Ninety One

Global Managed Income Fund

Sustainable Finance Disclosures

Summary

The Global Managed Income Fund, the Sub-Fund aims to provide capital growth and income over the long-term. The Sub-Fund seeks to limit volatility, which means that the pace or amount of change in its value should be 50% lower than the volatility of global equities. It is actively managed and invests in a broad range of assets around the world.

The Sub-Fund does not have an explicit sustainable investment objective but does promote environmental and social objectives. It does this by making investments in companies and countries that meet the standards of Ninety One, the Investment Manager's sustainability framework and by excluding investments in others.

At least 51% of holdings will be aligned with the environmental or social characteristics promoted by the Sub-Fund.

How does the Sub-Fund incorporate sustainability into its investment process?

Ninety One uses a proprietary sustainability framework to analyse the material harmful and/or beneficial effects that a company or country has on society or the environment. This is supported by a variety of information including company sustainability reports and ESG data from third party providers. The goal is to identify beneficial or harmful impacts that a company or country may have on society or the environment.

- Companies: If harmful impacts are identified, Ninety One will assess whether the company concerned has policies in place to mitigate and reduce the harmful effects of its policies and operations.
- Countries: Ninety One will assess whether governments are balancing long-term environmental and social sustainability with short-term growth and consumption goals.

The sustainability reviews help identify companies and countries that should be excluded from the Global Multi Asset Income Fund and contribute to the research carried out on individual holdings before they are included in the Sub-Fund.

Ninety One follows an internal framework to analyse governance covering a wide range of factors including among others leadership, diversity and board independence through to adequacy of disclosures, capital management and auditor competence.

Which companies are avoided?

Ninety One excludes certain companies from the outset. These are companies that derive more than 5% of their revenue from:

- the manufacture and sale of tobacco products;
- thermal coal extraction or power generation;
- the exploration, production and refining of oil and gas;
- the operation of of gambling centres or through online gambling portals; or
- the production or distribution of adult entertainment; or
- the manufacture of conventional or nuclear weapons, manufacture or distribution of civilian firearms, or manufacture of weapons support systems and services

In addition, the Sub-Fund will not invest in companies:

- that are directly involved in the manufacture and production of controversial weapons (including biological and chemical weapons, cluster munitions and anti-personnel landmines); or
- are directly involved in the manufacture and production of nuclear weapons; or
- that Ninety One deems to be in violation of the UN Global Compact principles.

How are investments monitored from a sustainability perspective?

The Sub-Fund's portfolio investments are regularly reviewed by Ninety One. Measuring environment and social characteristics is dependent on the availability of quality data and where limitations exist, Ninety One relies on research and due diligence to monitor environmental and social characteristics among others.

While the Sub-Fund does not have a designated reference benchmark when it comes to measuring the environmental or social characteristics of a particular holding, a combination of sustainability indicators and qualitative assessments are used.

Sustainability indicators for the monitoring of direct equity investments include:

- Scope 1, 2 and 3 company carbon footprints

- Weighted average carbon intensity
- Proportion of holdings in the portfolio which disclose carbon emissions figures
- Proportion of holdings with credible net zero transition plans in place
- Percentage of companies invested in business groups or activities (in some cases subject to specific revenue thresholds) prohibited under the Sub-Fund's exclusions criteria

Sustainability indicators that will be monitored for debt investments include:

- Where relevant, country carbon emissions on a per capita and/or GDP basis with accompanying qualitative criteria

Engagement policies

The Sub-Fund's holdings are monitored on an ongoing basis by Ninety One. Ninety One makes a point of meeting management teams to engage on any material sustainability or financial matters, as well as to understand the adoption of net-zero commitments and science-based targets.

A holding may be sold for a range of reasons but in particular, if it is determined that the investment case for the holding has weakened or it no longer satisfies the investment objective and policy of the Sub-Fund. Such sales will take place over a time period to be determined by Ninety One, considering shareholder best interests. Any changes in ESG scores may result in a change in the relative ranking of the company within the relevant sector specific ESG scorecard; this will prompt a discussion at Ninety One regarding what has driven such changes and whether any adjustment to the Sub-Fund is required.

