



Sustainability-related website disclosure

(Article 10 SFDR)

June 2024

Product name: Alken Fund – Small Cap Europe (the “Sub-Fund”)

Legal entity identifier: 549300353V37QUFNJU68

This document is the sustainability-related website product disclosure for the Alken Fund European Opportunities (the “Sub-Fund”) managed by AFFM SA (the “Management Company”). The Management Company delegates the portfolio management function to Alken Asset Management Ltd. (the “Investment Manager”).

This disclosure made in accordance with the requirements in the European Union’s Sustainable Finance Disclosure Regulation (SFDR) ((EU) 2019/ 2088) and the regulatory technical standards ((EU) 2022/1288). It includes the disclosures in accordance with:

- Article 10 of (EU) 2019/2088: Transparency of the promotion of environmental or social characteristics and of sustainable investments on webpage.
- Article 24-36 of (EU) 2022/1288: Website product disclosure for financial products that promote environmental or social characteristics.

The statement may be subject to changes due to the issue of further guidance and recommendations by the EU Commission.

Summary

The Sub-Fund 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 sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. The Sub-Fund intends to invest a minimum of 20% of its net asset value in companies which contribute to “climate change mitigation”.

Sustainable investments that the Sub-Fund partially intends to make should not significantly harm any environmental or social objective (DNSH Principle).

The financial product promotes environmental and social characteristics by using the Investment Manager’s own in-house ESG methodology. This ESG methodology uses a combination of the Global Reporting Initiative (GRI) Standards, of the Sustainability Accounting Standards Board (SASB) ESG metrics, of the Sustainable Development Goals (SDGs) objectives as well as of the UN Global Compact Principles.



The investment objective of the Sub-Fund is to achieve a return by exploiting investment opportunities in income generating securities including but not limited to debt and convertible markets.

At least 90% of the Sub-Fund's net assets (excluding cash, derivatives or any such non-applicable instruments) will promote E/S characteristics according to the investment process and to the ESG policy of the Investment Manager. An in-house ESG methodology is employed allowing the Investment Manager to identify the most material environmental and social characteristics against the security issuer's industry. The responsible investing approach assessment is based both on the asset manager's proprietary ESG analysis and on information gathered from external ESG providers, mainly MSCI.

The negative impact of investments on sustainability factors is taken into consideration as an integrated part of the investment process. The Investment Manager screens the general good governance structure and practices of the investee companies based on governance datapoints provided by the external data provider.

Internal and external data sources feed into the proprietary ESG scorecard system populated by the ESG team of the Investment Manager.

Limitations to methodologies and data exists as ESG information from third party data provider and/or obtained directly from the issuers may be incomplete, inaccurate, stale or unavailable which can result in the incorrect inclusion or exclusion of a company in the portfolio of the Sub-Fund.

The Investment Manager implemented a thorough ESG due diligence process ensuring that ESG considerations are fully integrated into the investment analysis process and the Management Company monitors adherence to the criteria defined by the ESG policy.

The Investment Manager and the Management Company endeavour to engage with the maximum number of portfolio companies subject to engagement policies that also apply to the Sub-Fund.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics that the Sub-Fund promotes.

No sustainable investment objective

The Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Sub-Fund will have a minimum proportion of 20% of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

No significant harm caused to the sustainable investment objective

Sustainable investments that the Sub-Fund partially intends to make should not significantly harm any environmental or social objective (DNSH Principle). In this respect, the Investment Manager commits to consider principal adverse impacts on sustainability factors by considering indicators for adverse impacts as defined in the SFDR.



The Investment Manager relies on a few indicators provided by its external data provider to ensure that those climate change mitigation contributing issuers are not at the same time causing harm to any other environmental or social sustainable objective. Extracted from the Investment Manager's data provider's platform, the following indicators are being stored and monitored via the internal ESG interface to identify any potential adverse impacts:

- No harm shall be caused to PAI 1: The company's economic activities shall not be part of the worst sectorial performers when it comes to their level of carbon emissions.
- No harm shall be caused to PAI 13: The company's economic activities shall not be part of the worst sectorial performers when it comes to ensuring a minimum level of female directors on the Board.
- No tolerance to high degree of ESG risks: The company's economic activities shall not be part of the worst global performers when it comes to general E, S and G matters, using our internal ESG scoring. Note we have identified the worst performers to be the internal category: RED/C-. Also note companies subject to this category can be upgraded according to a strict internal process.
- No tolerance to high degree of controversy: The company's economic activities shall not be part of the worst performers when it comes to being subject to controversies.
- No tolerance to controversial weapons: The company's economic activities shall be immune from any type of involvement with controversial weapons.
- No tolerance to large fossil fuel revenue share exposures: The company's economic activities shall be capped at 30% maximum of revenues generated by thermal coal or shale oil activities.

