

APPENDIX

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1, to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Montanaro Better World Fund

Legal entity identifier: 635400INKQVF8Y5I5P87

Sustainable investment objective

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective: 15%**



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: 10%**



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**

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What is the sustainable investment objective of this financial product?

The Fund's Sustainability Objective is as follows:

The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound environmental, social and governance (ESG) practices. Through the Fund's investments, the Investment Manager seeks to improve access to, and quality of, basic life essentials, reduce inequality, and mitigate the effects of climate change.

In practice, and to contribute to the Sustainable Investment Objective, the Fund invests in small and midcap companies which have at least 50% of their revenues aligned with one or more of the six themes below:

1. **Environmental Protection** (including pollution control; water treatment; waste recycling and management; testing, inspection & certification);
2. **Green Economy** (including renewable energies; smart infrastructure; energy transition technologies and efficient transportation);
3. **Healthcare** (including treatment of illnesses and diseases; medical innovation; affordable healthcare and prevention);
4. **Innovative Technologies** (including manufacturing efficiencies; smart robots & artificial intelligence; connectivity and cyber-security);
5. **Nutrition** (including efficient food production, sustainable food distribution; healthy eating and food security);
6. **Wellbeing** (including addressing the challenges of population ageing; active lifestyles, education and security & safety).

(together the “Sustainability Themes”)

These Sustainability Themes were chosen because they directly support 14 of the United Nations’ 17 Sustainable Development Goals (“SDGs”), namely:

- GOAL 2: Zero Hunger
- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 8: Decent Work and Economic Growth
- GOAL 9: Industry, Innovation and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life below Water
- GOAL 15: Life on Land

Three Goals are not targeted directly by the Fund. These are:

- GOAL 1: No Poverty
- GOAL 16: Peace, Justice and Strong Institutions
- GOAL 17: Partnerships for the Goals

No target weightings have been set for the Sustainability Themes. The weighting of each Sustainability Theme is the result of the bottom-up stock-picking by the Investment Manager and may therefore vary over time.

To assess companies’ alignment with the Sustainability Themes, the Investment Manager relies primarily on its internal research (which includes the production of an Impact Report and an Impact Score) and engagement with investee companies. This is supplemented by external data from MSCI and Impact Cubed.

The Fund contributes to the following environmental objectives under the EU Taxonomy Regulation:

- (a) climate change mitigation;
- (b) climate change adaptation;
- (c) the sustainable use and protection of water and marine resources;
- (d) the transition to a circular economy; and

- (e) pollution prevention and control.

No sustainable reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

The Fund does not have a stated carbon emissions reduction target. However, it reports periodically on its carbon emissions and compares these to the Benchmark.

Sustainability indicators measure how the sustainable objectives of this financial product are attained

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

The Investment Manager uses the following indicators to measure the attainment of the sustainable investment objective of the Fund:

- i. Percentage of investee companies' revenue alignment with the targets which underpin the SDGs. The minimum required for a company to be eligible for investment (both new and ongoing) by the Fund is 50%.
- ii. Carbon intensity of the Fund (Scope 1 + 2) relative to its Benchmark;
- iii. Percentage of investee companies which have credible Net Zero Carbon strategies;
- iv. Percentage of women on boards of investee companies;
- v. Percentage of independent directors on boards of investee companies;
- vi. Percentage of companies which have an anti-bribery policy.

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.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Investment Manager seeks to ensure that the investments in the Fund do no significant harm to any environmental or social objectives. As such, the Fund does not invest in companies with more than 10% revenue exposure to:

- Tobacco;
- Alcohol;
- Manufacturing or supply of weapons;
- Pornography;
- Gambling;
- High-interest Rate Lending;
- Fossil Fuels; and
- Animal Testing (except for human healthcare purposes).

The Investment Manager makes use of different data sources to assess the exposure of companies to the areas listed above. In addition to its own proprietary research and the engagement with investee companies, the Investment Manager receives data from Impact Cubed, which carries out an annual impact assessment of the Fund; MSCI, which provides ESG research on companies; and Factiva, a press monitoring service.

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

The Investment Manager reports on all 14 mandatory Principal Adverse Impacts (“PAIs”) at a Fund level. The consolidated data for the Fund is provided by Impact Cubed, a specialist provider of ESG and impact analytics company.

As part of its investment process (both pre-investment and on an ongoing basis), the Investment Manager considers 10 of the 14 PAIs:

- Scope 1 GHG emissions;
- Scope 2 GHG emissions;
- Scope 3 GHG emissions;
- Total GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Share of investments in companies active in the fossil fuel sector;
- Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average;
- Average ratio of female to male board members in investee companies, expressed as a percentage of all board members;
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

The Investment Manager meets with the companies in which it invests on a regular basis. A decision to actively engage typically arises from any of the following:

- the company fares badly (relative to its sector or other companies in the Fund) on any of the 10 PAIs considered by the Fund;
- the Investment Manager’s proprietary ESG or Impact Checklists have flagged a weakness at the company;
- the Investment Manager’s proprietary ESG Checklist has a score of 5 or below;
- the Investment Manager disagrees with one or several resolutions proposed at the company’s forthcoming General Meeting;
- a sustainability-related controversy has emerged on the company.