No sustainable investment objective

This financial product promotes environmental or social characteristics but will not make any sustainable investments.

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and/or social characteristics by investing in companies and countries considered by the Investment Manager as having policies, operations and/or business models that aim to manage their harmful effects on society and the environment, or whose products and/or services benefit society and the environment. Additionally, the Investment Manager excludes investments in certain business groups and activities.

The Sub-Fund invests across various areas in which the Investment Manager sees opportunity to promote environmental/social characteristics, examples of these:

- environmental characteristics can include transition to net zero and climate change amongst others; and
- social characteristics can include digital infrastructure, healthcare and financial inclusion amongst others.

The Investment Manager uses a proprietary sustainability framework to analyse the material harmful and/or beneficial effects that a company or country has on society or the environment. Details of the proprietary sustainability frameworks and information on exclusions are explained in the 'Investment strategy' section below.

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

Investment strategy

Sustainability Framework

As part of its investment strategy to promote the environmental and social characteristics of the Sub-Fund, the Investment Manager makes direct investments in companies and countries that meet the standards of its sustainability framework.

This sustainability framework focuses on assessing the material positive and negative externalities created by a potential investment that impacts its stakeholders. Positive and negative externalities are the beneficial or harmful effects that the Investment Manager believes a company or country may have on society and the environment as a result of its policies, operations, business models, products and/or services.

The Investment Manager will quantify the externalities where possible and assess the business models and targets that companies have in place to manage negative externalities that affect society and the environment. The Investment Manager will favour direct allocations in investments which have policies in place to manage harmful effects (i.e., negative externalities) on stakeholders, and in some cases have products and services with identifiable benefits (i.e., positive externalities) to society or the environment.

Using its sustainability framework, for company investments, the Investment Manager undertakes sustainability reviews of industry business groups which serve two purposes:

- to help identify potential business groups that should be excluded from the Sub-Fund; and
- to provide context for the subsequent fundamental research that is carried out on individual companies when considering them for inclusion in the Sub-Fund.

When investing in countries (i.e., sovereign investments), the Investment Manager reviews the extent to which authorities are balancing long-term environmental and social sustainability with short-term growth and consumption goals. It is an important understanding that for many countries, there is a delicate balance between negative environmental and social externalities and the pursuit of economic growth, particularly in lower income nations.

Exclusions

As referred to above, for the Sub-Fund, the Investment Manager also seeks to exclude direct investments in certain business groups and activities (in some cases subject to specific revenue thresholds). The Investment Manager's approach to exclusions for the Sub-Fund is based on a combination of the conclusions of its proprietary business group sustainability reviews and the responsible investing preferences of investors.

As a result, the Sub-Fund will not invest in companies that derive more than 5% of their revenue from the following business activities (to the best of the Investment Manager's knowledge):

- the manufacture and sale of tobacco products;
- thermal coal extraction or power generation;
- the exploration, production and refining of oil and gas;
- the operation of gambling centres or through online gambling portals;
- adult entertainment production or distribution; or
- the manufacture of conventional weapons, manufacture or distribution of civilian firearms, or manufacture of weapons support systems and services.

In addition, the Fund will not invest in companies that (to the best of the Investment Manager's knowledge):

- are directly involved in the manufacture and production of controversial weapons (including biological and chemical weapons, cluster munitions and anti-personnel landmines);
- are directly involved in the manufacture and production of nuclear weapons; or
- the Investment Manager deems to be in violation of the UN Global Compact principles.

More information on the Investment Manager's current sustainability criteria, including the rationale behind not investing in certain business groups and activities, can be found in the Literature Library on the Investment Manager's website.

