

# Sustainability Related Disclosure – Davy SRI Cautious Growth Fund

Version 1.0

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## (a) Summary

This document outlines the sustainability characteristics of the Davy SRI Cautious Growth Fund. It covers the sustainable investment objectives of the Fund, if any, and the Environmental and/or social characteristics that this Fund promotes.

The document outlines the investment strategy used to obtain the environmental and/or social characteristics promoted by the Fund. It details the proportion of investments aligned with these characteristics.

Information is provided on how these characteristics are monitored along with the data employed and limitations to this data.

Finally, the document provides details on the due diligence related to underlying investments as well as engagement policies. You are advised to read it in conjunction with other relevant documentation on this Fund so you can make an informed decision about whether to invest.

## (b) No sustainable investment objective

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

## (c) Environmental or social characteristics of the financial product

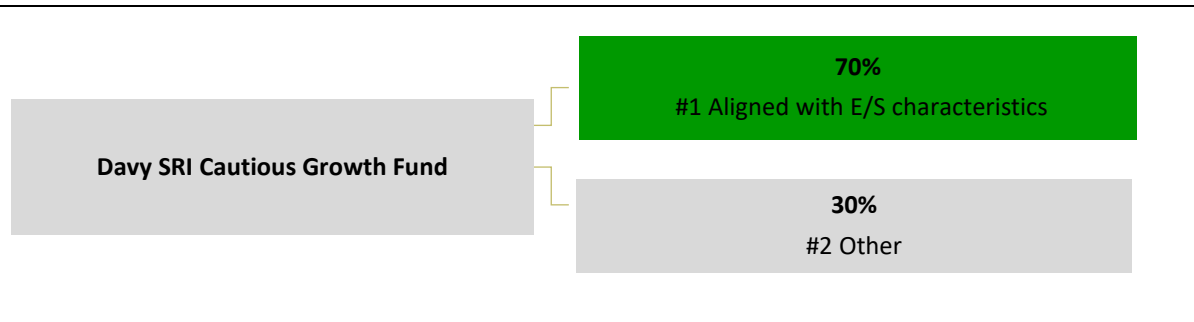
- The Davy SRI Cautious Growth Fund targets investment in other collective investment schemes ("CIS") whose ESG profiles rank in the higher end of the scale of MSCI ESG Fund Ratings.
- Through its investment in CIS, the Fund limits exposure to thermal coal ( $\leq 0.5\%$ ), controversial weapons ( $\leq 0.5\%$ ), violators of UN Global Compact principles ( $\leq 0.5\%$ ) & tobacco producers ( $\leq 0.5\%$ ).
- In selecting CIS for investment by the Fund, the Investment Manager selects from a universe of CIS managed by signatories of the United Nations Principles of Responsible Investing ("UN PRI").

#### (d) Investment strategy

- The Fund is an actively managed, multi asset fund solution with exposure to a globally diversified mix of assets such as Equity, Fixed Income, Alternatives and Cash Deposits through its investment in externally managed CIS.
- The Fund invests in externally managed CIS that follow either an active or passive strategy which aligns with the environmental and social characteristics of the Fund.
- The environmental and social characteristics of the Fund are monitored on an ongoing basis by the Investment Selection and Portfolio Construction teams, in addition to the SRI Investment Committee.
- To ensure strong responsible investment credentials, the Investment Manager limits investments to CIS managed by UN PRI signatories. Under the UN PRI, investment managers commit to incorporating ESG issues into their investment practices.
- Good Governance is assessed at the level of underlying CIS by analysing the CIS, their portfolio holdings, and the investment process relative to global benchmarks such as the UN Global Compact.
- In addition, the CIS selection universe is limited to CIS managed by signatories to the UN PRI. Signatories are committed to incorporating ESG issues, including governance, into investment analysis and investment decision making processes.

#### (e) Proportion of investments

##### Asset Allocation Table



#### (f) Monitoring of environmental or social characteristics

- Characteristics at the overall Fund level are monitored by the Portfolio Construction Team.
- Monitoring of these characteristics at an individual CIS level is carried out by the Investment Selection Team
- The Fund will invest at least 75% of assets in CIS which score in the top 3 gradings of the seven-point MSCI ESG Fund rating system (AAA, AA, A).
- This MSCI rating measures the environmental, social and governance characteristics of CIS portfolio holdings and is based on a ESG quality score that is an aggregation of fund-level issuer ESG data.

