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# Sustainability-Related Disclosures

## Record Emerging Market Sustainable Finance Fund

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Record EM Sustainable Finance Fund (the "**Fund**"), a sub-fund of Record UCITS ICAV, an umbrella fund with segregated liability between sub-funds.

## 1. Summary

The Fund is classified as an Article 8 financial product for the purposes of Regulation (EU) 2019/2088 ("SFDR"). The Fund's investment objective aims to achieve capital gains over a medium- to long-term time horizon. Record Currency Management Limited (the "Investment Manager") seeks to achieve this objective through (i) exposure to a diversified portfolio of developed and developing market currencies; and (ii) investment in bonds. The Investment Manager seeks to operate an "impact" investment strategy whereby as well as seeking to general financial returns, it will also seek to create positive outcomes by supporting and stabilising volatility in developing market currencies in addition to investing in bonds issued by sovereigns, development agencies, and multilateral development banks ("**MDBs**") which will fund capital projects in developing market countries.

## 2. No sustainable investment objective

The Fund promotes social characteristics but does not have as its objective sustainable investment. While sustainable investment is not the Fund's objective, the Fund does make a minimum commitment to hold at least 50% of the Fund's portfolio in sustainable investments with a social objective. The following describes the Investment Manager's process for ensuring sustainable investments do not significantly harm any of the objectives of the sustainable investment portion of the Fund.

### Consideration of the indicators for adverse impacts

The Investment Manager considers the principal adverse impact indicators on sustainability factors applicable to investee companies for bonds issued by MDBs and other development finance institutions ("**DFIs**") (with sovereigns in scope) where there is sufficient data available. Since the Fund aims to promote social characteristics and the sustainable investments have a social objective, the Investment Manager considers the social indicators in Annex I of the SFDR regulatory technical standards and not environmental indicators.

### Consideration of alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

MDBs and other DFIs have important roles to play in the global effort to help countries realise the United Nations Sustainable Development Goals ("**UN SDGs**") and improve human rights. In their efforts to contribute sustainably, they must avoid any negative impact on human rights as defined by international and national laws. In this regard, MDBs operations and policies are grounded in international human rights law. Frameworks such as the OECD Guidelines and the UN Guiding Principles on Business and Human Rights explicitly govern how these organisations create their vision for sustainable development and more specifically, their environmental and social frameworks. Further, the MDBs in the portfolio are required to be guaranteed by at least one OECD government as a binding element of the strategy.

## 3. Environmental or social characteristics of the financial product

The Fund promotes social characteristics through a hybrid strategy, investing in both currency and bonds.

The currency strategy aims to invest in currencies which are illiquid and underinvested to contribute to providing liquidity and building risk capacity in developing local currency markets. This contribution to price stability and market microstructure capacity-building supports the crowding-in of investment, promoting local development and the tackling of inequality in target markets. Currency volatility disproportionately affects economically disadvantaged communities in developing market countries, increasing uncertainty around economic activities and price levels. External investment in developing market currencies helps to stabilise them from local factors which may cause fluctuation, thereby reducing currency volatility and the disproportionate impacts this causes to developing market countries.

The bond strategy aims to complement the currency strategy by funding capital projects in developing markets which promote the UN SDGs. Developing market countries often do not have viable access to funding from the global financial

markets, and so depend on on-lending, technical support and concessionary financing, that derives from such bonds, to promote sustainable development. The Investment Manager seeks to optimise the positive impact footprint of the investible capital, with a focus on disproportionately serving the most underserved global communities.

#### 4. Investment strategy

The Investment Manager seeks to operate an "impact" strategy, whereby as well as seeking to generate financial returns, it will also seek to create positive outcomes by supporting and stabilising volatility in developing market currencies, and investing in government, development agency and MDB bonds which will fund capital projects in developing countries.