Over time, the Investment Manager may, in its discretion, elect to apply additional exclusions to its strategy that it believes are consistent with the Sub-Fund's investment policy. Such changes will be disclosed on the Investment Manager's website as they are implemented and subsequently updated in this Prospectus at the next available opportunity.

Additional Considerations

The sustainability framework is integrated throughout the investment process. The Investment Manager's fundamental analysis is supported by a variety of information including publicly available sources (e.g., company sustainability reports), third party data (e.g., CDP carbon disclosure reports), proprietary models as well as the experience, discretion and judgement of the Investment Manager.

Engagement with a company's management team forms an important part of the Investment Manager's process and monitoring. The Investment Manager will consider engagement with a company's management team where it identifies opportunities to effect positive change such as improved carbon disclosure and net zero emission targets.

The Sub-Fund's holdings will be monitored on an ongoing basis by the Investment Manager. A holding may be sold for a range of reasons but in particular, if it is determined that the investment case for the holding has been weakened or it no longer satisfies the investment objective and policy of the Sub-Fund. Such sales will take place over a time period to be determined by the Investment Manager, taking into account the best interests of the Shareholders of the Sub-Fund.

Good governance

The Investment Manager follows an internal framework to analyse governance issues related to investee companies. This is rooted in widely accepted governance principles which are outlined in the Investment Manager's Ownership policy on its website. The following corporate governance themes are core to Ninety One's policy in relation to managing governance related issues and determining good governance:

– Leadership and Strategic Control, including board diversity, independence and engagement;
– Alignment with the long term, including remuneration and governance of sustainability issues;
– Climate change, including adequacy of management and disclosure of risks;
– Protecting capital through capital management and preserving shareholder rights; and
– Audit and disclosure, including financial reporting quality and auditor competence.

Third party data complements the governance assessment.

For the Sub-Fund, assessing the good governance practices of companies and countries (i.e., sovereign investments) is part of the fundamental analysis that the Investment Manager performs on its investments and through the ongoing monitoring of holdings. As part of the Investment Manager's assessment of company governance, areas such as management structures, employee relations, remuneration of staff and tax compliance are taken into account.

Where a governance issue is identified, the Investment Manager may engage directly with company management on this issue and/or exercise proxy voting rights in an effort to catalyse change.

Proportion of investments

Minimum proportion of assets used to meet the environmental or social characteristics promoted by the Sub-Fund (i.e. 'Aligned with E/S characteristics') is 51% of the Sub-Fund's assets.

Information on the remaining investments, their purpose and any minimum environmental or social safeguards applied is outlined in the section below on 'What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?'.

The assets held to support attaining the environmental and social characteristics promoted by the Sub-Fund focuses on investments in companies or countries.

It should be noted that the proportion of assets Aligned with E/S characteristics may vary through the market cycle.

Monitoring of environmental or social characteristics

The Sub-Fund promotes environmental and social characteristics by making investments in companies that meet the standards of the Investment Manager's proprietary sustainability framework and by excluding direct investments in certain business groups or activities.

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

A combination of sustainability indicators and qualitative assessments are used to monitor the attainment of the environmental and social characteristics promoted by the Sub-Fund. Qualitative assessments will include the analysis of information relating to the material positive and negative externalities within the Sub-Fund.

Sustainability indicators that will be monitored for direct equity investments include:

– Scope 1, 2 and 3 carbon footprint (in tonnes of CO_2e per US$m invested)
– Weighted average company carbon intensity (in tonnes of CO_2e per US$m of revenue)
– Proportion of disclosure (% of companies in the portfolio which disclose carbon emissions figures)
– Percentage of holdings with credible net zero transition plans in place
– Percentage of companies invested in the business groups or activities (in some cases subject to specific revenue thresholds) prohibited under the Sub-Fund's exclusions criteria

Sustainability indicators that will be monitored for debt investments include:

– Where relevant, country carbon emissions on a per capita and/or per GDP basis with accompanying qualitative commentary

Over time, the Investment Manager expects to include additional relevant sustainability indicators as data becomes more readily available.