All cases of engagement initiated by the Investment Manager are reviewed and monitored by the Investment Manager’s internal Sustainability Committee. The Sustainability Committee considers the rationale, progress and outcome of every engagement case. In the event that the outcome of an engagement is deemed to fall short of the Investment Manager’s expectations, or the company does not respond to requests to engage, the Sustainability Committee will recommend to the Investment Committee that the holding be sold.

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

N/A



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

Yes, _____

No

Nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. PAI indicators are a way of measuring how issuers negatively impact sustainability factors.

The Investment Manager aims to manage the risk connected to a potential adverse sustainability impact from its investments in several ways, including:

- by excluding investments that may cause environmental or social harm.
- through its proprietary ESG scoring system. All investments are scored by the analysts on ESG with the help of a proprietary checklist, which has three independent sections covering Environment, Social and Governance. Companies with a score below 4.5 are rejected.
- by estimating and monitoring 10 PAI indicators (as outlined above). Several of these PAI indicators are directly incorporated into the Investment Manager's ESG Checklist.
- by engaging with companies that fall short of expectations.

The information on principal adverse impacts is available in the Annual Report of the Company (which includes the Fund) and the annual Impact Report of the Fund.

The Fund uses a third-party specialist, Impact Cubed, to estimate the principal adverse impacts.

There are challenges in identifying some PAIs for certain issuers, due to limited disclosure by the smaller companies that the Fund invests in. When the data is not available, the Investment Manager:

- i) will seek to obtain the data directly from the company through engagement; or
- ii) use Fund-level data compiled by Impact Cubed.



What investment strategy does this financial product follow?

The Fund is actively managed and seeks to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound ESG practices. Through the Fund's investments, the Investment Manager seeks to improve access to, and quality of, basic life essentials, reduce inequality, and mitigate the effects of climate change. The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.

In order to meet the Fund's Sustainable Investment Objective, the Sustainability Risks arising from the Sustainability Themes are fully integrated into the Investment Manager's investment decisions. The Investment Manager ensures that at least 90% of portfolio securities (as a % of Net Assets) are subject to an ESG analysis. Investments of the Fund will demonstrate characteristics that align with the Fund's sustainability objective and the Investment Manager believes that investments will not significantly harm the Fund's sustainability investment objective. Where the level of risk is deemed to be unacceptable, the Investment Manager will either not invest or sell the holding. The Investment Manager's Sustainability Committee provides oversight of Sustainability Risks.

These decisions are made in line with the Investment Manager's overall approach to sustainability through the application of ethical exclusions, quantitative and qualitative assessments and engagement with the Fund's investee companies, each as further described below.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

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

All companies held in the Fund must meet the following criteria, both pre-investment and on an ongoing basis:

- i. Exclusions – the Fund does not invest in companies with more than 10% revenue exposure to Tobacco; Alcohol; the manufacturing or supply of weapons; Pornography; Gambling; High-interest Rate Lending; Fossil Fuels and Animal Testing (ex-healthcare).
- ii. Revenue Alignment – the Fund invests in small and midcap companies which derive at least 50% of their revenue from one or more of the Fund’s six Sustainability Themes, which cover a sub-set of 14 of the 17 SDGs, namely:
 - GOAL 2: Zero Hunger
 - GOAL 3: Good Health and Well-being
 - GOAL 4: Quality Education
 - GOAL 5: Gender Equality
 - GOAL 6: Clean Water and Sanitation
 - GOAL 7: Affordable and Clean Energy
 - GOAL 8: Decent Work and Economic Growth
 - GOAL 9: Industry, Innovation and Infrastructure
 - GOAL 10: Reduced Inequality
 - GOAL 11: Sustainable Cities and Communities
 - GOAL 12: Responsible Consumption and Production
 - GOAL 13: Climate Action
 - GOAL 14: Life Below Water
 - GOAL 15: Life on Land
- iii. ESG Standards – all companies must meet minimum ESG standards
- iv. After the application of the Investment Manager’s ESG assessments and scoring, at least 20% of the original universe of potential investments will be removed.

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

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

The Investment Manager’s Corporate Governance Policy (the "Policy") follows the principles of the UK Corporate Governance Code.

The Policy considers the following areas: Remuneration; Capital Allocation Record; Board Independence; and Voting. For every issuer, these areas are assessed by the Investment Manager both pre-investment and on an ongoing basis.

The Investment Manager votes on behalf of the Fund at every annual general meeting of our investee companies (unless this is not possible).

