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# Schroder ISF[1] Emerging Markets Debt Absolute Return

## Quarterly fund update

### Fourth quarter 2022

SFDR Article 8

Morningstar Sustainability Rating

| Objectives | Investment approach | Role in clients' portfolios |
|---|---|---|
| i. **Preservation of capital:** aim for no losses in any 12 month period by using a disciplined risk control framework<br>ii. **Maximise returns** whilst achieving the previous objective | **Absolute return approach** based on comprehensive country research.<br>The investment process follows four types of analysis: **fundamental, quantitative, technical and sentiment.**<br>**ESG is integrated** into our country and corporate scorecards.<br>**Broad investment universe** including currencies, local and external debt (sovereign, corporate and convertibles) in more than 50 countries.<br>**Long-only, no leverage,** no complicated derivatives.<br>**Risk controlled** by liquidity based diversification limits, portfolio stop-loss and use of cash. | **As a low-risk or entry level EMD exposure** or combined with standard EMD beta managers.<br>**As an absolute return strategy,** designed to diversify risk and enhance returns.<br>**As a liquid alternative investment.** |

## Review:

- EM bond and currencies ended a challenging year on a positive note as illustrated by the strong returns achieved in Q4 2022 by all market sectors. EM hard currency debt, as measured by the EMBI GD, registered a return of +8.1% during the quarter but this sector still ended the year with a negative performance of -17.8%. The same could be said about EM local currency debt, which rebounded by +8.4% in Q4 2022, thus leading the GBI EM GD to close the year down -11.7%.
- The strong rebound during the quarter came as a result of abating pressures on DM rates, more evidence of peaking global inflation and the decision of Chinese authorities to move away from Zero Covid policy. After a period of record outflows, strong market technicals and very defensive positions held during most of the year by market participants have also created the perfect conditions for the seasonal year-end rally of the asset class.
- The fund moved away from its ultra defensive positioning during the quarter and has managed to achieve a decent upside capture by registering a gain of + 5.49% (in gross dollar terms). The main contributors to this return by market sector were as follows: (i) US dollar debt contributed +220 bps; and (ii) local debt positions had an overall positive contribution of +329 bps (of which +80 bps was due to local bond price gains, +100 bps was generated by local debt income and 149 bps resulted from EM currency appreciation). In terms of key contributors by country, with the exception of Brazil's negative contribution of -25bps, all other countries contributed positively. This was particularly the case of Central European countries (+140bps), South Africa (+60bps), Mexico (+55bps), Thailand (+45bps), China (+45bps) and African dollar debt frontier markets (+70bps).
- Portfolio activity during the quarter was mostly driven by the reinvestment of the large cash balances that the fund accumulated during this year's market drawdowns. In Q4 2022, the fund increased its hard currency debt exposure from 11% to 18.5% of NAV with a particular focus on sovereign high yield. Exposures to long-dated EM local bonds were also reinforced, especially in Mexico, Brazil, Peru, South Africa and Indonesia. Currency positions were increased from 18% to 56.7% of NAV. These additions led to a drop in the fund's overall cash level from 36.5% to 9% of NAV and to an increase in the fund's overall duration from 1.4 to 3.7 years. The reasons behind these additions are presented in the investment outlook section below.

## Investment outlook

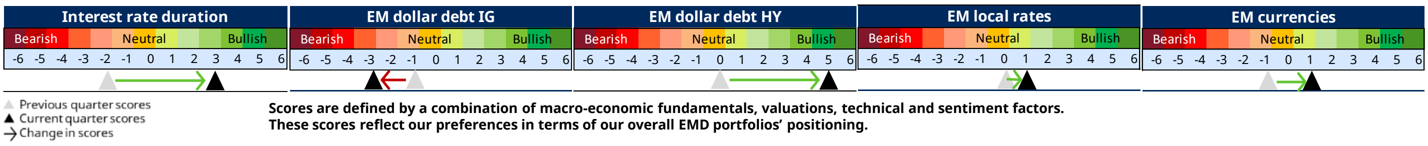
### Global environment

- Emerging Markets have recently faced an extremely challenging environment characterised by slowing global growth, geo-political disruptions, persistent inflationary pressures and a severe tightening in global financial liquidity conditions. This

[1]Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

challenging global backdrop warranted a cautious stance towards EM assets in 2022. However, given recent market drawdowns and advanced EM tightening cycles, we now believe that attractive investment opportunities have appeared.

