

TwentyFour ICAV – TwentyFour Sustainable Enhanced Income ABS Fund

Legal Document:
SFDR Website Disclosure for Article 8 financial products

Summary

The investment objective of the TwentyFour Sustainable Enhanced Income ABS Fund (the “Fund”) is to achieve income and long-term capital growth.

The Fund has the following environmental and/or social characteristics:

- The Fund promotes minimum environmental and/or social standards and invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and/or social challenges. Issuers will be screened based on the Investment Manager’s view of appropriate ethical and sustainability principles, by following integration and exclusions approaches by investing in debt securities of companies with excellent ESG ratings. Issuers must have an ESG rating above a minimum threshold based on the Investment Manager’s proprietary scoring model (positive screening).
- The Fund applies certain exclusion criteria (negative screen) with regards to products and activities related to unconventional / controversial weapons, carbon intensive operations tobacco (production), adult entertainment, alcohol, gambling, animal testing (for cosmetic purposes) and conventional weapons.
- The Fund has not designated a reference benchmark for the purposes of attaining the environmental and/or social characteristics that it promotes.

The Fund applies an investment strategy that is described in the Supplement. As part of this strategy, the Fund promotes environmental and/or social characteristics. The Investment Manager applies an integration model which ensures environmental, social and governance considerations sit alongside more traditional metrics such as yield and maturity and form a key component of the investment strategy.

In order to attain the environmental and/or social characteristics, the Fund applies a screening and an exclusion approach.

Screening approach:

- The Fund promotes environmental and social characteristics by investing in debt securities with a minimum ESG score (positive screen), which is based on the Investment Manager’s proprietary methodology. This score is the result of combination of qualitative and quantitative analysis. The Investment Manager’s proprietary Observatory relative value system embeds ESG factors within a tool which used on a daily basis by the portfolio managers.

Exclusion approach:

- The Fund applies certain exclusion criteria (negative screen) with regards to products and activities related to: unconventional / controversial weapons, coal (extraction), tobacco, adult entertainment, alcohol, gambling, animal testing. Such involvement is measured by the revenues an issuer derives from such activities. The Investment Manager considers that a company is involved in such activities when it derives a material part of its revenues from these activities. =

The securities will be analysed based on the binding elements prior to investment and monitored on a continuous basis. The binding elements of the Fund are:

- The Fund will only invest in issuers that pass the minimum ESG score.
- The Fund excludes corporate issuers that derive a material part of their revenues from products/activities that are listed in the exclusion list.

The attainment of the environmental and social characteristics is measured through the following list of sustainability indicators:

- Percentage of investments in issuers with a combined E and S score above the minimum threshold set for this Fund within the Investment Manager’s proprietary ‘Observatory’ database. Observatory is a relative value system, which combines third party data covering over 400 ESG metrics in conjunction with the portfolio managers’ overall relative value decision making.
- Percentage of investments in issuers involved in activities excluded by the Fund

This Fund does not make any commitment to invest in environmentally sustainable investments in the sense of the EU Taxonomy.

No sustainable investment objective

Does this financial product have sustainable investment as its objective?

☐ Yes ☒ No

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

Environmental or social characteristics of the financial product

What are the environmental or social characteristics promoted by this financial product?

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Investment strategy

What investment strategy does this financial product follow to select the investments to attain the environmental and social characteristics?

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What is the policy to assess good governance practices of the investee companies?

The investee companies in which the Fund invests will follow good governance practices and are rated for governance aspects using the Investment Manager's ESG score. Common governance indicators include sound management structures, such as board independence and diversity, employee ownership, remuneration of staff, tax compliance, rights of minority shareholders, executive remuneration, and audit and accounting oversight. These governance indicators are a major component of the Investment Manager's ESG score.