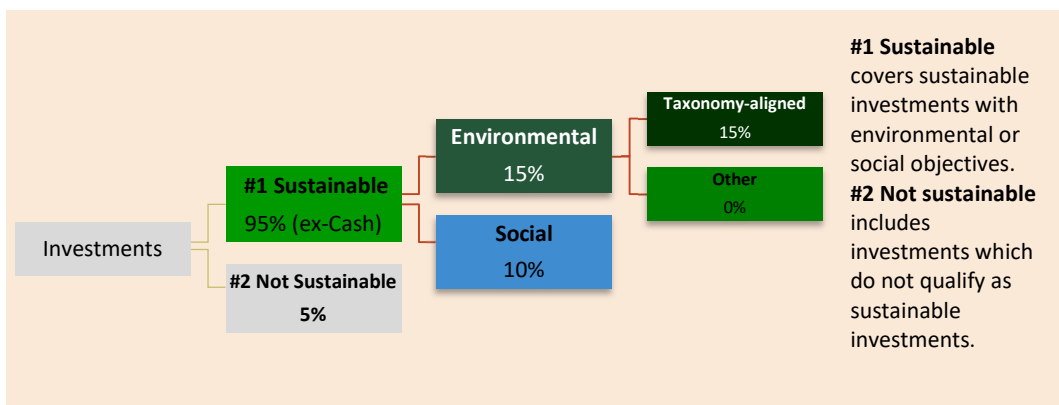
As responsible shareholders, the Investment Manager believes that it is also a duty to engage with investee companies. In the Investment Manager’s experience, active engagement can help to foster positive long-term change in the way businesses are run and a greater understanding of a business.



What is the asset allocation and the minimum share of sustainable investments?

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.

With the exception of Cash, which typically accounts for up to 5% of the Fund's Net Asset Value, all investments qualify as "#1 Sustainable".

- **How does the use of derivatives attain the sustainable investment objective?**

The Fund does not invest in derivatives or make use of derivatives for hedging purposes.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.



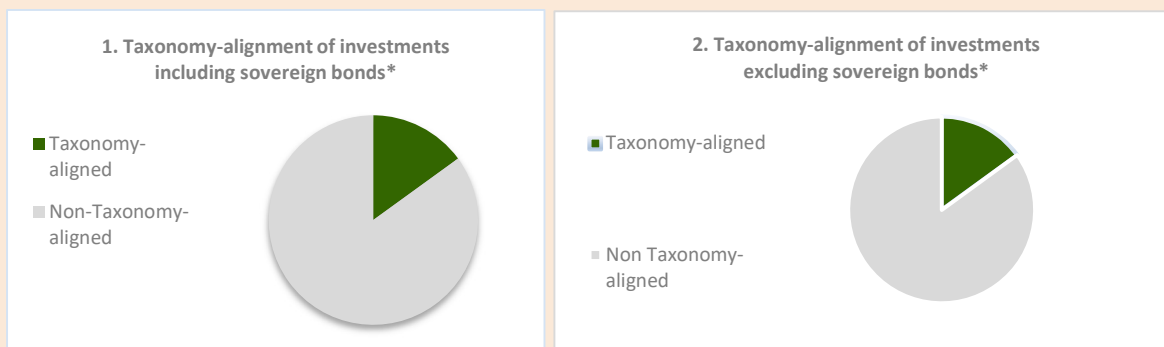
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund has a minimum of 15% alignment with EU Taxonomy-aligned activities.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy⁶?

Yes:
 In fossil gas In nuclear energy
 No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.




This graph represents 100% of the total investments

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

- What is the minimum share of investments in transitional and enabling activities?

Although the Fund invests in a number of companies that develop and market transitional and enabling activities, no minimum share has been set.

⁶ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

 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?

Although the Fund may invest in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy, no minimum share has been set.



What is the minimum share of sustainable investments with a social objective?

The Fund will invest at least 10% of its net assets in sustainable investments with a social objective. Social objectives must be aligned with the Fund’s Sustainability Themes, which themselves support 14 of the 17 United Nations’ SDGs. These social objectives are:

- Supporting better healthcare (including treatment of illnesses & diseases; affordable healthcare, addressing the challenges of population ageing and prevention);
- Supporting better nutrition (including efficient food production, sustainable food distribution; healthy eating and food security);
- Supporting well-being (including addressing the challenges of population ageing; active lifestyles, education and security & safety);
- Supporting innovative technologies with social objectives (including manufacturing efficiencies; smart robots & artificial intelligence; connectivity and cyber-security).



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Only cash balances held by the Fund are classified as ‘#2 Not Sustainable’.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No. The Fund’s only benchmark is the MSCI World SMID Cap Index (TR) which is used for performance comparison purposes only.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***
N/A
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
N/A
- ***How does the designated index differ from a relevant broad market index?***
N/A
- ***Where can the methodology used for the calculation of the designated index be found?***