

**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.

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

Product name: BCV Liquid Alternative Beta Selection

Legal entity identifier: 5493008NH9ND3BUYV609

Environmental and/or social characteristics

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. This 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.

Does this financial product have a sustainable investment objective?

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 \_\_\_\_% 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**

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#### What environmental and/or social characteristics are promoted by this financial product?

In accordance with Article 8 of the SFDR, BCV Liquid Alternative Beta Selection promotes a combination of environmental and social characteristics, while respecting the rules of good governance, by being mainly invested in 5 MSCI Selection Indexes. The MSCI Selection Indexes are free float-adjusted market capitalisation-weighted indices designed to represent the performance of companies with high environmental, social and governance ("ESG") ratings relative to their sector peers, to ensure the inclusion of best-in-class companies from an ESG perspective.

The MSCI Selection indices use company ratings and research provided by MSCI ESG Research. In particular, these indices use the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies and MSCI Business Involvement Screening Research.

The environmental and/or social and/or governance characteristics covered are as follows:

3 Pillars	10 Themes	35 Key ESG Issues
Environment	Climate change	Carbon dioxide emissions
		Vulnerability to climate change
		Financing environmental impact
		Carbon footprint of the product
	Natural capital	Biodiversity and land use
		Commodity supply
		Hydric stress
	Pollution and waste	Electronic waste
		Packaging materials and waste
		Toxic emissions and waste
	Environmental opportunities	Opportunities in clean technologies
		Opportunities in green construction
		Opportunities in green construction
Social	Human capital	Health and safety
		Development of human capital
		Workforce management
		Supply chain working standards
	Product liability	Chemical safety
		Consumer financial protection
		Insuring health and demographic risk
		Confidentiality and data security
		Product safety and quality
		Responsible investment
	Stakeholder opposition	Community relations
		Controversial supply
	Social opportunities	Access to communications
		Access to financing
		Access to healthcare
		Opportunities in nutrition and health
Governance	Corporate governance	Governing Council
		Remuneration
		Ownership and control
		Accounting
	Corporate behaviour	Business ethics
		Fiscal transparency

**Sustainability indicators**

measure the extent to which the environmental or social characteristics promoted by the financial product are attained.

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

Sustainability indicators	Description
Fund Weighted Average ESG Score	The Fund's ESG rating (from 0 to 10, 10 being the most favourable) is calculated as a weighted average of the individual ESG ratings of the issuers of the securities held by the Fund. ESG scores are determined by our research provider.
% of holdings with an ESG rating < BB	Proportion of the Fund (in %) with an ESG rating below BB, based on the ESG ratings awarded by our research provider.
% of ESG controversies (i.e. a score = 0)	Proportion of the Fund (in %) with ESG controversies = 0, based on a score awarded by our research provider.

Indicators will be provided for the BCV Liquid Alternative Beta Selection product and for a similar portfolio using non-ESG indices (i.e. each ESG index will be replaced by its parent (non-ESG) index; weightings will be maintained at the same level), for comparison purposes.

● ***What are the objectives of the sustainable investments that the financial product intends to pursue and how does the investment contribute to these objectives?***

BCV Liquid Alternative Beta Selection *does not pursue sustainable investment objectives.*

**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, anticorruption and antibribery matters.

**How do the sustainable investments that the financial product intends to pursue not cause significant harm to an environmentally or socially sustainable investment objective?**

N/A (no sustainable investments).

**How were the indicators for adverse impacts on sustainability factors taken into account?**

N/A (the product does not take into account the principal adverse impacts on sustainability factors).

**How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

N/A (no sustainable investments).

*The EU Taxonomy sets out a "do no 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 Union 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.



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

☐ Yes

☒ No



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

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

### What investment strategy does this financial product follow?

The BCV Liquid Alternative Beta Selection sub-fund is designed to offer the advantages of alternative investments without having to invest in them directly. It uses a systematic approach to dynamically replicate a diversified portfolio of alternative investment strategies through liquid financial instruments.

Using proven quantitative methods combined with qualitative analysis, our fund managers identify systematic risk factors - i.e. specific markets or asset classes - that have a significant and lasting impact on the performance of alternative investments. The factors are also selected on the basis of their ability to be replicated using liquid financial instruments such as futures and swaps.