- The Fund limits exposure to thermal coal ( $\leq 0.5\%$ ), controversial weapons ( $\leq 0.5\%$ ), violators of UN Global Compact principles ( $\leq 0.5\%$ ) & tobacco producers ( $\leq 0.5\%$ ).
- The investment selection and monitoring process will employ third-party data to make assessments of third party CIS' initial and ongoing alignment with the binding elements of the Fund's investment strategy as outlined.
- Third-party data includes data provided by external managers, MSCI ESG Research, Morningstar- Sustainalytics, Bloomberg and Style Analytics.

#### **(g) Methodologies**

- The Fund has the following sustainability indicators:

##### **Environmental**

- No more than 0.5% of the Fund's assets invested in companies deriving revenue from the mining and sale of thermal coal. Revenue from metallurgical coal; coal mined for internal power generation (e.g., in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading is excluded from this assessment.

##### **Social**

- No more than 0.5% of the Fund's assets invested in issuers with an industry tie to controversial weapons (landmines, cluster munitions, chemical, or biological weapons.)
- No more than 0.5% of the Fund's assets invested in companies in violation of UN Global Compact principles or OECD Guidelines for Multinational Enterprises.
- No more than 0.5% of the Fund's assets invested in tobacco producers.
- The environmental and social metrics outlined above are measured using data provided by MSCI ESG Research at CIS level. This data is aggregated at an overall Fund level within the Portfolio Construction Team.

##### **UN PRI**

- The Fund limits investment to CIS managed by UN PRI signatories.
- The CIS selection universe is limited to third party firms that are signatories of UN PRI. This characteristic is monitored by the Investment Selection Team.
- UN PRI maintains a database of signatories at the following location:  
<https://www.unpri.org/signatories/signatory-resources/signatory-directory>

##### **MSCI ESG Ratings**

- At least 75% of the Fund's assets are invested in CIS with an AAA - A rating on the MSCI ESG Fund Rating scale.
- MSCI ESG Research provides ESG ratings at CIS level. The ratings data is aggregated at an overall Fund level within the Portfolio Construction Team.

#### **(h) Data sources and processing**

- The Fund uses the following data sources:
  - Data provided by MSCI ESG Research
  - Data provided by Morningstar – Sustainalytics
  - Data provided by Style Analytics
  - Data provided by Bloomberg
  - Data provided by externally managed CIS
- J&E Davy employs market leading software and data vendors in its investment process. Each vendor has their own approaches and processes regarding data, over which Davy as the end consumer has limited influence.
- J&E Davy prefers automation of data processing, where possible, to minimise human intervention and reduce scope for error.
- While a majority of the data used is not estimated, the proportion that is estimated will be calculated during the course of 2023.

#### **(i) Limitations to methodologies and data**

- The most significant limitation to methodologies and data across the investment industry is the lack of adequate corporate disclosure. The corporate reporting landscape is evolving, and the level of corporate disclosure should improve with the Corporate Sustainability Reporting Directive.
- This is a significant issue encountered in the assessment of Principal Adverse Impact Indicators and is highlighted by low coverage on some of these metrics.
- Whilst J&E Davy has access to several data providers there are some metrics that are not covered in their datasets. In this instance J&E Davy can approach the third-party asset manager for this data.
- The available information is sufficient to ensure that the E/S characteristics promoted by the fund are not impacted by the data limitations.

#### **(j) Due diligence**

- The Investment Selection Team perform initial and ongoing due diligence of third-party investment managers of CIS in which the Fund invests.
- To ensure a firm has strong credentials, the investment selection team look to ensure the firm is committed to responsible investing and is signed up to the United Nations Principles for Responsible Investing (UNPRI). Under UNPRI, investment managers commit to incorporating Environmental, Social, Governance (ESG) issues into their investment practices.

- The analysis of the team includes an assessment of their relevant experience and resources to execute their approach. We look to ensure that responsible investment analysis is thorough, and that the team actively engage with companies on ESG risks and seek to effect change.
- When it comes to assessing philosophy and process, we will look to ensure that responsible investing is at the centre of the philosophy and considered at each step in the investment process from idea generation through to portfolio construction.
- The Investment Selection Team assess performance and risk to ensure it meets our client's objectives as well as assessing it in the context of the responsible investing process they have described. We look to ensure that the drivers of return have been consistent with a responsible mandate and returns are not sourced from areas the manager should be avoiding.

#### **(k) Engagement policies**

- Davy Private Clients, as part of its investment manager due diligence process, engages with its third-party investment managers on many issues, including sustainability.
- Principal Adverse Impact indicators as defined by EU SFDR will form a part of engagement with third party managers.

#### **(l) Designated reference benchmark**

- No specific index has been designated.