

2023

**DRIEHAUS EMERGING MARKETS
SUSTAINABLE EQUITY FUND**

LEI: 549300N15SH1J38TR077

**Sustainable Finance Disclosures Regulation
(SFDR) - Article 8 Website Disclosures**

1. Summary

The Fund will mainly invest in equity securities of companies in emerging markets which are listed or traded on Recognised Markets. The investment style is a bottom-up growth equity investment approach. The strategy exploits equity market inefficiencies that materialize following inflection points, combining fundamental, behavioural, and macro analysis as well as integrating environmental, social and governance (“ESG”) criteria as part of the investment research process. The approach focuses on companies with strong or improving ESG attributes and growth opportunities tied to social and environmental solutions, and robust governance structures. It also includes evaluating fundamental factors relating to the companies such as the competitiveness of the relevant industry, the company’s business model, recent and projected financial metrics and upcoming product releases to be introduced by the company. Macroeconomic or country specific analyses are also utilized to evaluate the sustainability of a company’s growth rate.

2. No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

3. Environmental or social characteristics of the financial product

The characteristics promoted by the Fund consist of investing in companies that may exhibit E/S characteristics such as:

- Transparency and disclosure of environmental and social reports
- Efficient management of pollution and water usage;
- Efficient waste management;
- Lack of material environmental and/or social controversies;
- Human rights considerations;
- Overall good environmental practices;
- Employee diversity;
- Positive third-party ESG and controversy ratings;
- Expected improvement in ESG practices, factors and ratings; and
- Alignment with UN Sustainable Development goals.

4. Investment strategy

In addition to the environmental and social characteristics promoted, the Fund will seek to exclude companies that are directly involved in the following sectors as part of its investment research:

- adult entertainment;
- coal production;
- gambling;
- tobacco; and
- weapons production.

To qualify as an investable stock in the Fund, each company is subject to the Sub-Investment Manager’s (“Driehaus”) selection criteria.

Implementation of selection criteria

- Approximately 24,000 companies comprise the initial investable universe: first elimination phase is implemented through the use of quantitative criteria, application of ESG exclusion criteria, removal of companies that show low ESG ratings and bottom quartile quality measures;

- Approximately 800 companies are then identified: the Sub-Investment Manager seeks to identify differentiated business models, with strong earnings growth potential over a medium-to-long term horizon and strong or improving ESG footprints;
- The Sub-Investment Manager then builds a focus list of approximately 250 stocks and seeks to identify positive earnings inflections, attractive relative valuations and active risk management; and
- Finally, the Sub-Investment Manager constructs a portfolio of approximately 100 companies which are; undergoing positive change, diversified by region, sector and growth profile, and with strong or improving ESG attributes.

The Sub-Investment Manager screens investments according to the following environmental and social criteria which may vary depending on the sector as well as data availability:

Environment:

- Greenhouse gas (GHG) emissions/revenues;
- Management of pollution;
- Management of water usage; and
- Waste management.

Social:

- Percentage of female employees;
- Contribution to local communities/ regeneration;
- Avoidance of controversies; and
- Supply chains.

When assessing these metrics, the Sub-Investment Manager considers the elements below to monitor how underlying companies meet the desired E/S characteristics:

- Level of company awareness on ESG principles - awareness as a first step towards improvement;
- Identification of what the Sub-Investment Manager believes to be salient sustainability issues, which results in engagement with company to foster good practices;
- Identification of areas of improvement; and
- Systematic monitoring of ESG ratings and controversies.

Good governance practices of investee companies

The Sub-Investment Manager is a signatory to the UN Principles for Responsible Investment (the "UNPRI"). As a signatory to the UNPRI the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter.

Within the emerging markets, governance standards generally lack compared to developed market, nevertheless, the Sub-Investment Manager places high focus on governance as (1) a differentiating factor within the asset class and (2) as an essential tool for limiting downside risk in the Fund. The following factors are analysed:

- assessment of the company's overall governance risks;
- assessment of shareholding structures with preference for less complicated structures;
- disclosures and accounting standards; and
- engagement with portfolio companies on governance issues.

5. Proportion of investments

In order to meet the environmental or social characteristics promoted, the Fund is generally expected to invest at least 80% of its equity exposure in companies aligned with the ESG characteristics of the Fund but that may not

be classified as sustainable investments as defined under SFDR. The remainder could be held in companies that may not match the Fund's ESG criteria in its entirety or in cash or cash equivalents, nevertheless, all investments excluding cash and equivalents go through the same screening process and are made with ESG considerations.

The Fund is mostly exposed to the following sectors: communication services, consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials and real estate.

Derivative instruments are not used for investment purposes. However, the Fund may, employ techniques and instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits laid down by the Central Bank.