The attainment of the environmental and social characteristics promoted by the Sub-Fund, and the sustainability indicators of the financial product are monitored by various areas of the business. Information obtained from this monitoring can contribute to a sell decision in a position if the Investment Manager deems that the company no longer meets the standards of the Investment Manager's proprietary sustainability framework

Methodologies for environmental or social characteristics

The Investment Manager uses an appraisal of a company's and country's externalities as the method to measure how the social or environmental characteristics promoted by the financial product are met. The Sub-Fund will favour investments in companies and countries that it considers to have business models and targets in place to manage the reduction of negative externalities on society and the environment, as well as in companies with products and services that have positive externalities on society and the environment. When investing in countries (i.e., sovereign investments), the Investment Manager reviews the extent to which authorities are balancing long-term environmental and social sustainability with short-term growth and consumption goals. It is an important understanding that for many countries, there is a delicate balance between negative environmental and social externalities and the pursuit of economic growth, particularly in lower income nations.

The externalities appraised relate to nature, society and, where relevant, the workforce. The nature assessment relates to the use of natural resources across dimensions including carbon emissions, biodiversity, water usage and waste management. The society assessment relates to the policies, programmes and spending aimed at a range of stakeholder including health and safety. The workforce assessment, where relevant, relates to employee training and development in a company context.

This qualitative assessment is supported by data including the Sustainability indicators as described above.

Data sources and processing

The Investment Manager uses a variety of third-party data service providers that specialise in the provision of Environmental, Social and Governance (ESG) data to measure the attainment of the Sub-Fund's environmental and social characteristics. Ninety One's primary ESG data service providers are MSCI, ClarityAI and S&P Trucost that aggregate company reported data for use by the Investment Manager and provide estimated/modelled data where data is not available. This may be supplemented by proprietary ESG analysis, equivalent, or internally estimated data. As the Sub-Fund invests across many jurisdictions there is great variability in data availability and quality. The Investment Manager mitigates this by using reputable third-party sources and may engage with vendors where there is disagreement with the output of the data.

Sustainability data vendors are reviewed by internal stakeholders prior to onboarding. This process helps develop an understanding of the quality of data, coverage, and estimation methods. Based on this review the Investment Manager determines acceptable levels of data quality. The Investment Manager's analysts perform a key role in the review and support process to promote continuous improvement of data quality through engagement with both companies and data vendors.

The level of estimation can vary by data type and region. Carbon data quality has significantly improved over the last few years. Scope 3 data remains subject to a high level of estimation.

Limitations to methodologies and data

Measuring how the environmental or social characteristics are met (i.e. its sustainability indicators) is dependent on the availability and quality of data. The Investment Manager aims to use reported data from companies and government sources, however, in some cases may need to approximate data where appropriate data is not available. Approximation is typically done by vendors including estimated data. Data coverage is improving but may not always be representative of corporate and sovereign activity. When appropriate the Investment Managers aims to disclose where estimated or modelled data is used as well as the need to exercise caution when using this data for decision making or comparative purposes.

Where limited data is available, the Investment Manager uses its research and due diligence process to assess environmental and social characteristics.

Due diligence

The Strategy aims to achieve a steady income by focusing on high quality companies with resilience of income, stability of cashflow and balance sheet strength. Equity security selection seeks to identify high quality companies with attractive and resilient dividend yields. The first step is to screen the universe and eliminate those stocks which are too small, too illiquid or too volatile. The next stage is to rank stocks using a combined score of Compelling Forces, dividend resilience and dividend yield. 'Compelling Forces' is a combination of Fundamentals, Valuation and Market Price Behaviour with the most attractive assets scoring well on all three criteria.

Dividend resilience is designed to measure whether the dividend yield will continue to be paid and can increase over time. We use ten metrics which help us to avoid companies which are at the greatest risk of cutting their dividends. For dividend yield we only consider companies with an above median yield (measured as the mean of the 12-month trailing yield and the consensus forecast yield). Companies that score highest on this basis are eligible for inclusion although, as noted above to be bought for the income strategy, one of Ninety One's equity analysts must produce a favourable due diligence report on the stock.

