

## ANNEX II

### Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** Gavekal China Fixed Income Fund

**Legal entity identifier:** 635400EYMPHMPAWW820

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*



Yes



No



It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%



It 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 **\_10\_**% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**



**What environmental and/or social characteristics are promoted by this financial product?** *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

*[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

In accordance with Article 8 of SFDR, GaveKal China Fixed Income Fund (the “Fund”) promotes good governance in corporate issuers and climate change mitigation.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

More details can be obtained from Gavekal's sustainability policy (the "**Sustainability Policy**"). Details on where to obtain a copy of the Sustainability Policy is set out below under the question "**Where can I find more product specific information online?**".

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

The sustainability indicators used to measure the good governance and climate change mitigation characteristics are as follows:

1. Good Governance: The percentage of corporate issuer holdings that are in compliance with United Nations Global Compact (UNGC) or OECD Guidelines for Multinational Enterprises. The Fund invests in companies that employ good governance practices, including, but not limited to, factors like fair shareholder rights, good audit and tax reporting and compliance, board oversight, fair and transparent compensation, etc.
2. Implementation of Exclusion Policy: The application of the exclusion policy of the Investment Advisor (the "**Exclusion Policy**") to exclude certain holdings from the portfolio of the Fund in line with that policy. Details on where to obtain a copy of the Exclusion Policy is set out below under the question "**Where can I find more product specific information online?**".
  - The Fund excludes companies which themselves, or through other entities, do not conduct business activities in accordance with the UNGC and the OECD Guidelines for Multinational Enterprises.
  - The Fund excludes companies which themselves or through other entities are involved in non-ethical or controversial activities – controversial weapons and tobacco (more than 0% of revenues).
  - The Fund excludes companies which themselves or through other entities derive more than 10% of their revenue from activities that have a significant negative climate impact using coal.
3. Minimum Investment in Green and Social Bonds: The percentage of the Fund invested in green, social and sustainable bonds that are classified as sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives? [include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph,***

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

*of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

The Investment Advisor defines good governance as companies that are in compliance with UNGC on OECD Guidelines for Multinational Enterprises. This includes factors like fair shareholder rights, good audit and tax reporting and compliance, board oversight, fair and transparent compensation etc.

Regarding climate change mitigation, the Fund aims to promote activities including but not limited to, the reduction of GHG emissions, energy efficiency, renewable energy generation, and low carbon transport etc.

The Fund invests in green, social and sustainable bonds that are classified as sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. These activities do not qualify as environmentally sustainable under the EU Taxonomy primarily due to the lack of data availability in Asia.

The objectives of these sustainable investments are to contribute to financing a combination of green, social and sustainable projects through use of proceeds from bond issuance.

The sustainable investments invested in by the Fund contribute to objectives like climate change adaptation, affordable basic infrastructure, food security, etc.

More details can be obtained from the Investment Advisor's sustainable bond framework (the "**Sustainable Bond Framework**"). Details on where to obtain a copy of the Sustainable Bond Framework is set out below under the question "**Where can I find more product specific information online?**".

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?*** *[include a description for the financial product that partially intends to make sustainable investments]*

The Investment Advisor ensures that the sustainable investments contained in the portfolio of the Fund do no significant harm to any environmental or social investment objective. The Investment Advisor screens and monitors the Fund's investments based on principal adverse impacts (PAI) using the indicators described above with a combination of data from Sustainalytics and the Investment Advisor's internal research.

***How have the indicators for adverse impacts on sustainability factors been taken into account?*** *[include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are taken into account]*

The Investment Advisor accounts for principal adverse impacts for the portion of the Fund that invests in sustainable investments during the pre-investment and post-investment processes. As mentioned above, the

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Investment Advisor screens and monitors the Fund's investments based on principal adverse impacts (PAI) using a combination of data from Sustainalytics and the Investment Advisor's internal research, through applying exclusions and using ESG integration. These include the following principal adverse impacts:

- Table 1 Number 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Table 1 Number 14 - Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
- Table 1 Number 5 - Share of non-renewable energy consumption and production

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

The Investment Advisor will use third-party ESG controversy and global norms data and research as a starting point for assessing alignment of portfolio companies with these global norms, and where necessary, conduct further due diligence to determine compliance with these norms.

*[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

☐ Yes, \_\_\_\_\_ *[If the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

☒ No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

This Fund does not consider principal adverse impacts on sustainability factors because the relevant data is not yet available on the market to a sufficient extent. The Fund manager is not required to consider principal adverse impacts because it has fewer than 500 employees during the financial year. However, as mentioned above, the Investment Advisor ensures that the sustainable investments contained in the portfolio of the Fund do no significant harm to any environmental or social investment objective, by accounting for the following principal adverse impacts

- Table 1 Number 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Table 1 Number 14 - Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
- Table 1 Number 5 - Share of non-renewable energy consumption and production

**What investment strategy does this financial product follow?** *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

The investment strategy of the Fund is set out in detail in the Supplement to the Prospectus relating to the Fund.

In carrying out its investment strategy the Fund promotes certain environmental and social characteristics through environmental and social alignment. In managing the portfolio of the Fund, the Investment Advisor applies each of the processes described above, namely:

- (a) Good Governance;
- (b) Implementation of Exclusion Policy; and
- (c) Minimum Investment In Green and Social Bonds.

The environmental and social characteristics of the Fund's holdings are evaluated by the Investment Advisor on a continuous basis to ensure compliance with the processes set out in (a) to (c) above.

In order to implement the strategy on Minimum Investment in Green and Social Bonds, the Fund invests a minimum of 10% in green, social and sustainable bonds that are

classified as sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. These bonds are classified as such by third party review providers and evaluated for compliance by internal sources at the Investment Advisor. The proceeds of these bonds are used to finance or re-finance in part or in full new and / or existing environmentally-friendly projects.

