

What does Sustainable investing and Environmental, Social and Governance (ESG) mean to Alpha?

Alpha's 'sustainable' investment approach takes into account criteria such as labour standards, environmental issues, social practices, corporate governance, and ethical practices when selecting, retaining or realising investments in the Alpha funds.

The Alpha funds seek to invest in companies which demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies and issuers with material involvement in activities that we consider to negatively impact the environment or society.

Alpha's 'sustainable' investment approach to achieve this is two-fold. Firstly, Alpha will exclude companies which have Core businesses which operate in controversial activities. Secondly, we actively seek greater exposure to securities and industries that demonstrate leading ESG and ethical practices. This means that we will favour more 'sustainable' companies or issuers with lower ESG Risk over those with higher ESG Risk. This assessment is a largely quantitative process that forms part of the investment decision making process.

Excluded Controversial Activities

The Alpha funds will not directly invest in companies or issuers who are directly involved in the following activities:

- Production of Tobacco
- Manufacture of Controversial Weapons (such as cluster bombs and nuclear weapons).

The Fund will not directly invest in companies or issuers with Core business activities as per Alpha's Principles of Responsible Investment Policy as being directly involved in any of the following activities:

- Alcohol Production
- Gambling and the Manufacture or Provision of Gaming Facilities
- Manufacture of Non-controversial Weapons
- Manufacture or Distribution of Pornography
- Uranium Mining
- Coal Mining
- Oil Production

Broad Index Exposures

The Alpha funds are permitted to hold minority positions in broad market Index ETFs and/or Index Derivatives. These may include small percentage exposure to securities or issues that are directly involved in the list of excluded activities above. These instruments may be used in order to facilitate efficient management of the Alpha funds and they would typically be less than 10% total exposure. As such, these positions may at times result in the Alpha funds holding small/insignificant levels of indirect exposures to companies or issuers which contravene Alpha's Principles of Responsible Investment Policy as operating in excluded activities.

How we adjudicate a Core business

Core business activities are those defined by Alpha as being a company's primary business activity by percentage revenue. The assessment of a Core business will typically match with a company's GICS Industry categorisation. This means that companies are not excluded from investment if they have a minority exposure to excluded activities.

Alpha's Review Process

Alpha's ongoing review process may also assess individual companies (with the prospect for potential exclusion) where there are material changes to the company's business activities and/or there are other relevant factors which influence the classification of a company's securities under the policy.

Alpha's ESG Risk Assessment

In addition to avoiding exposure to companies and issuers with activities that we consider to negatively impact the environment or society, Alpha's assessment of companies also includes an ESG Risk Assessment, which measures the degree to which a company's economic value may be at risk due to the materiality of relevant ESG factors.

The ESG Risk Assessment measures a company's exposure to material ESG risks and how well the company is managing those risks. While not being the sole focus of Alpha's investment strategy, Alpha will seek to favour more 'sustainable' companies or issuers with lower ESG Risk over those with higher ESG Risk as part of the investment decision making process. An input into this process includes data sources from reputable ESG data providers.