- While we are still of the view that inflation will remain entrenched notably given the continued gigantic global money supply overhang accumulated during the pandemic, we expect some temporary respite in global inflationary pressures in 2023. This respite is likely to result from the recent weakness in global demand, more favourable CPI base effects, the recent correction in energy prices and the substantial easing in global supply chain dislocations. The impact of the Fed tightening on the US economy is also starting to bite as commercial bank lending growth appears to have peaked in the US and the global credit impulse is rolling over after its post pandemic surge. Our inflation model shows that an increasing number of countries are already experiencing a noticeable deceleration in inflation and this is likely to be rewarded by the markets, particularly in EM countries where real rates are high and where central bank tightening is in its very late stages.
- Despite some deterioration in EM sovereign credit metrics during the Covid pandemic and recurrent flare ups in political tensions, key EM countries such as Mexico, Brazil, Indonesia and South Africa still exhibit relatively robust macro-economic fundamentals notably thanks to strong balance of payments, manageable financing needs, cheap real effective exchange rates and credible monetary policy frameworks. The asset class should also now be supported by the prospects of a cyclical upturn in China following a post-Covid full re-opening of its economy in 2023. These improving prospects can be seen in growth expectations differentials becoming convincingly in favour of EM versus DM for the first time in many years.
- This relative improvement in EM growth prospects, reinforced by strong balance of payments and credible policy frameworks, has yet to be reflected in the valuations of EM assets, which still trade at historically depressed levels. Asset allocators are heavily underinvested in EM debt, especially after the record outflows experienced by the asset class in 2022.
- Given the high levels of yields, investors are likely to be handsomely rewarded in 2023 by maintaining exposures to selected EM local and hard currency bonds in countries where the policy frameworks are credible and where macro-economic fundamentals are resilient. In this regard, we favour local currency bonds in Mexico, Brazil, Indonesia, South Africa, Peru and a number of dollar debt Frontier markets such as Angola and Ivory Coast. We also see value in some Asian currency and credit markets given the positive impact of China re-opening. Buying opportunities in Central European bonds and currencies are within reach but a convincing peak in inflation in Eastern Europe is still required for us to turn unequivocally bullish on this region. A summary of our investment strategy by market sector is presented in the following scorecard, which highlights our current preferences in terms of our overall EMD portfolios' positioning.




**Scores are defined by a combination of macro-economic fundamentals, valuations, technical and sentiment factors. These scores reflect our preferences in terms of our overall EMD portfolios' positioning.**

## Asia

- The recent decision of the Chinese leadership to move away from Zero Covid policy has improved the growth outlook for the region. Despite our long-standing concerns about China's long-term growth and debt trajectories, we expect a strong cyclical upturn in 2023 thanks to pent up demand, a pick up in "healthy lending" and increased liquidity support for the property sector. As a result, we are more constructive on the renminbi and on selected credits but remain bearish on rates.
- Indonesian local bonds and currency remain our favoured investment in the region. Despite the political uncertainties in the lead up to the early 2024 general elections, the long-term positive growth trajectory should remain intact. Local government bonds should be supported by a vigilant central bank, inflation remaining under control once the recent subsidy changes have been fully absorbed and the distinct possibility of foreign investor inflows returning to the domestic bond market.
- We are also bullish on the Malaysian ringgit given its cheap valuations, strong terms of trade and high levels of non converted US dollar export earnings accumulated recently. However, we need to closely monitor the ability of the new coalition led by Prime Minister Anwar to govern effectively. The recent appreciation of the Thai baht is equally expected to be boosted further by a strong recovery in tourism arrivals and the return of the current account to surplus.