Environmental or social characteristics of the financial product

The financial product promotes environmental and social characteristics by using the Investment Manager's own in-house ESG methodology. This ESG methodology uses a combination of the Global Reporting Initiative (GRI) Standards, of the Sustainability Accounting Standards Board (SASB) ESG metrics, of the Sustainable Development Goals (SDGs) objectives as well as of the UN Global Compact Principles. This allows the Investment Manager to identify the most material environmental and social characteristics against the security issuer's industry.

- Top 10 of the cross sectorial characteristics pertaining to the environment:
 1. Air, water, ground pollution – SDG15
 2. Greenhouse gases emissions – SDG13
 3. Energy use, efficiency, and renewables – SDG7 combined with PRINCIPLE 9 UN Global Compact: Businesses should encourage the development and diffusion of environmentally friendly technologies
 4. Raw materials consumption – SDG12
 5. Sustainable transportation – SDG12
 6. Water management – SDG6 and SDG14
 7. Waste management – SDG15 and SDG14
 8. Biodiversity and its protection – SDG15 and SDG14
 9. Lifecycle impacts – SDG12
 10. Noise pollution – SDG15



- Top 10 of the cross sectorial characteristics pertaining to the social pillar:
 1. Impact on local community - SDG1 and SDG11
 2. Working conditions – including health and safety – SDG10 and SDG3
 3. Diversity programmes- SDG5 combined with PRINCIPLE 6 UN Global Compact: Businesses should uphold the elimination of discrimination in respect of employment and occupation
 4. Retention rate – SDG8
 5. Relationships with stakeholders (unions, NGOs, communities etc) combined with PRINCIPLE 3 UN Global Compact: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
 6. Supply Chain Management – SDG12
 7. Materials sourcing – SDG12
 8. Product Safety, quality, and labelling
 9. Customer privacy & information security
 10. Access to health and medicine – SDG10

Investment strategy

The investment objective is to provide capital growth and to enable Investors to benefit from growth in the European equity market, primarily through dynamic investment in a growth/value style biased portfolio of equity securities of undervalued European companies with a high growth potential focussing albeit not exclusively on small caps being companies with a capitalisation of less than EUR 3 billion, and mid-caps being companies with a market capitalisation of around more than EUR 3 billion but less than EUR 10 billion.

The Sub-Fund is an actively managed strategy and will invest at least 75% of its net assets in equities and equity related securities issued by companies that are headquartered in Europe, or conduct the preponderant part of their activity in Europe, which are small and mid-caps as defined above.

Covering the four key ESG themes: environment, social, governance and human rights, the responsible investing approach is based on global criteria with quantitative and qualitative rating, recommendations and ranking of the companies, irrespective of their sectors, capitalizations, or financial ratings. The responsible investing approach assessment is based both on the asset manager's proprietary ESG analysis and on information gathered from external ESG providers.

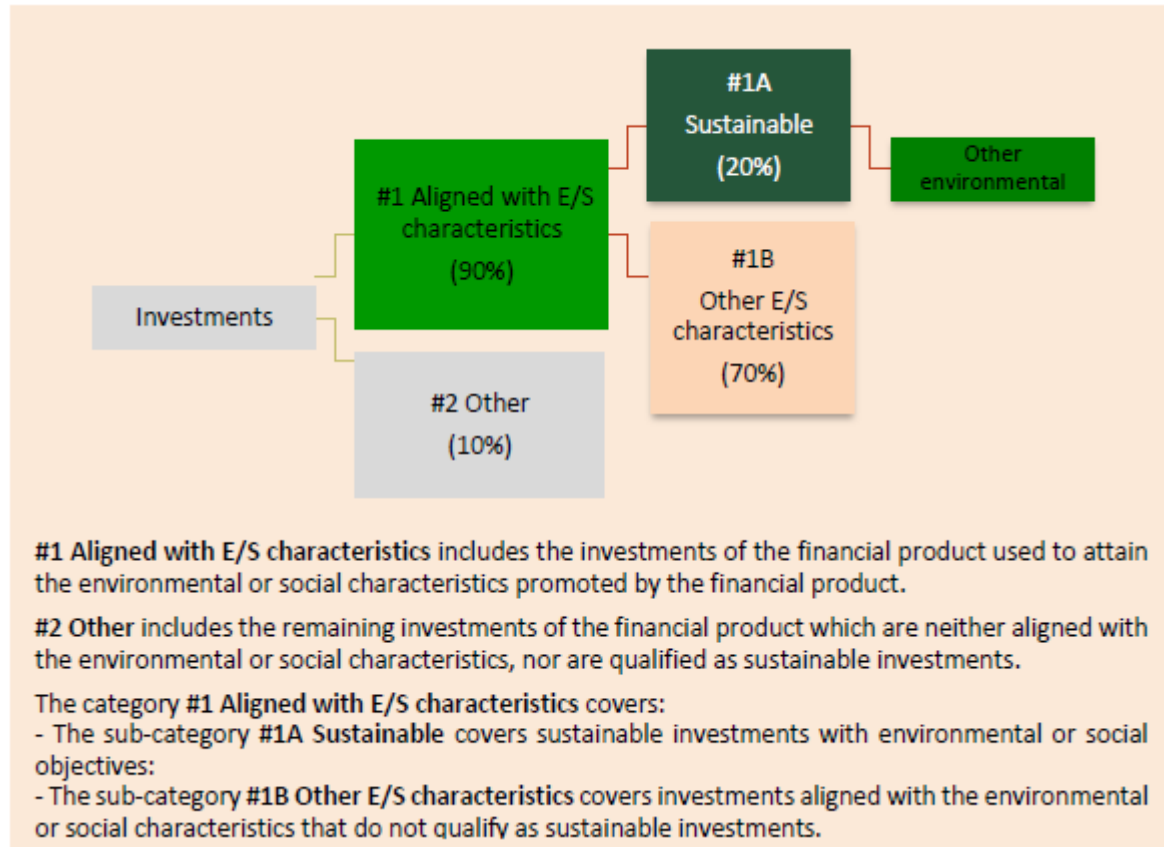
Sustainability risks are systematically integrated into the investment decisions. For more details please refer to the Investment Manager's [Integration of Sustainability Risk Policy](#) and to the Management Company's [Policy about the integration of sustainability risks](#).

