates to adapt to new best practices on safety and security.
Fundamental Analysis

Our selection process lies primarily on fundamental analysis. We use a methodology based on five criteria to derive a fundamental score. This process allows us to get a better understanding of the sustainable competitive advantage of companies, their long-term growth prospects, the quality of their management, their profitability via margin analysis and potential for economic value creation and finally the strength of their balance-sheet and their cash-flow generation.

I. Sustainable Competitive Advantage

A business model is only sustainable if it appropriately integrates sustainability issues and effectively drives the transitions which are reshaping an industry. Our SWOT analysis is backed by “double materiality” analysis, assessing how companies are affected by sustainability risks (ESG analysis) and how companies affect society as a whole (Impact analysis). More detailed information on the ESG and Impact analysis is provided in the following page.

II. Growth Prospects

We look at the long-term growth prospects of the underlying markets in which the company is active and how they translate into medium term revenue and earnings potential for the company.

III. Management Track-Record

Quality of management is key. We analyze how efficiently corporate executives allocate capital and how strong corporate governance is. The delicate task of analyzing management quality is made easier by our visits and discussions, which enhance our ability to evaluate the consistency between a company’s statements and its concrete actions. By going beyond the company’s reporting and meeting its management we sharpen our investment convictions.

IV. Returns & Profitability

The next step in our analysis focuses on the company’s track record in terms of profitability, we look at the evolution of profit margins and the potential for them to expand in the long run. We also gauge the company’s ability to generate shareholder’s value over the long term by using the Cash Flow Return on Investment methodology developed by Holt from Credit Suisse.

V. Balance Sheet & Free Cash-Flow

The last step of our fundamental research looks at the company’s financial leverage, where we assess whether the company can finance growth independently or whether its balance sheet prevents it do so. Finally, we assess the companies’ ability to generate strong free cash flow.
Sustainable Competitive Advantage

The first step of our fundamental analysis is the most important one as it drives the integration of our sustainability analysis into all the other steps and ultimately in our stock selection.

Double Materiality

PPT embraces the concept of double materiality, which distinguishes between the impact of sustainability on the business model and the impact of the business model on sustainability. Many of the disagreements between rating agencies stem from the fact that these two components are diversely integrated and weighted.

We believe the financial and sustainability consequences of the two dimensions diverge. The ESG Analysis is more risk oriented and tends to focus on the margins of companies, whereas the Impact Analysis is a more opportunity driven approach providing visibility and additionality to top line growth. The expected financial consequences of Impact Analysis tend to be more long-term oriented than the ESG Analysis.

The model below was first applied at PPT in 2013 and has evolved since to integrate the UN Sustainable Development Goals. It is inspired from Michael Porter and Mark Kramer (2006): “The Link Between Competitive Advantage and Corporate Social Responsibility.”

---

**Demand conditions**
- Markets standards
- Regulation
- Middle class – BOP...

**Industrial support**
- Infrastructure
- Supplier network
- Political incentives...

**Revenues**
- Market share
- Pricing power
- Product security
- Client loyalty
- Technology
- Product mix...

**Profitability**
- ROE
- Cost leadership
- Efficiency (energy, etc.)
- Research & Development
- Employee loyalty
- Governance...

**Competitive context**
- Intellectual property
- Rule of law
- Regulation...

**Access to capital**
- Financial (WACC)
- Natural or real (Quality)
- Human (Education)...

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**ESG Analysis:** Impact of sustainability on the business model – How a company is affected by society

**Impact Analysis:** Impact of the business model on sustainability – How a company affects society
Sustainable Competitive Advantage (cont.)

Sustainability data is increasingly available and now often integrated in traditional financial information platforms. In a few years we moved from data scarcity to data overflow. We manage this challenge by selecting specific data providers for selected data points as described below. Moreover, we have always considered face-to-face meetings with management representatives as strategic.

Data Sources

We collect both qualitative and quantitative data relating to financial, ESG and impact data from various sources. We start from our network of brokers who increasingly integrate financial and ESG data directly into their analysis and recommendations. Similarly, Bloomberg is expanding its ESG data capacity and is providing linkages to their extensive financial data. We also use HOLT Lens from Credit Suisse which is bridging financial and ESG data within their online platform.

We source detailed ESG data through three dedicated sources. ISS ESG, CDP and Impaakt. ISS provides a broad coverage of all relevant ESG and Impact oriented data including climate scenarios. We are CDP signatory since 2012 and appreciate this environmental database for its in-depth quantitative and qualitative perspective. Impaakt is an innovative crowdsourced impact-oriented database providing a unique perspective on the companies’ externalities.