In respect of the currency strategy, this impact is obtained by reducing currency volatility, as the less volatile a country's currency, the more conducive conditions will be for further economic development. The Investment Manager will construct the currency portfolio based on both quantitative and qualitative criteria. This will include an assessment of a country's growth expectation, interest rates and valuation of the relevant currency. Based on this assessment the Investment Manager will determine the appropriate allocation to each currency in the portfolio. The allocations to developing market currencies take into account purchasing power parity values published by the International Monetary Fund with a greater allocation to more undervalued currencies (i.e. where the relative costs of the same goods between countries is lower and therefore suggests the value of a particular currency will increase in a medium to long-term horizon). In addition the Investment Manager will assess the interest rates in each country as adjusted by the rate of inflation (as published by each country's national statistical agency). A greater allocation will be made to currencies with higher interest rates after the adjustment for inflation. Developing market currencies will typically be traded against developed market currencies (i.e. taking a long position in a developing market currency and a short position in a developed market currency). In addition developing market currencies may be traded against each other.

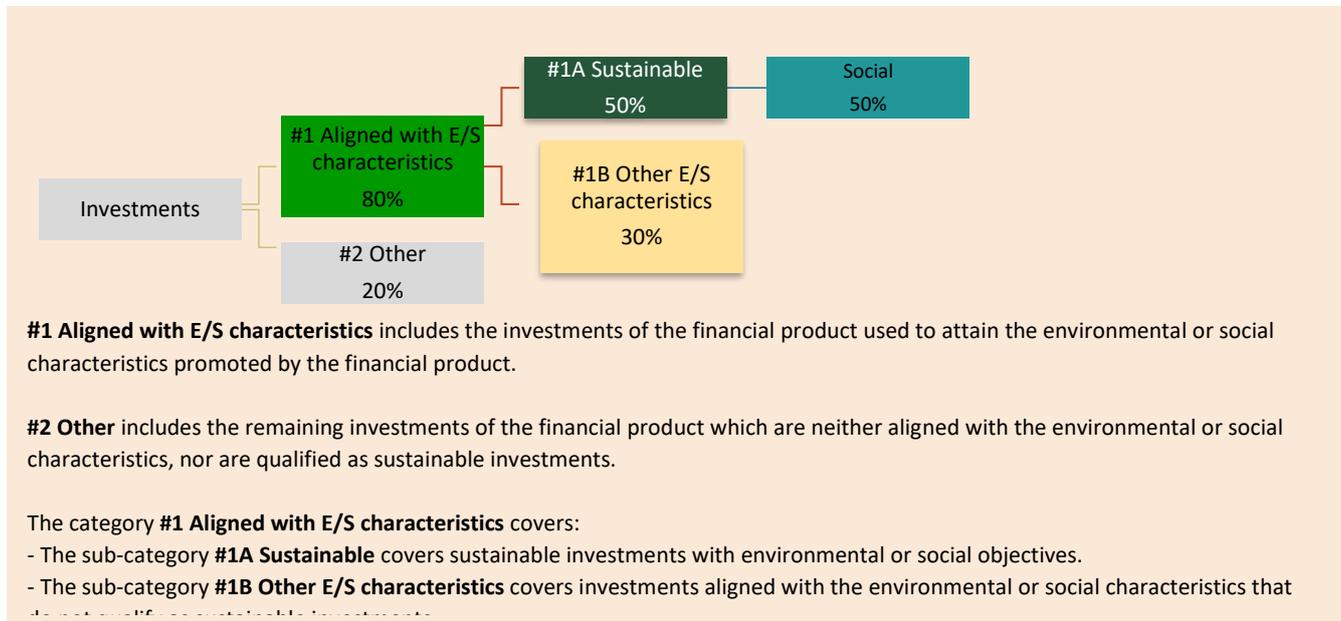
Bonds are considered for investment based on their yield, duration, credit risk and liquidity factors. The bond strategy is focused on making a positive economic, social and environmental impact by channelling financial resources to sustainable projects in developing economies.