The Fund further intends to ensure good governance of the investee companies via active engagement. All engagements directly conducted by the Investment Manager are recorded in the Investment Manager's Observatory database. The governance ratings and practices are monitored on an ongoing basis to ensure that the Fund only holds investee companies that follow good governance practices.

Proportion of investments

What is the asset allocation planned for this financial product?

#1 Aligned with E/S characteristics

The Investment Manager intends to invest a minimum of 80 % of the Fund's assets in investments which are aligned with the environmental and social characteristics promoted by the Fund in accordance with the binding elements of the investment strategy of the Fund.

The Fund does not commit to making sustainable investments at this time.

#2 Other

The Fund may, under normal market conditions, hold between 0% to 20% in cash and instruments used for the purposes of ancillary liquidity. This percentage may increase significantly in extreme market conditions. The Fund may additionally employ financial derivatives used for the purposes of efficient portfolio management (which included hedging). While these instruments are not expected to detrimentally affect the attainment of the Fund's environmental and social characteristics, no minimum environmental or social safeguards are applied.

With the exception of #2 Other assets, ESG analysis will be applied to 100% of the Fund's securities and accordingly the Investment Manager is expected, in normal market conditions, to invest at least 80% of the Fund's assets in securities which are aligned with the environmental and social characteristics promoted by the Fund in accordance with the binding elements of the investment strategy of the Fund.

Monitoring of environmental or social characteristics

What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?

The attainment of the environmental and social characteristics is measured through the following list of sustainability indicators:

- Percentage of investments in issuers with a **combined E and S score above the minimum** threshold set for this Fund within the Investment Manager's proprietary 'Observatory' database. Observatory is a relative value system, which combines third party data covering over 400 ESG metrics in conjunction with the portfolio managers' overall relative value decision making.
- Percentage of investments in issuers involved in activities excluded by the Fund

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

The information used for the implementation of the ESG framework, and consequently the attainment of the environmental and social characteristics, are reviewed on a regular basis.

If a security does not comply with the binding criteria described below, the Investment Manager divests from such an issuer within a time period to be determined by the Investment Manager without exceeding in principle three months after such breach was detected, considering prevailing market conditions, and taking due account of the best interests of the shareholders. The Board of Directors or the Management Company of Fund may decide to further postpone the rectification of such a breach or decide to carry out the divestment in several instalments over a longer period of time in exceptional cases, provided this is considered to be in the best interests of the shareholders.

The Investment Manager is responsible for ensuring compliance with the binding elements applied by this Fund. Numerical ESG restrictions are coded in the Investment Manager's trading and compliance system and the Investment Manager's Risk function monitors alignment on a daily basis. Where the Investment Manager's portfolio management team makes qualitative judgement based assessments, this process is monitored through a combination of regular attestations by the investment teams and periodic sample checks by the Compliance team.

Methodologies

Exclusion approach:

The Investment Manager retains data from third party data provider in order to analyze an issuer's exposure to activities excluded by the Fund, based on pre-defined thresholds. In order to qualify for initial investment, the issuer must not breach any of these exclusion criteria.

Screening:

As part of the investment selection process, the universe of investments of the Fund will be screened using the Investment Manager's proprietary environmental ("E"), and social ("S") scoring model. The Investment Manager believes that ESG factors

can materially impact on a company's valuation, financial performance and related risk/return and as such, will consider pertinent ESG factors when determining whether the potential investee company is aligned with the overall objective of the Fund and in determining the E and S score. The range of ESG factors will not remain static and will evolve further over time and the ESG factors to be considered will vary depending on the investee company under consideration.

The Investment Manager will screen companies to determine whether the Fund should acquire or retain a position within its portfolio. If issuers have an E and S combined score below a minimum threshold as determined by the Investment Manager, they will not be considered for investment (i.e. will be excluded from the investable universe based on the E and S score). The Investment Manager's active approach to ESG allows for a nuanced approach and the consideration of controversies (for example, predatory pricing or accidental pollution of the environment) and momentum (where an investee company has a credible plan to improve weaknesses identified in its ESG credentials). The E and S Scoring model helps the Investment Manager to identify key ESG risks that a specific sector or issuer may be facing.