Finally our most precious data source stems from our regular company visits and engagement meetings which also contribute to our ESG and Impact Analysis.
Sustainable Competitive Advantage (cont.)

ESG Analysis

ESG Score

The ESG Score is computed with highly relevant, material and forward-looking ESG data and performance assessments. We use our sector knowledge to ensure that all relevant ESG factors are considered and provide a comprehensive and rounded perspective.

ESG factors include management processes, characteristics of the business model such as exposure to supply chain risks and geographic breakdown of operations, the impact of the product portfolio on sustainable development, and the company’s exposure to ESG controversies.

For every company and for the fund, we normalize the scores to absolute best practices in all areas which we score at a theoretical 100%. This standardized best-in-class threshold is valid across all sectors and allows for cross-sector comparisons. Moreover, we expressively expect our ESG Score to provide an unbiased global assessment of ESG risks and opportunities.

For engagement purposes, we also derive a specific transparency score. This score does not consider the ESG performance of companies but only assesses the extent to which they transparently disclose ESG information relative to their material and sector exposure.

Impact Analysis

The Impact analysis contains a SDG Score and a Portfolio Temperature Score to assess the impact of the business model on society as a whole.

SDG Score

The SDG Score is measured following the SDG framework by integrating information at the product/service level, the operational management level and also by integrating exposure to controversies.

Depending on the companies’ theme and trend exposure, we specifically assess specific SDG’s which are more relevant. SDG-3 (Good Health and Well Being) is obviously a key component of companies exposed to the “Demographics” theme.

Impact and externalities can obviously be negative. In order to provide a net evaluation at a company and fund level, which also can be benchmarked, we do combine the negative and positive externalities together within a single SDG.

Portfolio Temperature Score

The Portfolio Temperature Score is derived from a climate scenario analysis based on the International Energy Agency (IEA) Sustainable Development Scenario (SDS) which is fully aligned with the Paris Agreement.

Each sector is first allocated a carbon budget. A carbon budget is then allocated to a company based on its market share and compared to the company specific emission trajectory until 2050 which integrates historic emissions trend, science based targets (SBT) and other corporate targets.

“For our ESG and Impact Analysis, only companies whose aggregate score at the portfolio level is higher than that of its peers within the reference universe, will be included in the sub-fund's portfolio.”
Valuation

We apply a blend of valuation techniques to check that attractive companies are not overpriced. We want to make sure that the high-quality companies we have identified still present an attractive potential for gains in the medium and long term.

We use the online platform HOLT Lens® developed by Credit Suisse, which provides an objective framework for comparing and valuing over 20,000 companies worldwide. Its methodology corrects subjectivity by converting income statement and balance sheet information into a Cash Flow Return on Investment (CFROI), providing a clearer and more consistent measure of performance than traditional accounting measures.

To this end, we mostly use relative ratio techniques such as Price/Earnings, EV/EBITDA, Price/Book and EV/Sales. We then compare these valuation metrics to the growth prospects of the company, to their historical average and to the company’s peer group.

Portfolio Construction

We seek to constantly optimize the fund’s risk-reward-impact ratio. Our tracking error versus MSCI AC World (NR) is high and so is the active share of the fund.

Constructing the portfolio involves the rigorous selection of only those companies with the strongest potential for outperformance in the medium to long term. We do not set ourselves a tracking-error ratio target but the ratio is usually rather high. The indices should not influence the investment-decision process but serve solely as a risk-management tool.

Individual weights vary according to their absolute and relative contribution to risk vs return potential, in order to achieve higher diversification with no style drift. We manage the size of our holdings according to the upside potential vs fair-value, risk contribution and technical analysis.

With a long-term view, we reassess a company’s investment case when fundamentals change including of course the sustainability scores or when the company’s fair value is reached. Moreover, the long-term performance can be significantly increased with the additional support of an excellent selling discipline.

We will sell a holding when there are changes in the fundamental score (including when ESG factors) doesn’t meet the threshold anymore. Similarly a company will also be sold when it is replaced by a company with a more attractive risk-reward-impact ratio. Last but not least, we will also limit an investment when our individual risk budget is exhausted.

