REZCO

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HOW THE INVESTMENT RESEARCH PROCESS INCORPORATES SUSTAINABILITY CONSIDERATIONS

Rezco's core focus is risk adjusted returns with a benchmark agnostic style. Sustainability considerations are incorporated into our investment process through the application of the following 2 key aspects:

1. ESG (environmental, social and governance) risks are core risks to Rezco's business with the potential to generate negative returns, i.e., increase risk and decrease relative return and thus counter to the investment objective of taking good risks to generate outperformance; and
2. A choice not to invest in companies where ESG issues are significant.

The presence of significant ESG risks within an investment may indicate poor quality management, the risk of government intervention or regulation, reputational risk, or market losses. Such ESG risks are considered high risk by Rezco which lead to poor market returns. It is fundamental to the Rezco research process to analyze any investment in the context of ESG risks. Rezco seeks out investments that offer quality growth where the price of that growth is reasonable (Quality + GARP investment style).

For the avoidance of doubt, REZCO does not promote sustainability in its investments in accordance with art. 8 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector ("SFDR") nor has a sustainability objective in selecting assets in accordance with art. 9 SFDR.

ESG risks are incorporated into our understanding of quality given that the concepts overlap. Rezco adopts a fundamental and holistic approach when assessing ESG risks meaning that it may not be necessary to specifically define where the issues lie.

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An example would be a company selling a substandard product using poor quality packaging (non-recyclable plastics etc.) would not meet Rezco's quality criteria and may also breach ESG standards if the company had made the decision to boost short term profits at the expense of the environment and the long-term sustainability of their brand. The Rezco investment process analyses the investment in terms of future earnings (growth) and confidence in that growth (quality / sustainability).

Rezco acknowledges ESG issues, if any, in all analyst remuneration and performance reviews to support analysts in their decisions not to invest where ESG issues exist in a Company. Rezco management's assessment of an analyst's performance will not be plenary where a decision not to invest was influenced by ESG factors. A key part of the Rezco process is to specifically call if there is a breach in ESG which would then be removed from the coverage list / benchmark universe when assessing the analysts track record. Being correct on tough ESG calls would further be rewarded should they materialize as was the case with the Steinhoff Group in South Africa who were a major outperformer for many years, here analysts would not be penalized for missing an outperforming share on the rise and would be rewarded for avoiding the share when the scandal came to light and entered the public domain.