## Eastern Europe, Middle East and Africa

- The stagflationary impact of the war in Ukraine has been largely reflected in Eastern European bonds and currencies, which have become oversold and under-owned. Despite the high levels of nominal rates in Central European bond markets, we are limiting our exposures to small levels for now as we are not yet convinced that inflation has peaked in the region.
- South African assets have been recently affected by political volatility as President Ramaphosa faced allegations of financial wrongdoing. His impeachment was avoided as the governing ANC rallied behind him but political tensions may resurface given the ongoing judiciary investigations. We maintain moderate exposures to South African bonds and currency given the country's strong institutions, the high levels of bond yields and the credible monetary policy maintained by the central bank.
- We remain cautious on Turkey given long-standing balance of payments vulnerabilities and the continued unwillingness of President Erdogan to move away from his unorthodox monetary policies. In contrast, Egypt has partially fulfilled some of the conditionalities of its underwhelming IMF program by recently implementing another currency devaluation. Enough financing has been secured to avoid a debt restructuring for now but long-term debt sustainability remains questionable.

- Our favoured sovereign dollar bonds in EEMEA remain in some of the frontier markets such as Ivory Coast, Oman, Nigeria, Cameroon, Angola and Gabon. Small exposures to these high yielding sovereign credits remain warranted.

### Latin America

- The election of President Lula in Brazil has completed a political cycle which shifted most of Latin America to the populist left. Despite this unfavourable trend, policy pragmatism is prevailing in most countries. In this regard, it is encouraging that the spending proposals by the new Lula administration have been watered down by the Congress. Brazil is also entering the current period of fiscal uncertainties in reasonably good shape from a macro-economic standpoint thanks to a primary fiscal surplus, a trade surplus, a cheap real effective exchange rate, very high levels of real rates and a credible monetary policy that has recently brought inflation under control. We are constructive on Brazilian long-dated bonds currently yielding 13%.
- We also remain bullish on Mexican currency, rates, sovereign and corporate credits as growth is resilient, fiscal and current accounts are supportive, FX reserves accumulation is resuming and inflation is peaking. 10-year Mexican rates at 9% are particularly attractive. The same could be said about Peru, where high yields and strong macro-economic fundamentals should allow the country's assets to weather renewed political disruptions due to the impeachment of President Castillo.
- We are less optimistic about Colombian and Chilean assets given the persistently high current account deficits and the continued erosion in FX reserves in both countries. However, higher rates and some improvements in fiscal accounts have stabilised market sentiment and have made us interested in taking small tactical exposures to Chilean and Colombian rates.
- In sovereign dollar debt, we favour small exposures to Ecuador, Guatemala, Dominican Republic, Paraguay and Costa Rica. Despite the depressed levels of Argentina's sovereign bonds, we see very limited upside given that inflation is out of control.

### EM corporates

- Corporate fundamental metrics, while still robust, have peaked due to declining global growth, weaker commodity prices, and tightening financial conditions impacting market access for lower quality names. We prefer non-cyclical corporates domiciled in higher-quality sovereigns of Mexico, Peru, India, Indonesia and the GCC region. Turkey and Argentina corporates present unattractive risk-reward given unorthodox macroeconomic policies and recent outperformance. Despite elevated levels of leverage, we upgraded Chinese corporates to neutral because an end to Zero Covid Policy and property sector stimulus should reinforce the ongoing rebound of selected high yield credits from their recent depressed levels.

### Quantitative analysis

- The country risk model shows some deterioration in EM vulnerabilities this quarter notably due to weaker "growth dynamics". However, the average EM sovereign risk score is still in positive territory, especially for Latin American countries, which benefit from strong "sovereign external liquidity", "credit cycles" in early stages and attractive "currency competitiveness".
- The sharp sell-off in 2022 has taken most EM dollar debt high yield issuers to the extremely undervalued levels only briefly seen during past crises. In contrast, the recent tightening in EM investment grade spreads has now made this sub-sector unappealing. GBI-EM local rates have experienced a significant improvement in value, especially in Latin America where real rates have reached very attractive levels notably in Brazil. Overall EM FX valuations have become less appealing but TRY, MYR, CLP, COP, BRL and ZAR still have undervalued real effective exchange rates.