The Fund Investment Committee meets once a week to review investment parameters that are likely to influence the day-to-day management of the Fund, looking at the global performance, stock specific news-flows and company results. They also review financial market trend that have a bearing on the stocks present in the portfolio. It is also an opportunity for portfolio managers to discuss new investment ideas.
2. ACTIVE VOTING AND STEWARDSHIP
Active Voting & Stewardship

We are proud to have integrated active voting and stewardship since 2006 within our Buy & Care strategy. Starting in 2022, we will be adding a specific climate impact component to our voting guidelines and systematically exercising our voting rights. By doing so, we build in-depth knowledge of the companies’ governance, management, and financial structure.

Voting provides our portfolio managers with valuable information about the quality of a company’s governance. It is also a necessary first step before engaging with the management. When we feel it can accelerate a company’s transition, we do not hesitate to collaborate closely with other investors to co-file a shareholder resolution. Few professionals would deny that the skills, independence and availability of a board of directors are critical to a company’s future. The effects of a capital increase, for example, will be felt immediately. For PPT, exercising the right to vote is first and foremost a financial responsibility.

The portfolio managers define their voting positions by studying the analyses of annual general meetings (AGMs) and the voting recommendations supplied by various proxy advisory firms. They have the rights and the duty to deviate from the proxy’s recommendations, should they find that these do not take full account of the companies’ business models and particularities or do not correspond to their respective internal voting guidelines, which are available on request. For all funds managed by PPT, we use the proxy advisor Glass Lewis. This independent agency is a leading provider of governance assessment and voting advice and covers more than 23,000 companies in more than a hundred countries. It supplies consistent assessments throughout all the countries represented in the Funds.

It is undeniable that investors have led to improved corporate governance, particularly among companies with a more mixed shareholder base. But much can still be done to ensure the independence and appropriate mix of attributes and expertise of some companies’ boards. We will exercise our voting rights for all topics and support or co-file shareholder resolutions which are in the best interest of long-term shareholders and congruent with the best interests of the company, its employees and its stakeholders.

Voting Guidelines

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<td>2. Functioning and independence of the various committees</td>
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<td>3. Separation of CEO function and chairman of the board of directors</td>
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<td>4. Granting of the discharge</td>
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<td>5. Appropriate structure of the remuneration system for the executive committee</td>
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<td>6. Appropriate structure of the remuneration system for the board members</td>
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<tr>
<td>7. Approval of accounts and allocation of profits/dividends</td>
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<tr>
<td>8. Appropriate capital structure</td>
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<td>9. Appointment of the auditors</td>
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<thead>
<tr>
<th>SHAREHOLDERS’ RIGHTS</th>
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<td>10. Amendments to articles of association, equal treatment of shareholders and anti-takeover measures</td>
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“In 2020 we co-filed a shareholder resolution at Alphabet regarding the establishment of a human rights risk oversight committee. The Christchurch shootings led NZ Super to initiate this engagement.

The resolution was supported by a significant 16.2% of votes. Following the AGM, Alphabet changed the mandate of its Audit committee to include oversight of civil and human rights-related risks and created a Human rights Executive Council to provide oversight and guidance to the company’s Human Rights Program.”
3. ACTIVE ENGAGEMENT AND IMPACT
Engagement Policy

Through direct, expert-driven and regular engagement meetings with our companies, PPT promotes change and progress and spurs them onto enhancing positive impacts. This in-depth analysis strengthens our convictions and reduces portfolio turnover.

The engagement process is twofold and aims to achieve two objectives:

**Engagement for the Integration of Sustainability**

All our dialogues and engagement meetings are designed to motivate companies not only to give greater consideration to the tangible financial risks of inaction, negligence or even unlawful behavior but essentially to increase the integration of the key material environmental, social and governance topics into their strategy and communication.

We view this true integration of sustainability factors into the heart of a company’s strategy and daily operations as the next major milestone. To reach it, our engagement goes well beyond simple dialogue with the company’s management. We formulate progress recommendations based on an assessment of each company’s identified gaps.

The companies are often aware of their challenges or ready to consent to certain adjustments, particularly as these are proposed by a loyal investor and come with expert advice.

**Engagement for Tangible SDG Impacts**

Our dialogue with the portfolio companies together with external experts is also geared to achieving additional social impact and making the SDGs a source of business value.

For selected companies, our specialized social impact specialists at Kois, Kite Insights, PeaceNexus, Earthworm, BHP as well as other selected organizations, initiate this more opportunity-driven engagement approach. Altogether we can provide support and foster the development of tangible social impact projects including targeted blended finance instruments such as social impact bonds, partnerships with social enterprises, improved SDG linked communication, capacity building, executive training, and many more.

