

Julius Baer Fixed Income Investment Grade Corporate (EUR) – A SFDR Article 8 sub fund of Premium Selection UCITS ICAV

TRCM Website Disclosure - SFDR Level 2 Update – Effective April 5 2023

Summary Document –

A Summary document of the main features of the Fund is available to download from this page. Translations into the official language of the EU jurisdictions into which the Fund is distributed are also available.

Sustainable Investment Objective –

The Fund promotes environmental or social characteristics but does not have as its objective a sustainable investment.

Environmental/Social Characteristics of the Fund -

The Fund promotes environmental and social characteristics by investing a substantial portion of the portfolio in companies with sound environmental, social and governance (ESG) arrangements. ESG data from various independent data providers, as well as internal thematic research related to investment themes, are used to assess the ESG quality of securities by applying the Investment Manager’s ESG Investment Rating Methodology.

To measure the attainment of the environmental characteristics of the Fund the following sustainability indicator is currently used: greenhouse gas intensity of investee companies. To measure the attainment of the social characteristics of the Fund the following two sustainability indicators are currently used: violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises and exposure to controversial weapons, (together, the “**Indicators**”).

The metrics currently used to measure the Indicators are:

- (i) Greenhouse gas intensity of investee companies: tonnes emitted / revenue in million
- (ii) Violations of UN Global Compact and principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises
- (iii) Exposure to controversial weapons

The Investment Manager and the Fund Management Company intends to amend and/or broaden the sustainability indicators used as ESG data relevant to the Fund becomes more available.

The Fund promotes environmental or social characteristics by investing in instruments that comply with the Investment Manager’s proprietary ESG Investment Rating Methodology (the “**ESG Methodology**”). The ESG Methodology is structured at three levels:

- (i) The first level is to gather unprocessed ESG data from various external data providers, as well as internal thematic research related to investment themes that are linked to sustainable objectives
- (ii) Then certain thematic scores are calculated out of the unprocessed ESG data and internal thematic research
- (iii) At the final level, four different ESG categories are derived using a combination of the thematic scores and certain indicators (processed ESG data such as ratings) provided directly by various ESG data providers.

The four ESG categories derived from the process are ESG Risk, Traditional, Responsible and Sustainable (each as defined below). At a minimum 70% of the Fund's assets will always be invested in financial instruments categorised by the Investment Manager as Responsible or Sustainable. The remaining 30% can be invested in financial instruments categorised as Traditional or in financial instruments that do not have an ESG category assigned by the Investment Manager.

Investment Strategy for the Fund -

The Fund is actively managed with a focus on bond selection and interest rate positioning.

The Investment Manager selects the investments made by the Fund based on an active fundamental approach, taking into consideration top-down (macro-economic factors such as gross domestic product (GDP) development, inflationary conditions and employment levels within economies) and bottom-up corporate and governmental bond issuer fundamental assessment.

When selecting investments issued by governmental issuers, the Investment Manager receives input from its research team who consider factors including but not limited to the following:

- the economic structure of a country
- the country's politics and governance
- the country's net international investment position i.e., the difference between the country's stock of foreign assets and a foreign country's stock of the country's assets
- the country's debt sustainability, i.e., the government's ability to meet its current and future payment obligations without financial assistance or going into default; and
- the country's fiscal and monetary flexibility.

When selecting investments issued by corporate issuers, input is provided through the broad resources within the Investment Manager. The interaction with the Investment Manager's chief investment officer (CIO) office and the Investment Manager's research team provides a strong information flow covering financial markets and economic conditions. The Investment Manager's research and portfolio management teams conduct research to support the Investment Manager's process including meeting with the companies, companies' financial results, companies' meetings, companies' presentations, companies' strategy, and industry positioning. The Investment Manager also engages outside research providers, including rating agencies, dedicated research providers and investment banks, who provide third party research e.g., macro strategy research, specific corporate research and credit research on potential and existing issuers.