The Investment Manager is excluding companies involved in controversies due to poor practices related to human and labour rights, environment, and corruption, as well as companies operating in sensitive sectors as further defined in the exclusion policy published on the Investment Manager's website: [Exclusion Policy](#)



In addition, the Investment Manager assesses good governance practices of the investee company through defining a corporate governance score and applying a threshold. a core set of standard key performance indicators for all sectors supplemented by sector specific metrics. Additionally, any controversies or issues raised by the UN Global Compact Principles will be identified and investigated.

Proportion of investments



There are no minimum environmental or social safeguards for investments included under “#2 Other” in the graph above. The Sub-Fund does not use derivatives to attain the environmental or social characteristics it promotes.

Monitoring of environmental or social characteristics

The Investment Manager’s own in-house ESG methodology allows to identify the most material environmental and social characteristics against the security issuer’s industry. For more details refer to the Investment Manager’s [ESG Integration Policy](#) and to the Management Company’s [Environmental, Social and Governance and Sustainability policy](#).

Methodologies

According to the Investment Manager’s ESG mapping, it shall primarily focus on the three most material environmental and social factors identified for each sector (and sub-sector if relevant). For instance:

Environmental characteristics promoted for the consumer discretionary sector:

1. Clean water and sanitation, in line with SDG6
2. Responsible consumption and production, in line with SDG12



3. Encouraging the development and diffusion of environmentally friendly technologies, in line with Principle 9 of the UNGC

Social characteristics promoted for the same consumer discretionary sector:

1. Decent work and economic growth, in line with SDG8
2. Industry, innovation, and infrastructure, in line with SDG9
3. Supply chain management, in line with SDG12

For more details regarding the ESG methodologies applies refer to the Investment Manager's [ESG website](#).

Data sources and processing

Information can be sourced from third party data vendors including the Investment Manager's data provider MSCI, but also, from times to times, companies like Bloomberg or, information sourced from proprietary research and internal analysis.

Data received from third party vendors typically comes from reputable and, in some cases, audited sources, such as annual reports of sustainability reports. Upon receipt, the data is checked by the ESG team of the Investment Manager.