The objective of these specific engagements is to support portfolio companies to harness partnerships (SDG 17) to advance the SDG’s at a greater pace and with greater effectiveness than they could alone.

These recommended projects are always linked to the companies’ core business and aim to strengthen their sustainable competitive advantage.

**Peace (SDG-16) and Partnership (SDG-17):**

Engagement for Tangible SDG Impacts: selected and relevant portfolio companies are introduced to the PeaceNexus Foundation. Established in Switzerland in 2009, it has built a unique expertise in business and peace. Together with NexusVesting, Covalence and its network of experts, they provide capacity-building services to organizations allowing them to increase their effectiveness and contribution to building more inclusive and peaceful societies through peace promoting business practices.

Engagement for Tangible SDG Impacts: selected and relevant portfolio companies benefit from specific advice related to all relevant SDG’s. This broad expertise is mainly provided by our engagement partners Kois and Kite Insights, BHP – Brugger & Partners and Earthworm. They are advising companies to create additional social impact through global partnerships and strategic approaches to the global goals.

“As a long-term investor, we value additional social impact and in particular more resilient companies as a potential means to strengthen our portfolio companies’ competitive advantage while contributing to the SDG’s.”
Engagement Process

The table below provides an overview of the engagement process. Engagement meetings are prepared and organised whenever relevant for our portfolio managers or whenever there is a need to improve the company’s ESG transparency, performance or impacts.

1. Company publication and data
2. Selection of key sustainability topics
3. Assessment & Report
4. Engagement for the integration of sustainability
5. For tangible SDG impacts
6. Engagement & impact level assessment

1- Company publication and data

After collecting each company’s sustainability data, our engagement team studies all the company disclosures, as well as media publications and specific databases (CDP, PRI, Bloomberg, SASB etc.). For media controversies and stories, they use the RepRisk database.
2- Selection of key sustainability topics

Our engagement team has condensed all the material issues affecting the companies into nine topics. Together these topics encompass all the issues identified by traditional sustainability frameworks such as the UN Global Compact, the Global Reporting Initiative, the UN Guiding Principles and the Sustainable Development Goals.

Unlike those frameworks, we have allowed the topics to overlap rather than making them mutually exclusive. Human rights do not appear as a single topic, as they are overarching and integrated into all nine topics.

The nine topics correspond to specific SDG’s as shown below.
Engagement Process (cont.)

We select the most material topics out of this framework of 9 items. Our topic selection will be guided by the company’s materiality matrix by recent or recurring media controversies, sector frameworks such as the SASB Materiality Map™ and by considering the company’s business model and its development strategy.

“The final decision as to the most material topics is made by the portfolio manager, considering the company’s business model and its development strategy. We encourage companies to better integrate these topics into their strategy and report on them in relation to their financial materiality.”
Engagement Process (cont.)

3- Assessment and assessment report

The assessments of all our criteria are based on a simple four-grade scoring system from 0 to 3. Every score comes with a detailed commentary. These assessments are not primarily used to select the best-in-class companies but essentially to make them progress on their identified gaps to best practices.

**Preparedness**

The engagement process is a robust, comprehensive methodology designed to assess and benchmark a company’s preparedness to address its most material sustainability topics. Preparedness is assessed according to five criteria that draw heavily on the UNGuiding Principles, particularly the operational principles of policy commitment and human rights due diligence. The five criteria are: materiality; commitment and strategy; objectives and actions; indicators and monitoring; and achievements. These criteria are used to identify gaps in the company’s preparedness to address its most material issues.

**Sustainability Organization**

We also assess each company’s sustainability organization and governance. Four criteria measure the extent to which sustainability is integrated into the company’s overall strategy. The level in the organization with ultimate responsibility for sustainability management, the extent which the company involves and engages its employees and the extent to which it engages its shareholders and other stakeholders.

Fourth, we assess quantitatively how closely companies adhere to specific sustainability frameworks, such as the UN Guiding Principles, the UN Global Compact, the Global Reporting Initiative and the Sustainable Development Goals. In the case of the UNGPs for instance, a company would receive the highest score if it had adopted the reporting framework, established a human rights policy, performed due diligence and implemented a remediation process.

