

**Sustainability Related
Disclosures
IQEQ Defensive High
Yield Fund
(the "Portfolio")**

May 2024

Summary

The Portfolio promotes environmental and social characteristics but does not have as its objective sustainable investment.

The Portfolio in accordance with Article 8 under Regulation (EU) 2019/2088 ("SFDR") pursuant to its investment policy seeks to promote environmental and social characteristics ("ESG") as follows:

(i) by avoiding investing in companies which violate humanitarian principles or labour rights by reference to the UN Global Compact ("UNGC") Principles; and (ii) excluding companies that: (a) manufacture cluster munitions or landmines; (b) derive more than 10% of their revenue from the production of thermal coal; and (c) derive revenues from the production of tobacco products.

The Investment Manager engages in quantitative and qualitative techniques and methodologies in determining the investable universe of companies in which to invest and the monitoring of the Portfolio's holdings on an ongoing basis in pursuit of the promotion of the Portfolio's ESG characteristics in accordance with Article 8 of SFDR. The Portfolio invests in the IQ EQ Defensive Equity Income Fund (the "Fund"). The Fund will invest a minimum of 80% of net assets invested in equity securities which align with the environmental and social characteristics of the Portfolio. The Portfolio will primarily invest in direct exposures but may utilise indirect exposures such as FDI from time to time.

The primary data sources used in the assessment and monitoring of each of the environmental and social characteristics promoted by the Portfolio are provided by a third-party data provider, MSCI. The Investment Manager also conducts its own research and may engage directly with companies as part of its assessment and ongoing monitoring of potential and current investments in pursuit of the promotion of the Portfolio's characteristics.

As more particularly outlined in the section "Monitoring of environmental or social characteristics", the Portfolio uses sustainability indicators to measure the attainment and monitoring of the environmental or social ("E/S") characteristics promoted by the Portfolio. The sustainability indicators include:

- The percentage of revenues derived from the manufacture or sale of cluster munitions or landmines. The Portfolio will not hold any companies with exposure to this indicator.
- The percentage of revenues derived from the production of thermal coal. The Portfolio will not hold any companies that derive more

than 10% of their revenue from this indicator.

- The percentage of revenues derived from the production of tobacco products. The Portfolio will not hold any companies that derive revenues from this indicator.
- Violations of UNGC Principles and Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises. A third-party data provider is used to identify a violation; measured by the severity and number of human and labour rights controversies incidents recorded for a company (denoted by a "red flag"). This Portfolio will not invest in any companies reported as having such red-flag violations attaching.

These sustainability indicators are provided by an external third-party data provider and subject to an internal formal monthly review.

No sustainable investment objective

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

Environmental or social characteristics of the "financial product"

The Portfolio avoids investing in companies which violate humanitarian principles or labour rights by reference to the UN Global Compact ("UNGC") Principles. A third-party data provider is used to identify a violation; measured by the severity and number of human and labour rights controversies incidents recorded for a company. Additionally, the Portfolio excludes companies that: (i) manufacture cluster munitions or landmines; (ii) derive more than 10% of their revenue from the production of thermal coal; and (iii) derive revenues from the production of tobacco products.

Investment Strategy

The Portfolio invests in the IQ EQ Defensive Equity Income Fund (the "Fund").

The investment approach within the Fund for direct equity securities utilises a combination of both quantitative and fundamental analysis (for example, dividend yield, P/E Ratios, balance sheet). The quantitative screens include consideration of sustainability indicators to achieve the environmental and social characteristics set out above. This screening process, which utilizes third-party data coupled with internal research, narrows the universe to a

sub-set of potential investments which comply with the exclusion criteria applied for the Portfolio.

Prior to investment and on an ongoing basis, the investee companies are rated for good governance practices using a third-party ratings provider.

The ESG data provided to the Investment Manager in this manner includes, but is not limited to, information in relation to a company's corporate governance, including board diversity, executive compensation, anti-competitive practices, ownership and control. The investment team then analyses and seeks to verify the ESG data and ratings in respect of such companies (the "ESG Information") by using data that they have compiled through their own proprietary in-house research function. By way of example, the in-house research function will engage directly with such companies to seek clarification on, and/or further information in relation to, the ESG Information, if required. If sufficient understanding and resolution on the issue identified is not achieved, the ESG risk profile of the company is raised, which may ultimately lead to a decision to liquidate the position.

Proportion of investments

The Portfolio invests in the IQ EQ Defensive Equity Income Fund (the "Fund"). The Fund will invest a minimum of 80% of net assets invested in equity securities which align with the environmental and social characteristics of the Portfolio. The Fund will primarily invest in direct exposures, but may utilise indirect exposures such as FDI for efficient portfolio management from time to time.