6. Monitoring of environmental or social characteristics

The Sub-Investment Manager screens investments according to the following environmental and social criteria which may vary depending on the sector as well as data availability:

Environment:

- Greenhouse gas (GHG) emissions/revenues;
- Management of pollution;
- Management of water usage; and
- Waste management.

Social:

- Percentage of female employees;
- Contribution to local communities/ regeneration;
- Avoidance of controversies; and
- Supply chains.

7. Methodologies

When assessing these metrics, the Sub-Investment Manager considers the elements below to monitor how underlying companies meet the desired E/S characteristics:

- Level of company awareness on ESG principles - awareness as a first step towards improvement;
- Identification of what the Sub-Investment Manager believes to be salient sustainability issues, which results in engagement with company to foster good practices;
- Identification of areas of improvement; and
- Systematic monitoring of ESG ratings and controversies.

The aim is to identify ESG-related business practices that may impact a company's future earnings-growth trajectory and risk/reward profile of an investment in the relevant company. The Sub-Investment Manager believes material ESG factors will affect the sustainability of companies' future earnings and profitability and therefore, will have an impact on the risk and return of investments.

8. Data sources and processing

The data sources used to analyse each of the environmental or social characteristics promoted by the Fund are:

- MSCI Inc. ESG ratings and ESG controversies, Sustainalytics and Truevalue Labs, Inc: provides insight into ESG risks and opportunities and flags corporate involvement in major ESG controversies;
- Internal research notes, cross team and cross firm information sharing;
- Various company reports; and

- Additional tools and resources that support the investment team include FactSet Research Systems, Axioma, Bloomberg and Compass.

9. Limitations to methodologies and data

Limitations on methodologies and ESG data include the lack of consistency, reliability, comparability, and quality of the data available. This is driven by issues including, but not limited to:

- Lack of common methodology across providers of ESG ratings;
- Lack of reporting and understanding of ESG in Emerging Markets compared to more developed regions;
- Lack of standardised reporting by companies;
- Different estimation models for unreported data;
- Difficult to quantify factors and unverified or unaudited information; and
- Backward looking information that fails to capture “direction of travel”.

These limitations are addressed by:

- Use of varied data sources;
- Company engagement to understand data at source; and
- Reliance on internal research and analysis using third party data as complementary information.

10. Due diligence

The Sub-Investment Manager assesses sustainability risks at the pre-investment stage and on an ongoing basis as follows:

Pre-investment - due diligence assessment

The Sub-Investment Manager seeks to avoid any business identified as having a high probability of a potential sustainability risk impacting future returns. The Sub-Investment Manager seeks to identify risks early in the analytical process. As a result of the pre-investment due diligence assessment, together with adherence to exclusion criteria and selection process described, the Sub-Investment Manager believes that the potential negative impacts of sustainability risks on returns are reduced.

Ongoing assessment

Where there is a marked deterioration observed in a company's sustainability, the Sub-Investment Manager will seek to engage with the business' management where possible, and although the Sub-Investment Manager typically does not escalate matters if an engagement is unsuccessful, if the Sub-Investment Manager's investment team is uncomfortable with the risks, its general approach is to divest the investment.

11. Engagement policies

The Sub-Investment Manager actively engages with portfolio companies and potential investments on sustainability issues and believes it's important for companies and prospects to hear that investors care about ESG principles as awareness is the first step toward improvement. The Sub-Investment Manager believes engagement helps the investee and prospect companies understand what values and practices they find to be important.

There is great disparity on how ESG concepts are understood across the wide country mix in the Emerging Markets universe, and while European companies may be better versed in ESG conversations, some other countries are less ready to discuss sustainability, hence the Sub-Investment Manager seeks to identify the salient issues and where the companies do have the chance to improve.

The Sub-Investment Manager believes the best way to drive the company forward is to be an attentive shareholder and repeatedly engage with the company over the long-term.

12. Designated reference benchmark

The Fund does not have a sustainable designated reference benchmark.

I Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity.

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For all definitions of the financial terms used within this document, please refer to the glossary on our website: <https://www.heptagon-capital.com/glossary>.

I Risk Warnings

The Fund is subject to special risk considerations including geographic concentration risk, portfolio concentration risk and operational risk. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. Any investor should consider the investment objectives, risks and charges and expenses of the fund carefully before investing. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment.

I SFDR

This Fund has been classified as an Article 8 for the purposes of the EU's Sustainable Finance Disclosure Regulation ('SFDR'). The Fund promotes environmental and/or social characteristics but does not have sustainable investment as its primary objective. It might invest partially in assets that have a sustainable objective, for instance assets that are qualified as sustainable according to EU classifications but does not place significantly higher importance on the environmental objective of each underlying investment. Please see [prospectus](#) for further information on the Funds environmental and/or social characteristics and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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