**Sustainability Frameworks**

The assessments of all these individual criteria are based on a simple four-grade scoring system from 0 to 3. Every score comes with a detailed commentary. These assessments are not primarily used to select the best companies but essentially to make them progress on their identified gaps to best practices.

An assessment summary report is sent to each company’s highest executive and operational bodies. It aims to redirect their attention to their company’s strengths and weaknesses and not on abstract scores or ratings. We focus on the main sustainability gaps and improvement suggestions that we want to address directly with the company. The assessment report thus stimulates key company representatives to participate in a constructive dialogue with the engagement team and the portfolio manager.
Engagement Process (cont.)

4- Engagement for the integration of sustainability

At meetings with the companies, we insist on including representatives of both the investor relations and corporate social responsibility departments. By providing pragmatic help and advice and emphasizing the business case for sustainability including peacebuilding embeddedness, we first encourage the companies to better integrate their most material topics into their strategy and operations.

Our assessments and gap analysis give credibility to our recommendations, which are specific, tangible and easily implemented. According to the companies’ feedback, we are among the few asset managers to conduct meetings that bring together the financial expertise of the portfolio managers and the sustainability expertise offered by the senior consultants of our external engagement team from BHP – Brugger & Partners. Apparently we are among the very few to go in detail through the company reporting.

Shareholder Dialogue
- Led by PPT’s advisor: BHP - Brugger & Partners
- Participation of PPT portfolio managers
- On-site visits or web-conferences
- Company C-level or board member participation

Objective
- Focus on financial materiality: Push for integration
- Gap analysis: Increase awareness to progress
- Progress recommendations: Stimulate best-practices
- Raise interest on SDG impacts: Provide support

Engagement Partner

PPT and BHP – Brugger & Partners collaborated closely on developing the assessment and engagement process, which represents many years of combined engagement expertise. Since 2006, BHP’s engagement team conducts the company assessments, and its senior consultants organize, coordinate and lead the engagement meetings. The 8 senior consultants below all have extensive expertise in advising companies on sustainability issues.

Senior Consultants – Engagement Team

[Profiles of each consultant with their respective roles and experience dates]

― "During our engagement for the strategic integration of sustainability, we formulate clear recommendations supporting companies to progress and better integrate financially material sustainability topics into their business model.”"
5- Engagement for tangible SDG impacts

Social impact and the SDG’s are penetrating discussions at board level, and some companies have begun to make it a core element of their business strategy for exploring new market opportunities and addressing millennials’ expectations. Yet, most companies are still struggling on how to scale, integrate and report on social impact or the SDG’s.

The SDG’s are too large for any one party to tackle alone. A growing body of evidence shows that partnerships between social enterprises, NGO’s, foundations, development agencies together with corporates can achieve far more than anyone can alone. Partnerships (SDG-17) make business sense, as well as being the right thing for our environment, economies and societies.

During most engagement meeting, we urge selected companies to follow up with an exclusive meeting with our social impact experts.

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<tr>
<th>EXAMPLE OF RECOMMENDATIONS</th>
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<tr>
<td>• Blended financing instruments</td>
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<td>• Partnerships with development agencies</td>
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<tr>
<td>• Structuring of social impact bonds</td>
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<tr>
<td>• Matchmaking with social enterprises</td>
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<td>• Executive or employee training</td>
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<tr>
<td>• Knowledge sharing of past success/failures</td>
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<tr>
<td>• Capacity building for future partnering</td>
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<tr>
<td>• Regenerative agriculture projects</td>
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<tr>
<td>• Review anti-corruption policies and procedures</td>
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<td>• Conflict-sensitive management</td>
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<tr>
<td>• Product stewardship in fragile countries</td>
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<td>• Oversight on private or public security</td>
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<td>• Support on peacebuilding (SDG 16) reporting</td>
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<td>• Etc.</td>
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Engagement Partners

Our impact partners have developed their own specific methodology to conduct tailored in-depth assessments of the willing portfolio companies.

- **PEACENEXUS FOUNDATION**
  Recognized pioneer in connecting businesses and peacebuilding
  Catriona Gourlay (Executive Director) & Team

- **KOIS**
  Specialized in impact investing, blended finance and bridging businesses with social projects
  Charles-Antoine Janssen & François de Borchgrave (Managing Directors) & Team

- **KITE INSIGHTS**
  Unique capacity to build fruitful collaborations through its extensive network of expertise
  Sophie Lambin (Chief Executive & Team)

- **EARTHWORM**
  Recognized expertise in soil fertility and regeneration by putting nature back into agriculture
  Bastien Sachet (CEO) & Team

- **BHP – BRUGGER & PARTNERS**
  Specialist in the conception, implementation, and evaluation of impact management
  Thomas Streiff (Partner and Member of the Executive Committee) & Team
6- ENGAGEMENT & IMPACT LEVEL ASSESSMENT

With a high level of transparency, we report the successes as well as the non-achievements of our engagement activities. To evaluate our portfolio, we measure the engagement level of each company.