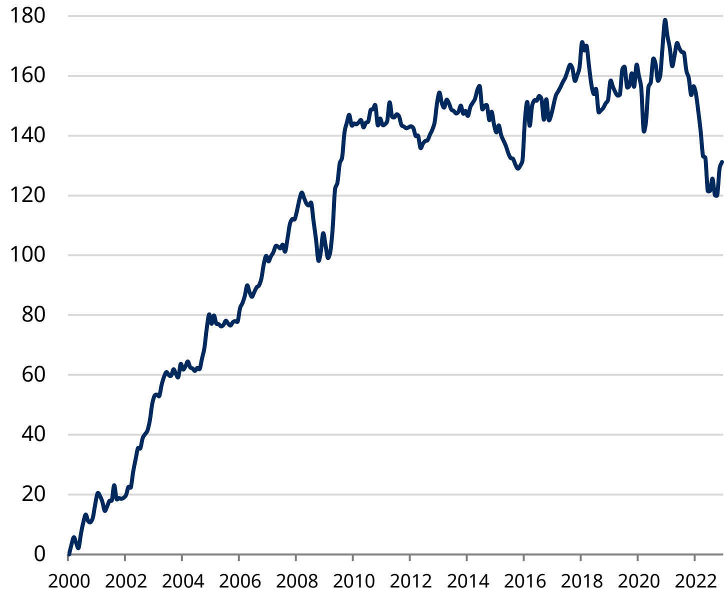
### Chart and Sentiment analysis

- The outlook for long-dated US Treasury bonds is constructive as our technical indicator has recently reached its most oversold levels in decades and subsequently turned, thus giving a buy signal. However, given that a major short squeeze has already occurred, we should be wary of a retest of the recent highs in yields to complete a possible double top pattern.
- EM local debt is in the early stages of reversing the historically oversold levels it recently reached. In contrast, the decade long decline in EM FX has not yet shown convincing signs of ending but sentiment and positioning indicators are providing hints that a bottom could be forming. Technical indicators are neutral EM IG spreads and remain bullish for the high yield sub-sector which saw spreads complete a double top at historically oversold levels. This constructive chart outlook on EM high yield is reinforced by evidence of abating outflows from EM dollar debt funds.

## Fund performance as at 30 December 2022 (%):

### USD A accumulation shares net

| Since Jan 2000[1] | Fund | GBI-EM GD[2] | EMBI GD |
|---|---|---|---|
| Annual rate of return | **3.72** | 5.86 | 7.00 |
| Volatility | **6.16** | 11.47 | 8.99 |
| Sharpe ratio | **0.38** | 0.43 | 0.65 |
| Sortino ratio | **0.63** | 0.60 | 0.68 |
| Correlation | **1** | 0.77 | 0.67 |
| Positive quarters | **61.54** | 63.74 | 69.23 |
| Maximum drawdown | **-21.02** | -29.32 | -25.85 |
| Best month | **6.34** | 9.84 | 7.59 |
| Worst month | **-5.54** | -14.07 | -16.03 |
| Max 12m rolling return | **27.66** | 38.87 | 41.56 |
| Min 12m rolling return | **-17.72** | -21.54 | -24.28 |



