

» *ESG implementation*

ESG philosophy

An investment process based on long-term sustainable investment considerations and taking ESG criteria into account is, in our view, a decisive factor in achieving maximum risk-adjusted returns and, hence, also in our clients' best interests. We are confident that research about sustainability topics is essential to a comprehensive understanding of risks. Accordingly, ESG aspects are a basic component of our research process.

Why take ESG criteria into account in the investment process?

Taking ESG criteria into account helps us identify additional opportunities and risks in credit analysis, thus supporting us better understand companies in which we invest and, hence, make better investment decisions resulting in higher risk-adjusted returns over the long term.

A number of academic papers and research (e.g., the 2015 meta-study on the relationship between ESG and performance "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance" by Oxford University and Arabesque Partners) have found a positive correlation between ESG and enhanced risk-adjusted returns. This applies to both the profit of the invested company and its investment return.

The ESG approach

We implement the following two approaches with regards to sustainable investing:

ESG integration

- Integrating ESG factors into the research process due to risk-return considerations;
- Engaging actively with management when it makes sense to better understand risks and how the company progresses;
- Monitoring companies with potentially high ESG risk;
- Excluding highly controversial companies;

ESG integration is based on the following convictions:

- ESG criteria are integrated into our research processes in the most meaningful way possible to provide greater insight into fundamentals;
- Our task is to manage our investors' assets in a responsible manner. This makes it essential to take sustainability considerations into account, as well, and to engage issuers in a direct dialogue;
- Business or corporate practices that do not comply with the objectives of responsible investment are excluded.

Exclusions & best-in-class

Our global sustainable convertible bond strategy expands the integrated approach with a combination of exclusion criteria and a best-in/best-of-class approach. We use the rating methodology of our research partner, Bank J. Safra Sarasin.

These three elements define the approach:

- Exclusion criteria
- Industry rating (best-of-class)
- Company rating (best-in-class)

This approach excludes about 50 per cent of the convertible bond universe.

An overview of sustainable investment practices in our products

Investment strategies		ESG-Integration	Engagement	Exclusion	Extended Exclusion	Best-in-class/Best-of-class
Convertible Bonds	Global Defensive Convertible Bond	✓	✓	✓		
	Global Opportunistic Convertible Bond	✓	✓	✓		
	Global Dynamic Convertible Bond	✓	✓	✓		
	Global Sustainable Convertible Bond	✓	✓	✓	✓	✓
Corporate Bonds	Swiss Franc Investment Grade Bond	✓	✓	✓		
	Global Corporate Bonds	✓	✓	✓		
	Global High Yield Bond	✓	✓	✓		
	Emerging Market Corporate Bond Inv. Grade	✓	✓	✓		
	Emerging Market Corporate Bond	✓	✓	✓		
Absolute Return	Absolute Return Multi Asset	(✓)	(✓)	(✓)		
	Absolute Return Fixed Income	(✓)	(✓)	(✓)		

ESG integration process

Our ESG integration approach includes the following steps:

1. ESG Awareness

Companies are researched discretionary on the basis of publicly available information, company disclosures and third-party research (e.g., MSCI ESG or JSS).

2. ESG Integration

The analyst assesses the impact of ESG issues (sector-dependent key issues, such as CO2 emissions, biodiversity & land use, product safety & quality, health & safety, labour management, corporate governance and corruption & instability), on the company's business risk, regulatory risk, cashflow stability and valuation (i.e., whether it is trading at a premium or discount to its peers).

3. *ESG Assessment*

The analyst assigns an absolute rating to the issuer with regards to ESG risks. He classifies the company as “low risk”, “medium risk” or “high risk”. This classification is part of the relative value assessment.

4. *ESG Engagement*

In the event of heightened ESG risks that are of material importance for our investment decision, the analyst seeks out a dialogue with the company. We do this with the intention of improving the company’s ESG guidelines, in order to reduce risk. The analyst monitors and documents whether the company has undertaken the necessary steps to address the issues that have been raised.

5. *Exclusion*

When the analyst is of the view that management is not prepared to address and mitigate the key ESG risks that have been identified, that it is still difficult to evaluate risk, and/or that governance remains systematically weak or is worsening, he may request the ESG committee to exclude the company from our investment universe, which is also subject to Executive Committee approval.

ESG exclusion list

As a matter of principle, Fisch Asset Management does not invest in issuers that are involved in the manufacturing of controversial weapons, such as anti-personnel mines and/or cluster bombs. This excludes derivatives or indirect stakes, such as in financial establishments that may be invested in such companies or that offer services to such companies, as well as investments in firms that are invested in such companies through their pension fund. Companies are placed on a negative list and, in accordance with our investment compliance procedures, they are automatically labelled with a warning sign prior to order placement. The negative list is reviewed at least once per year by the ESG committee and by risk management. Proposed adjustments are then submitted to the Executive Committee for approval. Changes to the list could also be made on an ongoing basis in line with our ESG integration approach. These are also subject to ESG committee approval and are submitted to the Executive Committee.

ESG resources

Sustainability analysis is conducted by our credit analysts and portfolio managers. In the case of the FISCH Convertible Global Sustainable Fund, sustainability research is conducted by the ESG specialists of Bank J. Safra Sarasin followed by an internal review within our ESG integration approach.

Our internal ESG committee is also in charge of the ongoing development and monitoring of our ESG efforts. The committee consists of representatives of various departments:

- Meno Stroemer, Head of Portfolio Management
- Peter Jeggli, Head of Credit Research
- Andy Gehrig, Head of Risk Management
- Stefan Meyer, Senior Portfolio Manager, Lead Manager of FISCH Convertible Global Sustainable Fund
- Daniel Keller, Senior Sales & Relationship Manager International
- Corinne Ess, ESG Product Manager

Committee members also monitor ESG-related investment risks, therefore guaranteeing further development of our ESG integration approach. The product manager responsible for all sustainable investment related topics is in charge of ESG product strategy, development and support of ESG distribution activities, ESG monitoring, and reporting for all strategies, ESG initiatives and sustainable finance memberships.

Use of MSCI

Research: MSCI delivers important ESG information on individual companies in our investment universe. We regard this research as one input factor in helping us form an opinion on ESG opportunities and risks (low-risk, medium-risk, high-risk). Under certain circumstances, the credit analyst's assessment of a company may deviate from MSCI's.

ESG reporting

We produce ESG reports for the purpose of monitoring risk and ability to reply to client requests. They help us foster transparency on ESG quality on an ongoing basis. For our reports, we use data and templates from MSCI ESG Manager. Our assessment of the ESG profiles of each company does not necessarily overlap with MSCI's assessment.

Initial and further training in ESG issues

Ongoing training is provided on an individual basis to employees working on ESG / SRI issues. These employees also take part in sustainable investing events. One employee has completed the training programme in sustainable investments offered by FNG and the Austrian Society for the Environment and Technology (ÖGUT).