The Investment Manager's fixed income portfolio construction team (the "FI PCT") allows for the filtering of the information provided by the CIO office and research team and a further dialogue over how this input can be utilised in the implementation of investment strategy of the Fund.

The issuer selection process conducted by the FI PCT encompasses the identification of the investable universe of issuers, the fundamental assessment of issuers based on the factors described below and the implementation of the investment in issuers. Issuers are selected on their fundamentals and their ability to remain current on interest payments to cover bond maturities with reference to the prevailing macroeconomic backdrop, and the issuers' ability to function within their areas of operation. Factors considered by the FI PCT in making these assessments include assessing the fundamental standing of an issuer including the level of debt, earnings generated to service debt, margins derived from their business activities and the quality and integrity of their management.

The Investment Manager will also assess issuer companies for good governance. This assessment involves

- evaluating investee companies' business behaviour in relation to their organisation and management structures, business ethics and accountability
- ensuring tax compliance
- assessing employee conditions and labour management
- examining diversity and inclusion, health and safety, and the prevention of harassment.
- Ensuring exclusion from portfolio the issuers of securities that display controversies, unethical behaviour, bribery, or corruption.

After the issuers have been selected, issues are then selected with reference to currency, seniority, maturity, duration, liquidity, as well as relative value considerations, which include price, yield and spread as compared to peers and other factors that the Investment Manager considers makes them the most attractive investments within the overall positioning and strategy of the Fund.

As part of its instrument selection process, the Investment Manager applies its proprietary ESG Methodology which categorises financial instruments as *ESG Risk*, *Responsible*, *Sustainable*, or *Traditional*. This results in a filtering of certain instruments that the Investment Manager finds not to promote environmental or social characteristics, have sound ESG quality or good corporate governance.

ESG Risk-categorised financial instruments are not permitted, unless the Fund has been granted an exception by the Investment Manager's Exception Committee. The Exception Committee has been established by the Investment Manager as its internal governance body that may grant an exception for an instrument that is categorised as *ESG Risk* to remain in the portfolio of the Fund and such exception will be valid on a fund-specific basis only.

The thematic scores are calculated at the second level of the process and comprise of Environmental scores, Social scores and Governance Score. The Environmental scores are the Climate Score and the Natural Capital Score. The Climate Score addresses the question of greenhouse gas emissions and a company's exposure to the shift towards a net-zero world. The Natural Capital Score addresses the topics of biodiversity, air pollution and other pollution, and allows for identifying companies with a significant exposure to, and impact on, environmental issues beyond climate. The Social scores are the Human Capital Score and Value Score. The Human Capital Score covers human rights and employee conditions such as pay, secondary benefits, workplace policies in relation to diversity, inclusion, and the prevention of harassment. The Value Score measures if a company is involved in

conventional weapon production/sales. The Governance Score addresses the question of a company's business behaviour, in its pure definition, i.e., in terms of policies, organisation structures, ethics, code of conduct, or accountability. The thematic scores are determined based on available data.

For a financial instrument to receive a *Responsible* categorisation, the thematic scores as well as the processed ESG data (such as ratings) need to be at a level that confirms to the Investment Manager that the financial instrument has clear ESG characteristics and does not show a clear weakness on any of the indicators considered. To receive a *Sustainable* categorisation, the requirements are higher and ensure that a financial instrument needs to show at least average values on all indicators considered, as well as above average strength on some of the indicators considered, such as e.g., the Human Capital Score, Governance Score and Climate Score.

Through this approach, the Fund promotes a substantial spectrum of environmental and social characteristics and ensures a minimum of good governance practices.

When it comes to the *ESG Risk* category, if certain indicators related to controversies, controversial activities, violations of global norms or materially negative sentiment related to ESG aspects indicate that a financial instrument has clear issues that point to substantial risks related to ESG, a financial instrument will receive the *ESG Risk* categorisation, unless the Investment Manager's Responsible Investment Committee ("**RIC**") overrides this categorisation and decides to classify the instrument as *Traditional*.