Since replication strategies are based on historical data, they are retrospective and often slow to react. Our quantitative team is developing an innovative model that addresses this problem. The model uses a Kalman filter method, which quickly and efficiently adjusts exposure to different risk factors and closely replicates the performance of a diversified portfolio of alternative investments. Our sub-fund takes long or short positions in various markets and asset classes, in particular:

- Equities (small and large caps, emerging markets, etc.)
- Bonds (sovereign, corporate, etc.)
- Foreign currencies

### *What are the constraints defined in the investment strategy for selecting investments to achieve each of the environmental or social characteristics promoted by this financial product?*

The environmental and/or social characteristics are those promoted by the range of MSCI Selection indices selected from our investment universe and asset allocation. Exposure to these ESG indices is achieved through swap instruments.

The MSCI Selection indices are constructed as follows:

- Underlying universe
  - The selection universe for the MSCI Selection indices is defined by the components of the MSCI Global Investable Market ("GIMI") indices.
- Eligibility criteria
  - The MSCI Selection indices use company ratings and research provided by MSCI ESG Research to determine eligibility for inclusion in the index.
- Eligibility for ESG ratings
  - The MSCI Selection indices use MSCI ESG ratings to identify companies that have demonstrated their ability to manage their ESG risks and opportunities. Companies must have an MSCI ESG rating of 'BB' or above to be included in the MSCI Selection indices.
- Eligibility for ESG controversy score
  - The MSCI Selection indices use the MSCI ESG Controversies scores to identify companies involved in very serious controversies concerning the environmental, social or governance impact of their operations and/or products and services. Companies must have an MSCI ESG Controversies score of 3 or more to be included in the MSCI Selection indices.
- Business involvement controversy criteria
  - The MSCI Selection indices use MSCI ESG Business Involvement Screening Research to identify companies involved in the following business activities. Companies that meet the business involvement criteria are excluded from the MSCI Selection indices.
- Alcohol
  - All companies classified as "producers" that earn 50% or more of their revenues, or more than 1 billion dollars in revenues, from alcohol-related products.
- Gambling
  - All companies classified as involved in "Operations" and "Support" that generate 50% or more of revenues, or more than \$1 billion in revenues, from gambling-related products.
- Tobacco
  - All companies classified as "producers" that earn 50% or more of their revenues, or more than 1 billion dollars in revenues, from tobacco-related products.
- Nuclear power
  - All companies with 6000 MW or more of installed capacity attributed to nuclear sources or with 50% or more of installed capacity attributed to nuclear sources.
  - All companies involved in the enrichment of nuclear fuel for the production of nuclear energy.
  - All companies involved in the extraction of uranium for the production of nuclear energy.
  - All companies involved in the design or construction of nuclear reactors for the production of nuclear energy.

- Conventional weapons
  - All companies that manufacture conventional weapons components or conventional weapons and weapons systems and that generate 50% or more of their revenues, or \$3 billion or more in revenues from these activities.
- Nuclear weapons
  - All companies involved in the manufacture of nuclear weapon components or systems.
- Controversial weapons
  - All companies with a link to controversial weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons indices available at <https://www.msci.com/index-methodology>.
  - All companies classified as "producers" that derive at least 50% of their revenues, or more than 100 million dollars, in revenues from civilian firearms.
- Civilian firearms
  - All companies classified as "producers" that derive at least 50% of their revenues, or more than 100 million dollars, in revenues from civilian firearms.

For more details on the MSCI ESG Controversies Score, please see: <https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+Controversies+Executive+Summary+Methodology+-+July+2020.pdf/b0a2bb88-2360-1728-b70e-2f0a889b6bd4>

- ***What is the minimum proportion by which the financial product commits to reducing its investment scope before applying this investment strategy?***

N/A

- ***What policy has been implemented to assess the good governance practices of the companies in which the financial product invests?***

The governance factors assessed for each company included in the indices are structured around two main themes:

- Corporate governance: ownership and control structure, independence and diversity of the board of directors, accounting and pay practices.
- Corporate behaviour: business ethics and tax transparency.

Companies are systematically and continuously monitored, including daily tracking of controversies and governance events. New information is reflected in reports on a weekly basis and significant score changes trigger analyst review and reassessment. Companies are subject to an in-depth review at least once a year.