Sustainable bond selection is based on external vendor data or the internally developed framework, details on where to obtain more information on sustainable bond selection is set out below under the question “**Where can I find more product specific information online?**”.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the Fund are described in detail above and are:

- (a) Good Governance; The Fund screens and rejects investments in companies that are in breach of UNGC or OECD Guidelines for Multinational Enterprises.
- (b) Implementation of Exclusion Policy; The Fund's portfolio complies with Gavekal's Exclusion Policy that is based on exclusion criteria that the Investment Advisor believes are detrimental to society and incompatible with sustainable investment strategies. This means that the Fund has 0% exposure to excluded securities, taking into account a grace period.
- (c) Minimum Investment In Green and Social Bonds; The Fund allocates a minimum of 10% of NAV to be invested to green, social and sustainable bonds that are classified as sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy? [include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]***

There is no committed minimum rate to reduce the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies? [include a short description of the policy to assess good governance practices of the investee companies]***

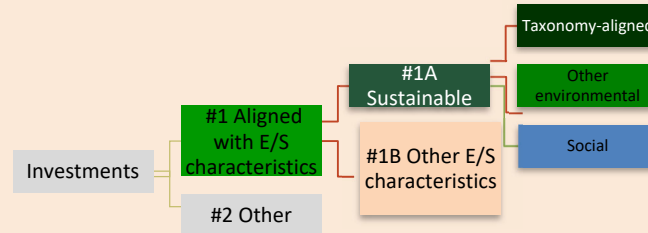
The Investment Advisor applies its Good Governance policy in selecting the portfolio of the Fund.

Gavekal has a good Governance policy to assess governance practices of investment companies. This assessment is carried out before acquiring an asset and also on a periodic basis during the holding of that asset. For investee companies, this policy incorporates requirements amongst others regarding sound management structures, employee relations, remuneration of staff and tax compliance. More details can be obtained from the Investment Advisor's Good Governance policy (the "**Good Governance Policy**"). Details on where to obtain a copy of the Good Governance Policy is set out below under the question "**Where can I find more product specific information online?**".



**What is the asset allocation planned for this financial product?** *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by*

*[Include only relevant boxes, remove irrelevant ones for the financial product]*



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

A minimum of 80%

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Up to 20%

*[include the note below where the financial product commits to making sustainable investments]*

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

A minimum of 10%

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Up to 90%

*the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

As the Exclusion Policy applies to the Fund as a whole, save for any derivatives that might be entered into in respect of the Fund from time to time, 80% of the investments of the Fund are used to meet the environmental and/or social characteristics of the Fund.

Securities within the #2 Other category include cash, any derivatives that might be entered into in respect of the Fund from time to time because those derivatives are

**Asset allocation** describes the share of investments in specific assets.

*[include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852]*

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



*[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]*



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

not screened pursuant to the Investment Adviser's Exclusion Policy and securities that lack ESG data.

The Fund allocates a minimum of 10% of NAV to be invested in green, social or sustainable bonds that have been deemed by Gavekal to be sustainable investments under the sub-category #1A Sustainable (Other environmental).

The remainder of the Fund's assets will be invested in non-Sustainable assets which meet the requirements of the Investment Advisor's Exclusion Policy.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*



The use of derivatives is not intended to promote an environmental or social characteristic. Rather, derivatives are typically used to hedge positions from time to time. Derivatives are not screened pursuant to the Investment Adviser's exclusion policy and as such, derivatives are not included in the portfolio market value calculation of securities aligned with environmental or social objectives.

### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

*[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(3) of this Regulation and the information referred to in Article 15(2) and (3) of this Regulation]*

0%

- **Does the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**



**Yes:** *[specify below and details in the graphs of the box]*



In fossil gas



In nuclear energy

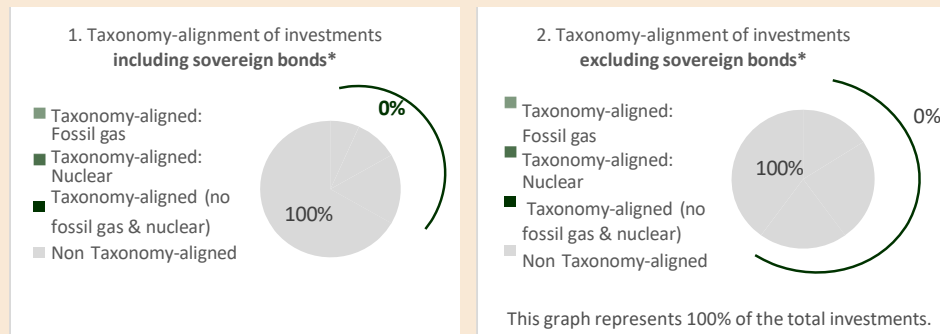


**No**



**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**

*[Only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy]*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

*[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **What is the minimum share of investments in transitional and enabling activities?** *[include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

0%



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?** *[include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]*

10%



- **What is the minimum share of socially sustainable investments?** *[include section only where the financial product includes sustainable investments with a social objective]*

0%



- **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Securities within the #2 Other category include cash, any derivatives that might be entered into in respect of the Fund from time to time because those derivatives are not screened pursuant to the Investment Adviser’s Exclusion Policy , and securities that lack ESG data.



- **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?** *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

No

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

NA

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

NA

- **How does the designated index differ from a relevant broad market index?**

NA

- ***Where can the methodology used for the calculation of the designated index be found?***

NA



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:** *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

Details of the following policies as referred to in this document can be found at the following website <https://web.gavekal-capital.com/sustainability-policy>:

1. Exclusion Policy
2. Sustainability Policy
3. Good Governance Policy
4. Sustainable Bond Framework