The RIC has been established by the Investment Manager as its internal governance body in relation to the ESG Methodology the Investment Manager has developed. The RIC comprises two panels: the RIC Strategic Panel (the "**S-RIC**"), which decides on the ESG investment and offering strategy, governance and methodology, and the RIC Operational Panel (the "**OP-RIC**") that operates based on a delegation granted by the S-RIC and monitors the application and overall functioning of the ESG Methodology on an instrument and/or issuer level within the Investment Manager's day-to-day operations. Among other duties, the OP-RIC handles the exception requests in relation to the ESG status category. An upgrade of an *ESG Risk*-categorised instrument, or the upgrade or downgrade of an instrument categorised as *Sustainable*, *Responsible* or *Traditional*, can be requested by the portfolio and/or risk management team within the Investment Manager based on sound arguments and/or evidence, e.g., ESG reports from other rating- or data providers than the ones normally used by the Investment Manager, a properly minuted discussion with the issuer, also involving the Investment Manager's research team. The OP-RIC will review the request and the arguments provided and if they find them to be sound and supported, it is within its power to grant an exception and upgrade the instrument under consideration from the *ESG Risk*-categorisation to a *Traditional*-categorisation or upgrade or downgrade an instrument categorised as *Sustainable*, *Responsible* or *Traditional*.

Lastly, a financial instrument that is neither *ESG Risk* nor *Responsible* nor *Sustainable*, will be categorised as *Traditional*. This is the remaining category and can be seen as the default value for an instrument that does not have substantial ESG issues leading to an *ESG Risk* categorisation, but also no specific ESG characteristics leading to a *Responsible* categorisation. *Traditional* can be seen as the neutral value.

The Fund will not invest in *ESG Risk*-categorised instruments unless an exception has been granted by the Investment Manager's Exception Committee.

Proportion of Investments with Environmental/Social Characteristics -

A minimum of 70% of the Fund's assets must always be invested in *Responsible* or *Sustainable* financial instruments. It should be noted that the Fund does not aim to invest in sustainable investments with an environmental objective that are not Taxonomy aligned. The minimum percentage of investments that are aligned with the EU Taxonomy is 0%.

Monitoring of the Environmental/Social Characteristics -

The Investment Manager undertakes ongoing research to affirm that no deterioration in portfolio environmental and social characteristics occurs during the period while a security is held by the Fund. The Investment Manager has a research team to provide ongoing advice to the CIO. The research team also engages external research providers and rating agencies to obtain information on security issuers and to ensure that appropriate governance arrangements continue to exist. A further assessment is undertaken by the fixed income portfolio construction team. This team engages in ongoing monitoring of general market conditions and portfolio positions to ensure the fund is positioned according to its investment mandate. This research and review process is applied to held positions in the portfolio to ensure that the same standards continue to apply during the lifetime that a security is held in the portfolio. In addition to this process, the Responsible Investment Committee undertakes ongoing monitoring of securities held in the portfolio. This continuous monitoring ensures that the ESG methodology for the Fund is applied on an ongoing basis.

Methodologies used to measure the attainment of the social or environmental characteristics promoted by the Fund –

To assess and monitor the attainment of the environmental characteristics promoted by the Fund the indicator of greenhouse gas intensity of investee companies is used. In order to assess the achievement of social characteristics two indicators are used- violations of UN Global Compact principles and secondly the OECD guidelines for multinational enterprises and exposure to controversial weapons. These indicators are assessed and measured by the Investment Manager. In due course the manager may add additional indicators as appropriate ESG data becomes more accessible.

Data Sources and Processing –

Data used in the ESG framework applied by the investment manager is sourced both internally and externally. Internal information is generated by the investment manager and used in the ESG framework. In addition to this, external data providers are used to provide research used in the framework. The framework is used in portfolio construction and ongoing monitoring. Thematic scoring is derived from the data which is used to define securities according to four different ESG categories – ESG Risk, Traditional , Responsible and Sustainable.

