Policy on the integration of sustainability risks and principal adverse impacts

June 2022

Pursuant to:

- Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereafter, "SFDR") ;
- Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

1. About H2O Asset Management (H2O)

H2O Asset Management (H2O) is a global macro investment management company founded in August 2010. The company operates with a fully integrated investment management platform and has offices in London (H2O AM LLP), Monaco (H2O Monaco), Geneva (H2O AM Switzerland), Singapore (H2O AM Asia) and Paris (H2O AM Europe).

In anticipation of the gradual and orderly unwinding of the partnership with Natixis IM from March 2022, H2O had strengthened its Investor Relations team in recent months. The team is now fully responsible for distribution, communication, client services and marketing.

Investment strategy

H2O's investment strategy is based on a top-down approach, including macro-economic analysis, capital flow analysis and relative market valuation.

H2O's investment philosophy is based on the belief that stock diversification is the most stable and robust source of alpha over time. We believe that a long-term, top-down, market-matching approach offers the greatest value in terms of risk and return.

All-out diversification, not only across asset classes and markets, but also by investment horizon and manager expertise, makes this performance more robust.

As a consequence, H2O exhibit a management style that is clearly "Value" on this belief that, when investing on global financial markets, only valuation matters as long as its search is supported by an efficient portfolio construction (diversification) at a proper investment horizon.

Our investment values

Philosophy	Style	Process
A long-term, top-down, mostly relative value approach. *Investors' market perception and management biases offer a prime source of performance.*	Discretionary investment decisions backed by strong in-house engineering. *Long/short strategies driven by market factor analysis.*	Focus on portfolio construction: diversification by horizon, asset classes and instruments. *Consistency between view establishment, risk allocation and performance attribution.*

2. Our policy on the integration of sustainability risks

Sustainability risk : an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability risks at H2O are integrated into investment decision-making in two ways:

- Our exclusion policy;
- Our voting policy.

Portfolio-wide exclusions (Undertakings for Collective Investment - UCIs and mandates)

Sustainability risks are taken into account through systematic exclusions based on applicable regulations, sectors and countries subject to international sanctions and, in the case of mandates, on specific client requests.

H2O imposes additional scrutiny and approval from Compliance for any investments linked to issuers based in countries identified as "*high risk*" from an AML/CFT perspective. This includes, but is not limited to, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and combating the financing of terrorism, the EU lists of high risk countries and non cooperative jurisdictions for tax purposes, etc.). This approach is consistent with the risk-based approach defined in the EU AML Directive[1].

H2O also excludes all actors involved in the production, use, stockpiling, production and transfer of anti-personnel mines and cluster munitions, in line with the Oslo[2] and Ottawa[3] Conventions.

Finally, H2O is able to integrate exclusions into client mandates upon request. At present, H2O already manages exclusion lists for a number of mandates.

In order to further strengthen its sustainability strategy, H2O is investigating the exclusion of other sectors with sustainability risks, such as tobacco and more broadly unconventional armaments (chemical, biological weapons), from its entire range of funds.

As mentioned above, H2O's investment approach is top-down and global macro, with the majority of positions taken through derivative contracts such as futures. As such, the main criteria used when making investment decisions are macroeconomic themes, market data and general asset risk considerations, rather than a bottom-up analysis of individual companies and sectors. At present, H2O does not integrate ESG criteria into the management of its range of funds. However, H2O is currently exploring possible approaches for the systematic inclusion of environmental, social and governance criteria in its future investment decisions.

The approach described above may therefore be subject to change.

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[1] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

[2] Convention on Cluster Munitions, 30 May 2008

[3] Anti-Personnel Landmine Convention, 3 December 1997

Our Proxy Voting Policy

When investing in individual equity securities, H2O is committed to engaging with company management on sustainability issues (such as board structure and independence, board diversity, accumulation of chairman and CEO functions, shareholder rights, accounting practices, transparency...) by exercising its proxy voting rights. H2O has therefore put in place a process to use the services of a service provider in its proxy voting considerations. Our voting policy is available here.

3. Consideration of principal adverse impacts (PAI) of investment decisions on sustainability factors

H2O Asset Management does not currently take into account principal adverse impacts of investment decisions on sustainability factors (Article 4, SFDR). As mentioned above, the majority of the positions in the portfolios managed by H2O are taken through derivative contracts. However, we are exploring the possibility of including such impacts. As part of a process of progressive improvement and transparency, this policy may be revised to take into account the evolution of H2O's objectives.