Government bonds are assessed using a number of quantitative scorecards that assess the 'Compelling Forces' for over 20 economies. This systemic analysis of 'Compelling Forces' generates outright and relative value opportunities ideas which are then analysed in more detail to identify those which are truly compelling. The team undertakes a fundamental analysis of economies and creates potential interest rate scenarios in order to model forward interest rates for the next two years. This allows them to reflect the balance sheet risks and adjust their weighted profiles seamlessly as their assessment of the probabilities adapts to new information. This provides a basis of comparison for their expectations versus the market and offers a guide to where there are potential 'mispricings' in short-dated bond markets.

Credit analysis focuses on companies with strong cash flow generation, resilient capital structures and good earnings visibility. The first step is to screen the universe and eliminate all those credits which are too small or illiquid which means the strategy is not exposed to undesirably low liquidity positions. A yield screen is then applied to the remaining credits in order to identify those issues which can meet the strategy's yield objective. The next stage is to rank stocks according to the 'Compelling Forces' process and to combine this with detailed credit specific modelling in order to develop a comprehensive understanding of an issue's ability to service its debt.

Local currency emerging market bonds are considered on a 'hedged' basis i.e., without currency risk. This has the benefit of reducing bond volatility (emerging market currency volatility is often twice that of bonds) and focusing returns on the development and fair valuation of longer-term economic fundamentals. The team evaluates EMD opportunities using a 'Compelling Forces' approach utilising a combination of quantitative signals and the fundamental analysis of country specialists. The Fundamentals score includes a vulnerability indicator to assess how sensitive each of the markets is to a sudden turnaround in global risk assessment. It includes foreign ownership risk, real spreads and overbought risk.The team also uses a Sustainability model that aims to capture the factors that influence debt sustainability across a wide range of emerging markets.

Engagement policies

The Investment Manager implements active stewardship and its rights as shareholders to preserve and grow its clients' assets, including engagement with the companies in which it invests. Engagements take place as an integral part of the investment process, with the investment teams initiating engagement relevant to environment, social and governance characteristics based on their investment priorities as identified through their fundamental research. The extent of engagement activities will vary depending on the materiality of any adverse impacts, ability to exert influence, and the nature and severity of the potential issue. Where engagements on sustainability issues are identified as a critical opportunity to create or preserve value, and where the Investment Manager believes it can have influence, these are classified as strategic engagements. Strategic engagements involve an agreed engagement plan with outcomes identified, agreed between the Investment and Sustainability teams.

In addition, in relation to Article 8, where significant adverse impacts are identified or there is potential non-compliance with good governance requirements the investment team will identify the materiality of these and the potential need for engagement to address these issues, in conjunction with the Investment Risk and Sustainability teams. Aligned with the Investment Manager's broader approach to engagement and stewardship, individual engagements will be categorised as general, strategic or advocacy (collaborative) engagements depending on the materiality and form of the engagement. Further information on the Investment Manager's approach to engagement is available on their website [or links to the stewardship and sustainability report and 'How we Engage' and 'Ownership and Proxy Voting' documents].

For the Global Managed Income Fund the E/S characteristics is pursued through engagement as follows.

The Investment Manager meets management and engage with portfolio companies, to engage on any material sustainability or financial matters, as well as to understand the adoption of net-zero commitments and science-based targets. Engagement is company specific and generates information that feeds back into our portfolio monitoring, including valuable insights into company progress. We report on engagement progress in our Annual ESG Integration Report for Global Managed Income.

Where the Investment Manager believes engagement is ineffective or companies are not committed to change, it may use the ultimate lever as an investor, which is to reallocate our capital.

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Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions.
For more details please visit www.ninetyone.com/contactus

Important information

All investments carry the risk of capital loss. Past performance is not indicative of future performance.

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