

LUX IM – MUZINICH SHORT TERM CREDIT (“Sub-fund”)

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Section	Disclosure
No sustainable investment objective	The Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.
Environmental or social characteristics of the financial product	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics (such as but not limited to biodiversity; greenhouse gas emissions; natural resource use; community relations; health and safety; human rights; audit practices; corporate accountability and disclosures) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy. In particular, the Sub-fund applies a negative screening through an industry exclusion list and certain conduct-related criteria to avoid investing in companies which the Investment Manager considers to be fundamentally unsustainable. The Sub-fund also adheres to a weighted average carbon intensity target. Moreover, the portfolio investments are also required to take account of good governance practices.</p>
Investment strategy	<p>The investment objective of the Sub-fund is to generate an attractive positive return on a risk-adjusted basis over the medium to long term by investing, either directly or indirectly, in high yield (i.e.: sub-investment grade bonds) corporate bonds and/or investment grade corporate bonds issued by US, European and emerging market issuers. The Sub-fund generally targets an average duration to worst (i.e.: for callable bonds assuming a bond is repaid at the date most advantageous to the issuer, even before the maturity date) of no more than 3 years; but, due to market conditions, the average duration to worst may at times be as high as 4 years. The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses the following binding elements.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics.</p> <ul style="list-style-type: none"> ▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ▪ Carbon efficiency ▪ Consideration of principal adverse impacts (PAI) <p>The Investment Manager considers good corporate governance practices to be fundamental to the ongoing success and resilience of the businesses it invests in and it therefore believes such consideration to be essential to its investment due diligence, research and ongoing monitoring of potential and realized investments. In the Investment Manager’s Responsible Investment Policy it commits to considering and integrating important ESG factors into its investment decisions.</p>
Proportion of investments	<p>The Sub-fund invests a minimum of 80% of its net assets to investments that are aligned to the promoted environmental and social characteristics.</p> <div data-bbox="877 1774 1530 2041" data-label="Diagram"> <pre> graph LR A[Investments] --- B["#1 Aligned with E/S characteristics Min 51%"] A --- C["#2 Other"] </pre> </div> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in (i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws, (ii) derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) securities of issuers not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective of attractive positive return on a risk-adjusted basis over the medium to long term. The Investment Manager believes that these holdings do not relate directly to a specific issuer and therefore do not relate to the management of sustainability risks and/or principal adverse sustainability impacts. The Investment Manager does not believe therefore that it would be possible to make a meaningful determination on considerations relating to minimum environmental or social safeguards, in part due to the lack of relevant data relating to such instruments.</p>
Monitoring of environmental or social characteristics	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the following binding elements:</p> <ul style="list-style-type: none"> ▪ Negative screening (severe controversies and specific activities, e.g. controversial and nuclear weapons; conventional weapons; adult entertainment; coal; tobacco; gambling) ▪ Carbon efficiency (target issuers assessment based on their carbon emissions compared to a comparable investable universe of securities) ▪ PAI consideration

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Methodologies for environmental or social characteristics	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target investments is assessed based on the negative screening, Carbon efficiency, and PAI consideration procedures.</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times and independent oversight by risk management functions as required.</p>
Data sources and processing	<p>The Investment Manager primarily sources ESG data from external data providers. They are committed to reviewing data sources at least every two years to ensure they are able to source high quality relevant data in a cost-effective manner.</p>
Limitations to methodologies and data	<p>The limitations to methodologies and data may refer to the incomplete or inaccurate data. The Investment Manager is mindful of the need to engage issuers and ESG data providers to enhance the provision of timely, robust and comparable ESG data. However such limitations are not deemed material in terms of effect on the attainment of the environmental or social characteristics promoted by the Sub-fund.</p>
Due Diligence	<p>In order to qualify for initial investment, the target investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place</p>
Engagement Policies	<p>The Investment Manager believe it is important to use this influence and engage with companies in the investment universe to actively identify, manage, and mitigate ESG business risks and/or minimize negative impacts on the environment or society. Muzinich is committed to using engagement as a key responsible investment tool to manage severe ESG risks and impacts relating to the companies they invest in</p>
Designated reference benchmark	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>