Limitations to data and methodologies-

The Investment Manager's approach to evaluating the ESG profiles of securities within its eligible investment universe may be constrained by the availability, quality and relevance of sustainability related data available to the Investment Manager.

The availability, quality and relevance of ESG data within the eligible investment universe may be limited, both in an absolute sense and in comparison to ESG data within other sectors or markets, due to a lack of sustainability related regulations and reporting standards in the countries that the Investment Manager can invest in, changes in ESG related regulations and reporting standards in the countries that the Investment Manager can invest in, inconsistencies in ESG related regulations and reporting standards between jurisdictions, a lack of historic information available on ESG for issuers, low coverage on, or inconsistencies with respect to the evaluation of, particular issuers by third party research and data providers or material inaccuracies in the ESG related information reported by issuers.

The investment Manager will attempt to overcome any such limitations in external data through the use of additional data providers, internal research and due diligence on a best endeavours basis.

Due Diligence Process

The Investment Manager incorporates a due diligence process within the investment decision-making for the Fund, both at the initial due diligence stage of the investment process and as part of the ongoing monitoring of the Fund's investments. The process is to ensure that investments in securities is restricted to instruments that comply with the Investments managers own internal investment rating methodology. This will ensure that the minimum allocation to sustainable and responsible investments targeted for the fund will be attained. For government securities a number of factors are incorporated in the due diligence process including macro-economic factors and geopolitical/governance factors (see investment Strategy). For corporate issuers the due diligence process includes multiple teams in the Investment Manager

- Office of the Chief Investment Officer
- The research team in the Investment Manager
- The portfolio construction team

A number of governance and conduct metrics are used in the due diligence assessment.

Engagement Policies

As part of the bottom-up issuer research process, the Investment Manager will engage directly with bond issuers. Engagement with issuers is both along the more traditional credit research path of communicating directly with companies regarding their financial and operational performance and additionally, engagement includes contact with corporate ESG investor relations representatives to gain a full understanding of their Sustainability policies and actions.

If the Investment Manger develops any concerns on particular controversies or ESG issue they will initiate an engagement process with the issuer. This process will typically include reaching out to the company's Sustainability representatives seeking clarity and additional details on the specific controversy .

Contact with issuers takes place in several forms. Roadshows, where the issuer is directly looking for contact with investors, meetings that result from direct requests to the issuers and at industry conferences. The intention is to have ongoing dialogue with issuers making up the key holdings in the Fund portfolio.

Benchmark-

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The Fund is actively managed by the Investment Manager and the Fund is not constrained by reference to any index. The Fund uses a benchmark, ICE BofA 1-10 Year Euro Corporate TR Index (the “**Benchmark**”), for performance comparison purposes only and the Investment Manager has broad discretion to deviate from the Benchmark’s constituents, weightings and risk characteristics within the Fund’s objective and investment policy. The degree to which the Fund may resemble the composition and risk characteristics of the Benchmark will vary over time and the Fund’s performance may be meaningfully different from, or more closely aligned with, that of the Benchmark.

The Benchmark is a subset of ICE BofA Euro Corporate Index that captures all securities with a remaining term to final maturity less than 10 years. ICE BofA Euro Corporate Index tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets. The Investment Manager believes that the Benchmark is appropriate for the Fund as the constituents of the Benchmark are consistent with those of the investment universe of the Fund, in comparison to other benchmarks, given that the Fund’s investments will mainly be in investment grade corporate bonds denominated in EUR and the bonds will, in the majority of instances, have a maturity between 1-10 years.

The list of benchmark administrators that are included in the Benchmarks Regulation Register is available on ESMA’s website at www.esma.europa.eu. As at the date of this Supplement, the following benchmark administrator is availing of the transitional arrangements afforded under the Benchmarks Regulation and, accordingly, does not appear on the Benchmarks Regulation Register: ICE Data Indices, LLC.