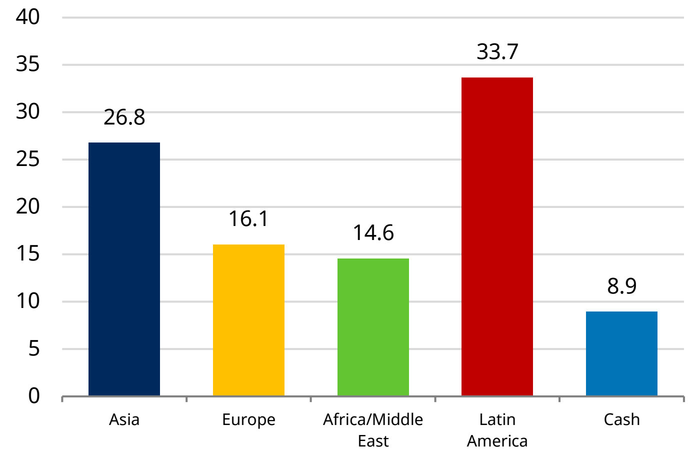

Source: Schroders. [1]Inception 31 January 2000. [2]JPM EMBI Global Diversified used as a proxy before 31/12/02 at which point GBI-EM Global Diversified launched. **Please note the fund is an absolute return fund therefore, the EMD indices are for illustrative purposes only.**

| % | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000[1] | | 3.30 | 2.40 | -1.90 | -1.52 | 4.66 | 3.55 | 2.35 | -1.89 | -0.39 | 1.36 | 3.97 | 16.75 |
| 2001 | 3.18 | -0.77 | -1.59 | -2.59 | 1.24 | 1.67 | 0.12 | 4.30 | -3.78 | 0.31 | -0.24 | 0.31 | 1.90 |
| 2002 | 0.78 | 2.25 | -0.15 | 4.34 | 3.14 | 2.90 | -0.07 | 2.54 | 0.94 | 0.86 | 2.37 | 3.80 | 26.31 |
| 2003 | 1.86 | 0.24 | -0.30 | 2.50 | 1.66 | 0.99 | -0.64 | -0.12 | 1.34 | -0.98 | -0.64 | 2.75 | 8.93 |
| 2004 | -1.14 | 0.63 | 1.03 | -1.19 | -0.23 | -0.52 | 0.64 | -0.23 | 2.19 | 2.14 | 3.91 | 2.60 | 10.13 |
| 2005 | -1.76 | 1.58 | -1.50 | -0.11 | -0.42 | 0.26 | 0.79 | -0.52 | -0.37 | 0.63 | 0.21 | -0.10 | -1.34 |
| 2006 | 2.51 | 0.92 | 1.32 | 1.90 | -1.18 | -0.84 | 0.85 | 0.84 | 0.34 | 1.23 | 2.47 | 1.42 | 12.36 |
| 2007 | -0.93 | 0.85 | 0.65 | 1.07 | -0.09 | -0.28 | 0.60 | -1.14 | 2.18 | 2.36 | 0.80 | -0.04 | 6.11 |
| 2008 | 1.36 | 1.73 | 1.07 | -0.84 | -0.85 | -0.26 | 0.39 | -2.91 | -2.78 | -3.45 | 1.41 | 3.15 | -2.20 |
| 2009 | -1.89 | -2.15 | 1.03 | 3.80 | 6.34 | 0.97 | 2.95 | 0.85 | 3.60 | 1.35 | 1.07 | -1.43 | 17.39 |
| 2010 | 0.27 | -0.11 | 0.27 | 0.30 | -0.99 | 0.65 | 0.15 | 1.56 | 0.11 | 0.52 | -2.64 | 0.92 | 0.96 |
| 2011 | -0.87 | 0.08 | 0.46 | 2.55 | -1.89 | -0.11 | 0.42 | -0.30 | -1.17 | -0.19 | -0.23 | 0.12 | -1.21 |
| 2012 | 0.15 | -0.27 | -1.08 | 0.04 | -1.71 | 0.59 | 0.39 | 0.12 | 0.78 | 0.70 | 1.08 | 2.59 | 3.38 |
| 2013 | 1.37 | -1.39 | -0.59 | 1.05 | -0.48 | -0.82 | -0.19 | -0.34 | 0.23 | 0.83 | -1.08 | 0.38 | -1.08 |
| 2014 | -0.68 | 1.21 | 0.56 | 0.56 | 1.18 | -0.55 | -0.59 | 1.59 | -2.94 | 0.41 | 0.07 | -1.97 | -1.24 |
| 2015 | 1.14 | -1.77 | -1.03 | 0.97 | -1.34 | -0.78 | -0.74 | -1.02 | -0.68 | -0.12 | -0.84 | -0.57 | -6.61 |
| 2016 | 0.41 | 0.85 | 5.75 | 2.47 | -3.16 | 2.72 | 0.76 | -0.04 | 0.62 | -0.43 | -2.72 | 0.58 | 7.76 |
| 2017 | 1.36 | 1.29 | 0.59 | 0.57 | 0.67 | 0.54 | 0.90 | 0.76 | -0.46 | -1.58 | 0.70 | 1.06 | 6.55 |
| 2018 | 3.14 | -0.98 | 0.54 | -2.50 | -2.34 | -1.23 | 0.64 | -2.98 | 0.23 | 0.32 | 0.62 | 0.45 | -4.17 |
| 2019 | 2.51 | -0.70 | -0.71 | -0.49 | 0.14 | 3.26 | 0.34 | -2.56 | 0.18 | 1.63 | -1.73 | 2.86 | 4.66 |
| 2020 | -1.41 | -1.59 | -5.54 | 1.30 | 4.62 | 0.66 | 3.02 | -0.56 | -2.17 | 0.69 | 3.83 | 3.17 | 5.69 |
| 2021 | -1.89 | -1.47 | -2.28 | 1.31 | 1.58 | -0.61 | -0.49 | -0.12 | -2.22 | -0.92 | -2.19 | 1.16 | **-7.94** |
| 2022 | **-0.93** | **-2.34** | **-2.66** | **-3.48** | **-0.15** | **-4.84** | **0.00** | **1.83** | **-2.42** | **-0.04** | **4.09** | **0.92** | **-9.88** |

**Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.**
Source: Schroders. [1] Inception 31 January 2000.

## Fund positioning as at 30 December 2022 (%):

| | US$ Debt | Local Debt | FX[1] | Total |
|---|---|---|---|---|
| **Latin America** | | | | |
| Argentina | 0.5 | | | **0.5** |
| Brazil | 0.7 | 8.3 | -4.0 | **9.0** |
| Chile | 0.2 | | 1.1 | **1.3** |
| Colombia | 1.1 | 2.1 | | **3.1** |
| Dominican Republic | 1.0 | | | **1.0** |
| Ecuador | 0.4 | | | **0.4** |
| El Salvador | 0.1 | | | **0.1** |
| Guatemala | 0.3 | | | **0.3** |
| Mexico | 1.2 | 12.6 | -4.6 | **13.8** |
| Peru | 0.8 | 3.3 | | **4.0** |
| **Asia** | | | | |
| China | 1.2 | 2.2 | -1.5 | **3.4** |
| India | 0.4 | 4.3 | -3.2 | **4.8** |
| Indonesia | 1.0 | 5.3 | 1.0 | **7.4** |
| Malaysia | | | 0.5 | **0.6** |
| Philippines | | 0.1 | 0.5 | **0.6** |
| Thailand | | | 6.9 | **6.9** |
| **Europe** | | | | |
| Czech Republic | 0.5 | 4.2 | -1.6 | **4.7** |
| Greece | 0.4 | | | **0.4** |
| Hungary | 0.5 | | 3.9 | **4.4** |
| Poland | | 3.8 | -0.5 | **3.8** |
| Romania | 0.5 | 0.7 | | **1.2** |
| Russia | | 0.6 | | **0.6** |
| Ukraine | | 0.9 | | **0.9** |
| **Africa and Middle East** | | | | |
| Angola | 1.1 | | | **1.1** |
| Burkina Faso | 0.5 | | | **0.5** |
| Egypt | 0.3 | | | **0.3** |
| Gabon | 0.3 | | | **0.3** |
| Israel | 0.3 | | | **0.3** |
| Ivory Coast | 1.0 | | | **1.0** |
| Kenya | 0.6 | | | **0.6** |
| Nigeria | 0.7 | | | **0.7** |
| Oman | 0.3 | | | **0.3** |
| Senegal | 0.7 | | | **0.7** |
| South Africa | 1.8 | 6.9 | -1.0 | **8.8** |
| **Total EM** | **18.4** | **55.5** | **17.2** | **91.1** |
| **Cash** | | | | **8.9** |
| **Grand Total** | **18.4** | **55.5** | **17.2** | **100.0** |