The Fund invests a minimum of 80% of net assets aligned with E/S characteristics, this includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product. The remaining 20% of net assets includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. These investments comprise cash and/or other liquid instruments for ancillary liquidity purposes. Minimum environmental and social safeguards are not applicable due to the nature of the investments.

The Fund does not intend to make sustainable investments and the Investment Manager does not currently commit to a minimum proportion of investments of the Fund that are Taxonomy aligned. Accordingly, the percentage of investments of the Fund aligned with the EU Taxonomy is 0% of the net assets of the Fund. This

includes both the inclusion and exclusion of sovereign bonds.

Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by the Portfolio include;

- The percentage of revenues derived from the manufacture or sale of cluster munitions or landmines. The Portfolio will not hold any companies with exposure to this indicator.
- The percentage of revenues derived from the production of thermal coal. The Portfolio will not hold any companies that derive more than 10% of their revenue from this indicator.
- The percentage of revenues derived from the production of tobacco products. The Portfolio will not hold any companies that derive revenues from this indicator.
- Violations of UNGC Principles and OECD Guidelines for Multinational Enterprises. A third-party data provider is used to identify a violation; measured by the severity and number of human and labour rights controversies incidents recorded for a company (denoted by a "red flag"). This Portfolio will not invest in any companies reported as having such red-flag violations attaching.

The monitoring process is as follows;

- the above sustainability indicators are included in an exclusionary screen, updated monthly. Companies identified as breaching the environmental or social characteristics and the sustainability indicators are excluded from the investment universe.
- any new investment is subject to a cross check review of the sustainability indicators using data from an external third-party data provider coupled with the internal research of the Investment Manager. This review may also include cross check of the third-party data with data from alternative data providers and provided by investee companies. Should a notable variance be identified, the Investment Manager will engage with the third-data provider to understand and request the resolution of the error.
- the sustainability indicators for the Portfolio are subject to an internal formal monthly review by the Investment Manager's investment risk team.
- the investment risk team conducts pre-trade compliance checks on potential investments to prevent the purchase of the excluded securities.

Methodologies

The Investment Manager will measure how the social and environmental characteristics promoted by the Portfolio are met by applying screens to measure the sustainability indicators outlined under the section “Monitoring of environmental or social characteristics”. This screening process, updated monthly, which utilises third-party data coupled with internal research, narrows the universe to a sub-set of potential investments which comply with the exclusion criteria applicable to the Portfolio.

Data sources and processing

The data used to attain each of the environmental and social characteristics promoted by the Portfolio is sourced from a third-party data provider (currently MSCI).

Measures taken to ensure data quality include an assessment of data quality as part of the initial and ongoing due diligence processes conducted against the data provider and cross-checks with alternative data providers and data provided by prospect and investee companies.

Data is sourced from the third-party provider and collated on an internal database on a monthly basis.

Companies that are identified as breaching the sustainability indicators outlined under the section “Monitoring of environmental or social characteristics” are recorded in this database and excluded from the potential investment universe and also excluded from investment under the pre-trade approval systems

The data used are provided by a third-party data provider and are not expected to be estimated for the sustainability indicators listed above. The third-party data provider has indicated that the data is collated from third party sources (for example news media services, NGO reports and websites, government data, company websites).

Limitations to methodologies and data

No limitations on the scope of data coverage for the sustainability indicators to note.

Due diligence

Due diligence includes incorporating the sustainability indicators in the investment screening process, which utilises third-party data coupled with internal research, to narrow the

universe to a sub-set of potential investments which comply with the exclusion criteria applied for the Portfolio. Internal research may include reviewing additional data points, third-party sources, and engagement with investee company management to form a complete view and the sustainability indicators and sustainability risk profile of the investee company.

The sustainability indicators are subject to a formal internal monthly review by the investment risk team.

Engagement policies

The Investment Manager may engage with an investee or potential investee company i) as part of the assessment of sustainability risk ii) as part of the assessment of good governance practices and/or iii) if a company is identified as an outlier on specific or several principal adverse impact data points. If sufficient understanding and resolution on the issue is not achieved, the ESG risk profile of the company would be raised, which may ultimately lead to a decision to exclude the company from the investable universe or divest of the position.

Any such engagement may include a structured, multi-stage process to drive progress in the management and resolution of the issue identified, including for example collaborative engagement with other asset managers or asset owners. The engagement process is recorded in an internal database.

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*Information correct as of October 2022

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