

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

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

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

Product name:
RQI Global All Country Value Fund

Legal entity identifier:
2549005SNDB46KED0Y06

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒
☒
☐
Yes

☒
☐
☒
No

☐
It will make a minimum of **sustainable investments with an environmental objective: %**

☐
In economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐
In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

☐
It will make a minimum of **sustainable investments with a social objective: %**

☐
It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments

☐
with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐
With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐
With a social objective

☒
It promotes E/S characteristics, but **will not make any sustainable investments**



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

The environmental characteristics promoted by the Fund are: reductions in carbon intensity as measured by total scope 1 and 2 carbon/sales.

The social characteristics promoted by the Fund are: exclusions of certain activities with adverse social impacts such as tobacco and controversial weapons.

- What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Environmental Indicators	
Carbon Intensity	Scope 1, and 2 GHG emissions/sales
Social Indicators	
Adverse social impacts	No companies which primarily operate in the tobacco industry
Human rights	No companies that are involved in the production or development of cluster munitions, anti-personnel mines, small arms, biological weapons, chemical weapons or uranium munitions

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

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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

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



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

☐ **Yes,**

☒ **No,**



What investment strategy does this financial product follow?

The Investment Manager seeks to produce risk-adjusted returns. A quantitative (or systematic) strategy is utilised, whilst incorporating the Investment Manager's awareness of Environmental, Social and Governance (“ESG”) issues. The quantitative strategy constructs a core portfolio to which a diverse range of Signals assessed against short, medium and long-term time horizons are applied, along with ESG screens and a carbon intensity overlay.

The investment process selects a liquid universe of stocks across developed and emerging markets. Only stocks issued in countries of the MSCI All Country World Index are included.

Following the creation of the investment universe, an initial core portfolio is formed by ranking the universe by accounting measures of company size. The four accounting measures used to establish the core portfolio weightings are:

- Sales/Adjusted Sales: Company sales averaged over the prior five years (adjusted for cost of goods sold)
- Cash flow: Company operating cash flows averaged over the prior five years.

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

- Adjusted Book Value: Company book value adjusted for intangible assets by capitalising research and development and marketing costs.
- Dividends: Total dividend distributions averaged over the prior five years, including special dividends paid in cash.

These four metrics are weighted equally to calculate a company's core portfolio weight. Five years of data is used to capture the sales, cash flow and dividends over time. As a result, the core portfolio has a tilt towards value companies (i.e. those with a lower market price relative to their accounting measures) compared to a capitalisation-weighted index.

The Investment Manager believes that markets are not perfectly efficient, meaning that there may be mispricing of companies. As a result of this mispricing, the Investment Manager applies a mathematical model-based approach to identify mispriced companies. To determine the weight of a position selected for the portfolio, the Investment Manager considers Value Signals (cheap companies may outperform expensive stocks), Momentum Signals (companies with strong price momentum may outperform companies with low price momentum) and Quality Signals (low quality companies may underperform). The Investment Manager believes that acting on the above Signals can potentially lead to returns above that of the market over a long time horizon.

Key ESG factors are embedded across the strategy, informing the Investment Manager's investment views, the risks of those views, and the final positions taken in the portfolio. The portfolio is constructed to align with the characteristics promoted by the Investment Manager relating to reductions in carbon intensity, and a negative screen applied on stocks involved in controversial munitions, and the tobacco industry. This takes the form of:

- i. ESG Signals: As noted above, and in addition to the other mispricing Signals, the ESG Signals considered by the Investment Manager will include the following:
 - a) Within its scoring of management quality, the Investment Manager incorporates a governance metric comprising a proprietary selection of the most material governance indicators;
 - b) Carbon intensity is measured (Scope 1 and Scope 2 CO²-equivalent emissions in tonnes per million dollars of sales) and change in carbon intensity is used as an indicator of a company's productivity via their management of variable inputs;
 - c) Monitoring of the reputational risk of the company by looking at ESG incidents that have occurred. The Investment Manager believes that companies with severe ESG incidents in the prior two years entail higher ESG risk and may underperform due to the high management, legal and opportunity cost of mitigation; and
 - d) Gender diversity across both board and management, as empirical research by the Investment Manager demonstrates that more diverse teams result in greater profitability to a company.

Each stock is scored against each Signal and the score will impact the final weight of the stock within the portfolio.