### Fund Summary (%)

| | |
|---|---|
| **Yield to maturity** | 7.79 |
| **FX exposure** | 56.7 |
| **Duration (years)** | 3.75 |
| **Average credit rating** | BBB+ |
| **Corporate bond exposure** | 6.37 |
| **Current yield** | 5.20 |
| **No. of holdings** | 95 |
| **Fund AUM** | US$ 1,177m |
| **EMD AR strategy AUM** | US$ 1,767m |

Source: Schroders.

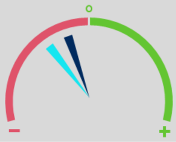
[1] FX positions in red are hedges of local debt positions. FX positions in black are outright long FX forward positions. Total includes only active long outright FX forwards and NDFs and excludes hedges of local debt.

# Proprietary sustainability metrics

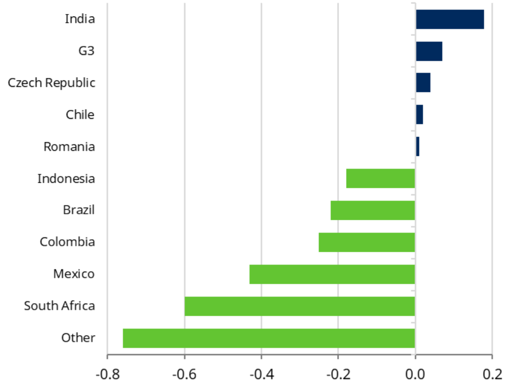
## Schroder ISF EMD Absolute Return ESG – 31 December 2022

Morningstar Sustainability Rating

Fund coverage: 99%. Benchmark coverage: 99%

| Impact | Fund | Reference sustainability benchmark |
|---|---|---|
| **Overall impact**  | -2.0% | -3.8% |
| **Environmental impact**  | -1.9% | -3.0% |
| **Social impact**  | 0.1% | -0.5% |
| **Governance impact**  | -0.2% | -0.3% |

### Key contributors by country




Source: Schroders – 31 December 2022. The Schroders Impact score is based on Schroders' proprietary tool, SustainEx. Overall impact is an indication of the fund's impact compared to its benchmark. All holdings exclude cash and currency holdings. Impact on People indicate the fund's underlying benefits and harms compared to its benchmark. Metrics shown are a sample of the total underlying metrics. See definitions slide for more details. Benchmark data 50% JP Morgan EMBI Global Diversified (USD Unhedged) and 50% JP Morgan GBI EM Global Diversified (USD Unhedged).

## Risk considerations:

**Bond Connect risk:** The fund may be investing in the China Interbank Bond Market via the Bond Connect which may involve clearing and settlement, regulatory, operational and counterparty risks. **Capital risk / distribution policy:** As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested. **Counterparty risk:** The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole. **Credit risk:** A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless. **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates. **Derivatives risk:** Derivatives may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. **Emerging markets & frontier risk:** Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets. **High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk. **IBOR risk:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund. **Interest rate risk:** The fund may lose value as a direct result of interest rate changes. **Issuer risk:** The fund is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State / governments of the following country: United States of America. **Liquidity risk:** In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested. **No capital guarantee risk:** Positive returns are not guaranteed and no form of capital protection applies. **Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund. **Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve. **Sustainability risk:** The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

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