##### Good Governance Policy

The Investment Manager considers "Good Governance" to be a standard of governance which is broadly reflective of industry-established norms and practices with regards to management structures and decision-making, corporate culture, compliance with applicable law and the absence of negative events which are likely to have a material adverse impact on the investee. The Investment Manager will undertake an ongoing assessment and monitoring of the governance practices of investee, mainly MDBs. Such an assessment is inherently subjective and is conducted using available data and research the fund managers deem to be most relevant. This will typically include policies published on the MDBs website as well as a review of controversies in the media as assessed by RepRisk. Further, the Investment Manager aims to engage with MDBs on a regular basis to gather further insight on their governance practices. The Investment Manager re-evaluates their assessments on an ongoing basis should the fund managers become aware of new events or information which might have a material impact on their determination that an entity practices good governance.

## 5. Proportion of investments

Below is a graphic showing the asset allocation planned for the Fund, which includes the minimum proportion of investments in the Fund used to promote social characteristics (box #1) and the minimum proportion of sustainable investments the fund commits to make (box #1A). The Fund may make investments directly or through financial derivative instruments.



## 6. Monitoring of environmental or social characteristics

The Investment Manager has engaged Lemma FX to independently review and report on the impact of the Fund's investments, including progress against the promotion of social characteristics.

## 7. Methodologies

The Fund uses the following sustainability indicators to measure attainment of the social characteristics promoted by the Fund.

With respect to the currency strategy, the Investment Manager measures the total effective exposure to Tier 1 and Tier 2 markets (outlined below), and their cumulative exposure as a proportion of Fund total assets are key indicators of the portfolio's promotion of social characteristics. Currency universe tiering is determined through a proprietary data-based process:

- Tier 3: Most liquid and tradable. Near-systematic portfolio construction and trading is possible. Examples, a/o November 2022, include: BRL, IDR, COP;
- Tier 2: Systematic portfolio construction is possible, trading is bespoke. Examples, a/o November 2022, include: EGP, HRK, KZT; and
- Tier 1: Both portfolio construction and trading are bespoke. Examples, a/o November 2022, include: TZS, GEL, UZS.

With respect to the bond strategy, the Investment Manager measures the assets under management (AUM) invested in bonds whereby the issuer has specific objectives aligned with the UN SDGs and meets the following criteria:

- The bond must be issued by a multilateral development bank, other development finance institution or a sovereign;
- The investee must fund capital projects in developing markets; and

- The investee must be guaranteed by at least one OECD government or if a sovereign issuer, it must be an OECD member country.

## 8. Data sources and processing

The Investment Manager uses data from a number of sources to assess progress against our sustainable investment objective and the promotion of social characteristics, including information provided directly from investees as well as publically available data on investee websites such as policies and annual reports. The Investment Manager aims to engage with investees to confirm data collected is up to date and correct.

The Investment Manager processes data as follows:

- As far as is reasonable, data will be presented in its cleanest format; and
- Data may be summarised to display trends

For all other data, the Investment Manager relies on the information provided by data providers. This section will be updated pending the Fund's periodic report which will reference principal adverse impact ("PAI") data. The Investment Manager aims to report true numbers for all PAI data, however estimates may have to be used for certain indicators due to lack of data availability.

## 9. Limitations to methodologies and data

The main limitation to the methodology and data is the limited capacity of investees to measure or report data, leading to poor data coverage as well as differences in approaches taken to reporting.

The Investment Manager aims to minimise the impact of such limitations by engaging directly with investees and data providers to improve data quality overtime. Where data providers are used the Investment Manager will perform checks on the data at least bi-annually and consult with other investors/parties who have been able to deal with data items that have proven difficult to measure.

## 10. Due diligence

The Investment Manager is responsible for due diligence on the underlying assets of the Fund. In the course of due diligence, the teams assess opportunities on a case-by-case basis by leveraging broad and in-depth internal expertise.

The Investment Manager has engaged Lemma FX to independently review and report on the impact of the Fund's investments. This external due diligence provides additional scrutiny and oversight of investment management decisions with respect to the Fund's investments.

## 11. Engagement policies

The Investment Manager engages on sustainability factors with investees, maintaining regular dialogue through meetings and calls with the investees' relevant ESG representatives. Please see the Investment Manager's [Engagement Policy](#) for further detail.

## 12. Designated Reference Benchmark

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



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