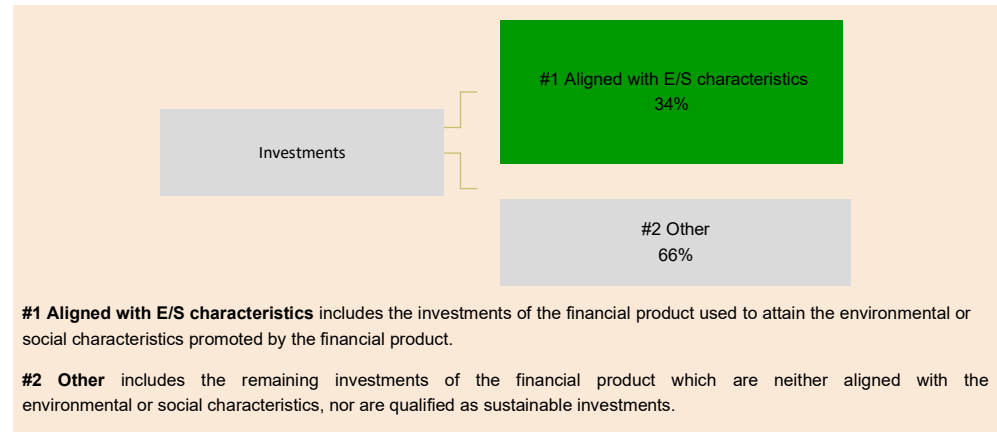


## What is the asset allocation planned for this financial product?

To comply with the EU Taxonomy, the criteria for **fossil gas** include emission limits and a switch to renewable electricity or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive rules on nuclear safety and waste management.

**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 other things, whose greenhouse gas emission levels correspond to the best achievable performance.



## How can the use of derivatives help to attain the environmental or social characteristics promoted by the financial product?

Derivatives are mainly used to obtain investment exposure to the MSCI Selection Equity and Corporate Fixed Income indices, which take into account environmental, social and governance characteristics.

As all investments in the #1 aligned with E/S characteristics are based on the MSCI Selection range of indices, it is guaranteed that the financial product will be aligned with the environmental and social characteristics associated with these indices.

The construction of these indices ensures that the following approaches are effectively applied:

Asset class	ESG approach	Description
Equity and corporate fixed income	Exclusion policy	Eliminate companies involved in thermal coal, unconventional oil and gas, tobacco, alcohol, gambling and weapons (controversial and nuclear).
	Best in class	Selection of companies with high environmental, social and governance ("ESG") ratings relative to their sector peers (i.e. overall, the MSCI Selection indices target 50% coverage of the underlying MSCI parent index).



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

N/A (no sustainable investments).

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

Yes

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<sup>\*</sup>, 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.



This graph represents max. 100% of the total investments.

<sup>\*</sup>For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What is the minimum share of investments in transitional and enabling activities?

N/A (no sustainable investments).



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



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A (no sustainable investments).



What is the minimum share of socially sustainable investments?

N/A (no sustainable investments).



What investments are included under "#2 Other", what is their purpose and do minimum environmental or social safeguards apply to them?

Other investments included exposure via futures contracts to US and German long-term interest rates and currencies (EUR/USD and USD/JPY), assets that cannot be considered to be specifically aligned with ESG criteria. These assets form part of our quantitative methodology, which aims to replicate the returns of a diversified portfolio of alternative investments.

As the asset exposure derived from our quantitative methodology is implemented through derivatives, cash is invested in both:

<sup>1</sup> Fossil gas and/or nuclear activities will only comply with the EU Taxonomy if they contribute to limiting climate change ("climate change mitigation") and do no significant harm to 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.



- US Treasuries (various maturities): selected for two key characteristics, i.e. liquidity and base currency (USD being the base currency for this strategy);

- current accounts, mainly with our custodian bank.

The investments included in #2 Other do not contribute to achieving the environmental or social characteristics promoted by the fund and do not include minimum safeguards.



**Has a specific index been designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

N/A

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

N/A

● ***How is the alignment of the investment strategy with the methodology of the index ensured at all times?***

N/A

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

N/A

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

N/A



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

**More product-specific information can be found on the website of GERIFONDS (Luxembourg) SA:**

<https://www.gerifonds.lu/fr/page/investissements-durables>