- ii. ESG screens and exclusions: The Investment Manager strictly excludes a) companies whose primary business is the manufacture of tobacco products and b) companies involved in the manufacture of certain types of controversial weapons (anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, certain nuclear weapons and white phosphorus munitions);
- iii. Carbon intensity reduction: The Investment Manager considered a model portfolio of the Fund's strategy as at 30 June 2020 and the carbon intensity of that model portfolio set the "Carbon Baseline". The Fund will seek to maintain a maximum carbon intensity equal to (i) 70% of the Carbon Baseline by 31 December 2025 and (ii) 50% of the Carbon Baseline by 31 December 2030, in each case by reducing (including to zero) exposure to companies with relatively higher carbon intensity.

In determining the final composition of the portfolio, the Investment Manager considers the Signal score assigned to each stock, a risk model, the ESG screens and exclusions and the carbon intensity reduction targets (each as described above) and trading costs. These are combined using an optimisation process that seeks to maximise exposure to the Signals whilst maintaining risk tolerances, minimising trading costs and satisfying all exclusions and constraints. The aim of doing so is to achieve a portfolio that transfers the greatest extent of the mispricing Signals into the final portfolio.

The Investment Manager will engage with companies where the Investment Manager is of the view that the investee company is not making sufficient progress on the environmental and social characteristics promoted by the Fund.

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

The Fund supports and monitors the global transition to net zero emissions in line with the goals of the Paris Climate Agreement. The Investment Manager expects investee companies to be prepared for the transition to a low carbon economy and to be transparent about their strategies and processes to achieve this outcome. As such, the Investment Manager will engage with companies where the Investment Manager is of a view that the investee company is not making sufficient progress on climate related issues.

The following are binding elements of the investment strategy for the Fund:

Greenhouse gas emissions – The Investment Manager considered a model portfolio of the Fund's strategy as at 30 June 2020 and the carbon intensity of that model portfolio set the "Carbon Baseline". The Fund will seek to maintain a maximum carbon intensity equal to (i) 70% of the Carbon Baseline by 31 December 2025 and (ii) 50% of the Carbon Baseline by 31 December 2030, in each case by reducing (including to zero) exposure to companies with relatively higher carbon intensity. This is outlined in our climate statement which can be found here <https://www.firstsentierinvestors.com.au/au/en/institutional/our-funds/realindex-investments/responsible-investment.html>

Human health - tobacco – the Fund does not invest in companies whose primary business is the manufacture of cigarettes and other tobacco products.

Human rights – controversial weapons – the Fund does not invest in companies that are involved in the production or development of certain types of controversial weapons (anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, certain nuclear weapons and white phosphorus munitions).

Companies held by the Fund are subject to ongoing monitoring using the Investment Manager's exclusion policy, threshold limit checks, and bottom up research performed by the Investment Manager, augmented with information from external data providers.

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

The Fund has no committed minimum rate by which the scope of investments are reduced prior to applying the Fund's investment strategy.

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

All of FSI's investment teams assess corporate governance practices in line with the relevant policies and guidelines. Examples are:

Board assessment – there should be a transparent procedure for the appointment of new directors to a board. We expect that companies are able to demonstrate diversity of gender, age, ethnicity, sexuality and thought across their organisation and at board level.

Ownership and shareholder rights - in general, we will not support resolutions that propose: changes to the corporate structure that curtail shareholder rights; or changes to the capital structure that could dilute shareholders' voting and/or economic rights.

Remuneration - we expect remuneration structures to be simple, long-term oriented, aligned with shareholder value/return, to encourage responsible risk taking and to the extent relevant embrace broader notions of 'success'.