The screening process involves a comprehensive analysis process, which may include the use of specialised rating agencies and systems, such as the Investment Manager's proprietary Observatory database. As part of the screening process, the Investment Manager uses commercially available databases and frameworks. The use of specialised rating agencies and systems inform an initial E and S score of the investable universe. As a second step, the portfolio management team will undertake its own analysis to supplement this scoring. The Investment Manager's proprietary E and S Scoring Model provides all members of the portfolio management team with sector specific and issuer specific information on key issues. Based on this cumulative information, the Investment Manager applies its proprietary scoring model to calculate an issuer's E and S combined score of the investable universe.

Data sources and processing

What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

The following data sources are used for the implementation of the investment process:

- External ESG data providers: ASSET4, and other third-party ESG;
- Information directly provided by the issuers;
- Additional fundamental information from media, NGOs as well as international organizations.

In order to ensure data quality, the Investment Manager:

- Regularly reviews data;
- Uses multiple data sources;
- May directly engage with the issuers.

The data sources mentioned above are used in Observatory, the Investment Manager's relative value system which combines third party data covering over 400 ESG metrics in conjunction with the portfolio managers' overall relative value decision making in order to implement the following approaches: exclusion approach, screening.

The Investment Manager may make reasonable estimates, when data is lacking by using data made available by companies. Additionally, third party ESG data provider may use estimates themselves. The proportion of data that is estimated by the Investment Manager is indicated to be low to medium. For asset backed securities the proportion of data that is estimated by the Investment Manager based on data made available by companies is medium to high.

Limitations to methodologies and data

What are the limitations to the methodologies and data sources?

In assessing the eligibility of an issuer based on ESG research, there is a dependence upon information and data from third party ESG research data providers and internal analyses which may be based on certain assumptions or hypothesis that render it incomplete or inaccurate. As a result, there is a risk of inaccurately assessing a security or issuer. There is also a risk that the Investment Manager may not apply the relevant criteria of the ESG research correctly or that the financial product could have indirect exposure to issuers who do not meet the relevant criteria. This poses a significant methodological limit to the ESG strategy of the financial product. Neither the financial product, nor the management company nor the investment manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness, or completeness of an assessment of ESG research and the correct execution of the ESG strategy.

In order to maintain confidence that the social and environmental characteristics promoted by the Fund are met, the Investment Manager may also use active engagement to fill any data gaps or may use complimentary data from additional providers or directly from investee disclosures.

Due diligence

What is the due diligence carried out on the underlying assets at initial investment and what are the internal and external controls in place?

In order to qualify for initial investment, the investments aligned with the environmental and social characteristics must comply with the binding elements applied by the Fund. This compliance has to be ensured by the Investment Manager. For the elements that are in scope of the Fund's investment guidelines and subject to investment controls, the internal Investment Control unit has pre-trade checks mechanisms in place. The pre-trade checks allow portfolio managers to simulate trades and check each trade against restrictions, prior to placing orders, in order to prevent the occurrence of breaches. When submitting orders an automated check of the investment guidelines restrictions is performed, generating a warning to the portfolio managers, highlighting potential breaches that would materialize in case the orders would be executed.

Engagement policies

Is engagement part of the environmental or social investment strategy?

☒ Yes ☐ No

If so, what are the engagement procedures?

The Investment Manager applies a comprehensive stewardship strategy. Engagement is part of the investment process. It includes communications between the management teams of investee companies, typically in case of specific issues or controversies that may cover ESG concerns or where data is lacking. Engagement may occur prior to investment, be ongoing or as a result of monitoring. The Investment Manager's Engagement Policy is available on its website www.twentyfouram.com

Designated reference benchmark

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

☐ Yes ☒ No