Engagement for the Integration of Sustainability Level (0-5)

Only when a company reaches level 5, signifying that it has acted on one of our recommendations, we consider that we have achieved a desired impact. In any case, we continue to engage with the companies to foster new progresses and tangible impacts. The first target is to create a dialogue (level 2) with each portfolio company within three years. Our long-term (five-year) impact objective is to generate positive additional impacts at a majority of our engaged portfolio companies.

Engagement for Tangible SDG Impacts Level (0-5)

Since 2017, we also assess the progress we make with individual companies on our specific engagement for additional social impact. We use a similar scale from 0 to 5 to monitor the progress companies are making based on the suggestion of our social impact partners. Whenever a discussed additional social impact is being implemented, we consider it having reached level 5.

“Engagement for Tangible SDG Impacts, is based on the expertise of our social impact partners. We assess companies and suggest projects or recommendation to create additional tangible social impacts related to the SDG’s.”
Key Differentiating Characteristics

The Buy & Care philosophy is attractive to both investors who are mainly pursuing financial returns as well as to the most demanding ESG and impact investors.

Our portfolio managers are not subject to possibly dogmatic exclusion rules or ESG ratings. Ratings and exclusions can be useful as they stimulate companies to improve but they tend to be backward looking, often take insufficient account of the companies’ business models and are rarely factored into the share price. As a result, they can lead to sub-optimal investment decisions.

The Funds’ portfolio managers are fully responsible for the Funds’ financial and impact performance. They carefully select a limited number of portfolio companies leading the markets and shaping the competitive landscape and strengthen their convictions by directly engaging with the management and operational teams of these companies to foster continuous progress.

We believe that in all but a few exceptional cases, active ownership and dialogue is preferable to exclusion.

Sometimes the Funds remain the only responsible investor still maintaining the dialogue with companies. The expertise of PPT and its engagement partners have won the companies’ respect and trust as competent, demanding but pragmatic shareholders.

Active ownership starts in the pre-investing phase by analyzing the governance and communication of a company and by voting in our interest as a long-term shareholder at general meetings. Each year we undertake a rigorous and comprehensive assessment of their reporting. We identify the gaps and engage with our investee companies by making progress recommendations to more coherently integrate ESG. PPT is also setting a new standard for creating additional impacts within listed equities by connecting our portfolio companies with the expertise of our social impact partners.

The White Fleet IV – Secular Trends fund therefore relies on the key sustainable finance strategies such as exclusions, best-in-class, ESG Integration, Voting & Engagement and Impact/Thematic investing.
Testimonials

Over the years, we received many testimonials from companies:

“The engagement of PeaceNexus with SAP was instrumental in raising our awareness about our contribution to peacebuilding and SDG 16. Their solid peacebuilding assessment on SAP provided us with concrete recommendations to further strengthen our contribution.”

Will Ritzrau, Director of Sustainability, SAP

“In the name of all of us, we highly appreciate the dialogue with you. There is no other organization which gets the amount of attention from our senior leaders as yours. You earned it. In particular, the depth of your analysis, the understanding of the business and the relevance of your feedback is second to none.”

Philip Sauer, Co-Head Finance & Development/ IR, Partners Group

Sika aims to be well positioned for the future, especially as sustainability has been a crucial aspect of our business practices. The assessment results and the discussion with PPT provide an important impulse for the further development of strategical and operational sustainability-related topics and initiatives.”

Dominik Slapnig, Head of Corporate Communication & IR, Sika AG

“...We further discussed the assessment points that you raised and how to implement them. We are looking forward to continuing our engagement together... Our discussion on peacebuilding arrived at a moment when we also started to think of the connections between sustainability and peace. I continue to think it’s a very relevant angle for both action and communication, that requires a structured and long-term approach vs one-shot studies...”

Emilienne Lepoutre, Sustainability Manager, Schneider Electric

“We greatly appreciate these testimonials, which bear witness to the results that can be obtained by maintaining an influential dialogue conducted professionally and courteously.”