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

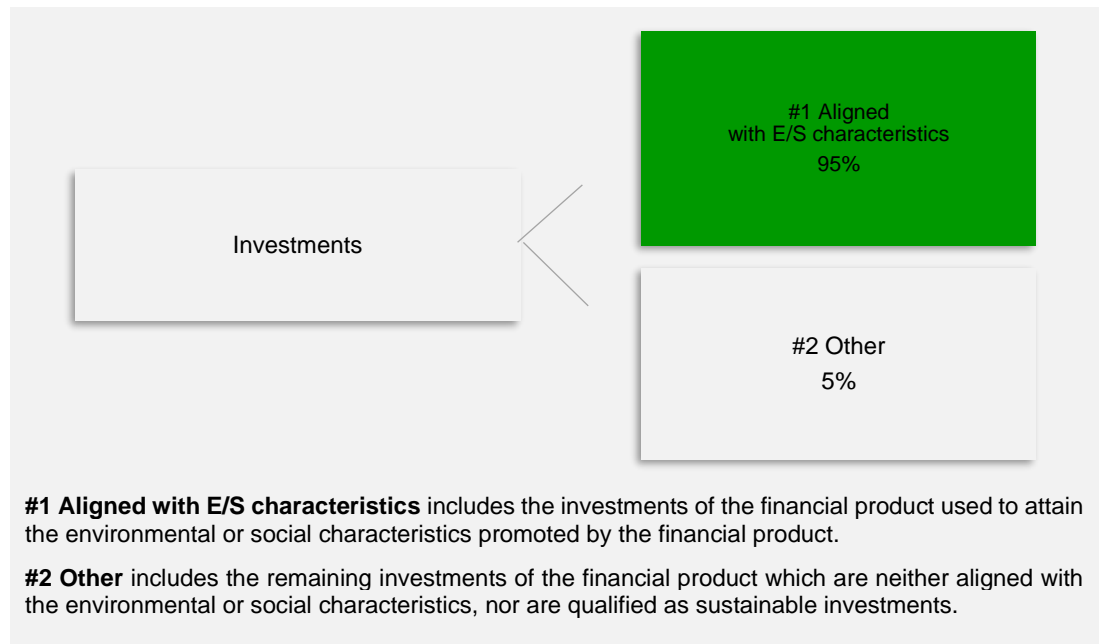


Asset allocation describes the share of investments in specific assets.

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

What is the asset allocation planned for this financial product?

The Fund invests primarily (at least 95% of its Net Asset Value) in a diverse portfolio of equity securities or equity-related securities which are listed, traded or dealt in on any of the Regulated Markets which has stocks in the MSCI All Country World Index.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund may only use derivatives for purposes of hedging and efficient portfolio management. It is not intended that the Fund will use derivatives for investment purposes.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy1?**

☐ Yes

☐ In fossil gas

☐ In nuclear energy

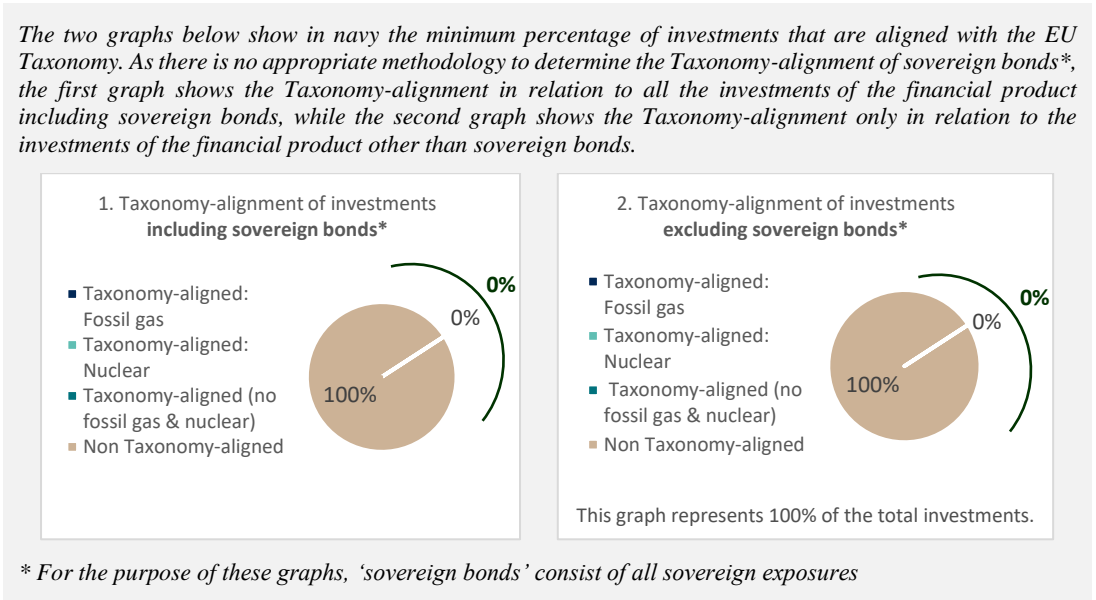
☒ No

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

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



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



● **What is the minimum share of investments in transitional and enabling activities?**
Not Applicable.

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



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



What is the minimum share of socially sustainable investments?
Not Applicable.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?
The “#2 Other” assets are cash and near-cash assets held pending investment, to meet liquidity requirements, or assets held in order to allow efficient operational exit of positions. Cash is held by the depository.
The Fund’s service providers for these assets are reviewed and assessed for compliance with FSI’s modern slavery policy.



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

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

No specific index is designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics promoted.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***
Not applicable.
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
Not applicable.
- ***How does the designated index differ from a relevant broad market index?***
Not applicable.
- ***Where can the methodology used for the calculation of the designated index be found?***
Not applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.firstsentierinvestors.com/uk/en/institutional/responsible-investing/regulatory-disclosures.html>