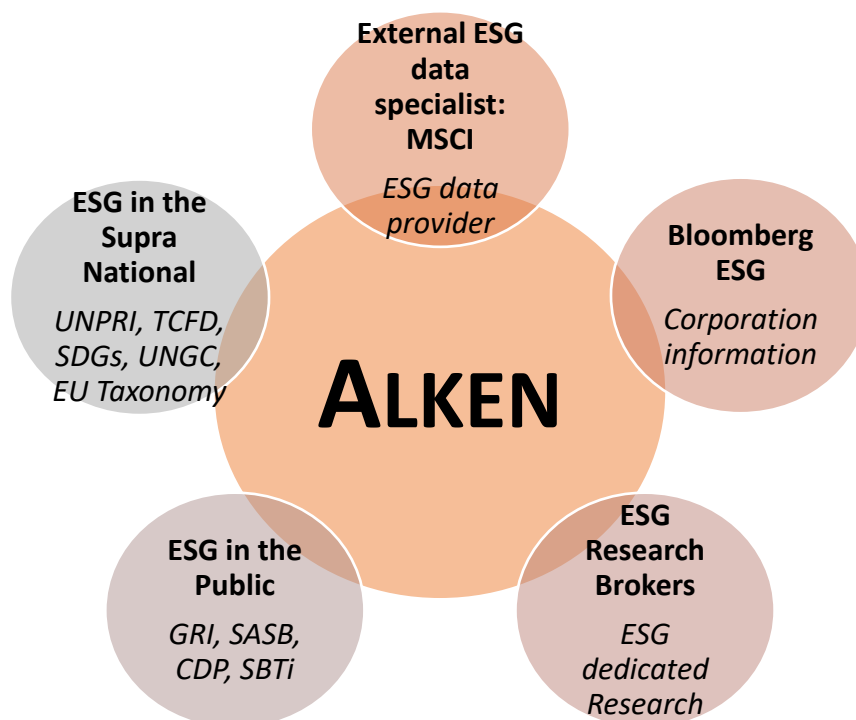
To ensure that interpretation of data is consistent, benchmarking exercises are performed where appropriate across sectors. Collected ESG data is evaluated via the use of a proprietary ESG scorecard, which is populated by the ESG team of the Investment Manager.

As such, ESG data is processed through a combination of external and internal proprietary systems and digital platform tools which monitor the exposure of the Sub-Fund both at fund and security level both pre and post trade.

It is believed that the use of estimated data is limited and used as little as possible by the third-party provider sourced by the Investment Manager. However, it is understood that the data provider uses estimates when a company-disclosed figure is not available. Estimates are typically derived from industry averages, regional criteria, and extrapolation from company disclosures to derive more granular values.

As such and for example, where a portfolio company does not disclose its scope 3 greenhouse gas emissions (which is often the case), an estimation is made by the data provider, using estimates and its own calculations' methods.

The following chart summarises the investment manager's different sources of information. Note that the list is not exhaustive.



Limitations to methodologies and data

Despite constant efforts made to enhance its processes and gather new ESG data channels, there remains several ESG limits and constraints:

- Data availability for issuers across the globe or smaller issuers.
- Data maturity concerns in particular for climate-data as most staff members are still being educated on those fairly new topics.
- Data quality concerns when purely relying on external data providers that may use estimated data.
- Data comparability complexity: not all companies publish the same indicators on the same basis and every business is unique.
- Multitude of regulatory developments, not always consistent with one another.

More precisely, ESG information from third party data provider and/or obtained directly from the issuers may be incomplete, inaccurate, stale or unavailable. As a result, there is a risk that the Sub-Fund may incorrectly assess an issuer. This in turn can result in the incorrect inclusion or exclusion of a company in the portfolio of the Sub-Fund. Incomplete, inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG risk and opportunity characteristics).

How do those limitations not affect how the environmental or social characteristics promoted by the Sub-Fund are met?

Where identified, the Investment Manager will seek to mitigate the limitations to data sources through due diligence measures in place in relation to external data providers, its own assessment of data and issuers and by taking any appropriate remediation as necessary.

Where limitations in the methodologies and data have been identified, the Investment Manager seeks to mitigate these through governance and oversight. Whilst, as with financial data, it is impossible to eliminate the risk of impact of an external data vendor error completely, the Investment Manager does conduct its own reviews and challenges the data provider where it believes investments have been misclassified, or where it believes quality is lacking.

The quality of internal and external data is evaluated on an ongoing basis, and the Investment Manager continuously assesses if new data providers can improve the analysis and ESG process. Prior to a data provider being chosen as a supplier by the Investment Manager, market research is conducted, and the potential data providers are assessed on issues such as: data quality, coverage, security, methodology, price, reliability, and conflict of interest.

Where the methodologies and/or data are insufficient post mitigation to evidence that an investment is in compliance with the promoted characteristics of the Sub-Fund, such investment cannot be purchased, whilst the Investment Manager will continue to consider what further information can be obtained through additional research, if needed.

Due diligence

The Investment Manager implemented a thorough ESG due diligence process: from the exclusion lists to the monitoring of ESG controversies. Thanks to this process, ESG considerations are fully integrated into the investment analysis process. The below details this ESG due diligence process.



The Risk Management Function of the Management Company also controls that every issuer / asset in the portfolio respects the criteria defined by the ESG policy.



Engagement policies

The Investment Manager and the Management Company endeavour to engage with the maximum number of portfolio companies subject to engagement policies that also apply to the Sub-Fund.

Information on each entity's engagement policy can be found on the respective website:

AFFM SA as Management Company: [Proxy Voting and Shareholder Engagement Policy](#)

Alken Asset Management as Investment Manager: [Engagement Policy](#)

Designated reference benchmark

The Sub-Fund has not defined a benchmark with regards of attaining the sustainability characteristics.