

I-AM ESG Investment Process Portfolio Funds

January 2025



Sustainable investing offers many new investment opportunities from which the environment and investors can benefit

I-AM ESG Investment Process Portfolio Funds

Impact Asset Management

Impact Asset Management GmbH (I-AM) is one of the leading sustainable asset managers in the German speaking area specializing in the selection, analysis and management of ESG and impact strategies. Our investment policy aims to contribute to the achievement of the UN Sustainable Development Goals and to generate social, environmental and financial returns as a "triple bottom line" asset manager. The goal of our products is sustainable asset growth with the greatest possible risk diversification and security.

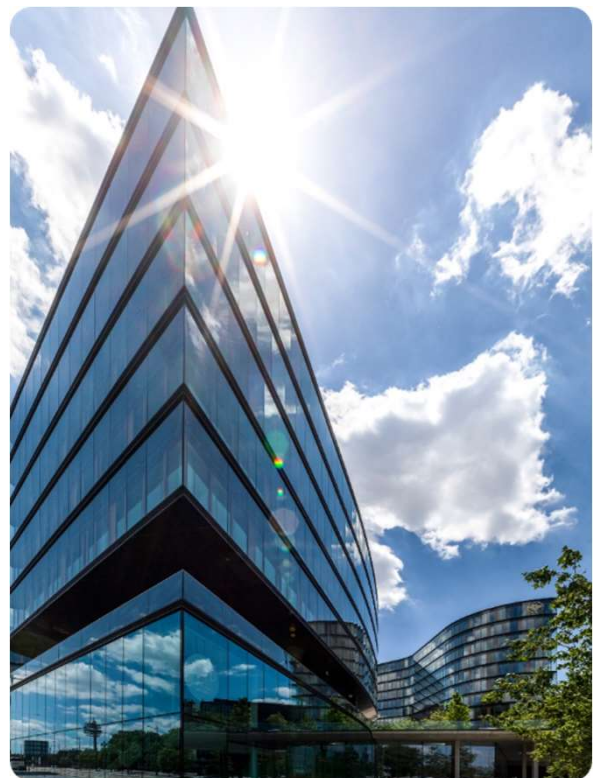
All products are systematically controlled by an internal risk management system. Since the founding year, customer funds have been managed under the premise of sustainability; the total assets under management amount to EUR 4.45 billion (as of 31/12/2024).

The parent company, Erste Asset Management GmbH, was founded in 1965 as Sparinvest.

Erste Asset Management sees itself as an international asset manager with a strong position in Central and Eastern Europe.

Erste Asset Management is backed by the financial strength of Erste Group Bank AG.

With several subsidiaries and 485 employees Erste Asset Management has EUR 85.8 billion under management (as of 29 November 2024).



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Sustainability at I-AM

For Impact Asset Management GmbH, sustainability means the investment of the assets we manage on a long-term basis. In doing so, we ensure that our sustainable funds - in line with the United Nations' definition of sustainability - are a balanced investment that allows us to meet the needs of today's generation without restricting those of future generations.

These objectives have been pursued since the founding year of the former Absolute Portfolio Management GmbH, when our first microfinance fund, the I-AM Vision Microfinance (formerly DUAL RETURN FUND - Vision Microfinance), was launched in 2006. This fund grants loans to microfinance institutions (MFIs), which in turn grant micro credits to micro entrepreneurs. ESG-compliant fund of funds and single securities funds were launched from 2013 onwards, and today around EUR 1.55 billion (as of 31/12/2024) are already being managed according to sustainable criteria.

Cooperations complement our investment processes and promote the exchange of knowledge at an international level. Impact Asset Management GmbH is a signatory of the UN PRI, a member of the Forum für Nachhaltige Geldanlagen (FNG) and takes the sustainability development goals of the United Nations into account at the level of individual products. It also complies with the guidelines of the UN Global Compact and the core labour standards of the ILO.



Figure 1: I-AM Sustainability Milestones

Sustainability is not just a buzz word for us but has been deeply rooted in our actions for many years.

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I-AM Sustainable Investment Team

Impact Asset Management currently employs 30 people. The I-AM GreenStars funds are managed by the fund management team led by Andreas Böger, Nicole Sperch and Alexander Reichelt, supported by CIO Günther Kastner, Managing Director Daniel Feix and 3 other employees in the field of quantitative research and development. In 2024, two further colleagues, Mr Christian Pail and Mr David Stadlmayer, joined the sustainability team of I-AM. Both colleagues bring additional expertise in the field of bond management. Daniel Feix and Maria Spanner are also responsible for the portfolio funds ('funds of funds'), where the following ESG criteria are taken into account in the investment process.



Figure 2: Sustainable Investment Team

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Investment principles of the ESG portfolio funds

The ESG product family consists of UCITS-compliant single securities funds, fund portfolios and special mandates, which are each managed according to a uniform approach, taking into account the corresponding product specifications. In addition, portfolio funds are offered in which ESG criteria are integrated as part of the investment process and the selection of target funds.

The investment principles of the portfolio funds can be summed up in the terms sustainability & active risk management. Sustainability stands for ESG integration in the context of target fund selection, and we generally see active risk management as a cornerstone of our investments.

The aim is to offer a stable portfolio of target funds with good ESG standards. In addition to a quantitative and qualitative analysis of the target funds, ESG integration is complementary and can help to positively influence overall performance through risk reduction. Active risk management additionally serves to align and optimise risk and return.



Figure 3: Investment principles of the ESG portfolio funds

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Sustainability

The ESG selection process looks for target funds that have integrated ESG criteria into their investment process. This means that they promote environmental or social characteristics or a combination of these characteristics (Article 8 Disclosure Regulation) or aim for a sustainable investment (Article 9 Disclosure Regulation). Based on this, both positive criteria and negative criteria are taken into account in the selection process. In addition, it is important to maintain an active dialogue with the providers of target funds in order to obtain detailed information about their entire investment process on the one hand and to find out how ESG criteria are taken into account in it on the other. We thus see ESG integration as a tool for reducing (ESG) risks, which can thus make a positive contribution to the overall return of the portfolio.

The positive criteria are based on E (Environmental), S (Social) and G (Governance) factors and are incorporated into an ESG rating on the basis of a large number of sub-categories. The ESG screening excludes those target funds with poor ESG ratings. On a scale from AAA (best) to CCC (worst), a minimum rating of BBB (or BB in individual bond segments) applies; target funds without an ESG rating are excluded.

The negative criteria are intended to filter out those target funds that hold a share of their assets in ethically or morally questionable industries (including controversial weapons, nuclear weapons, tobacco, fossil fuels), violate global norms (UN Global Compact, ILO core labour standards) or are involved in serious controversies.

A detailed list and description of the positive and negative criteria can be found in the appendix of this document.

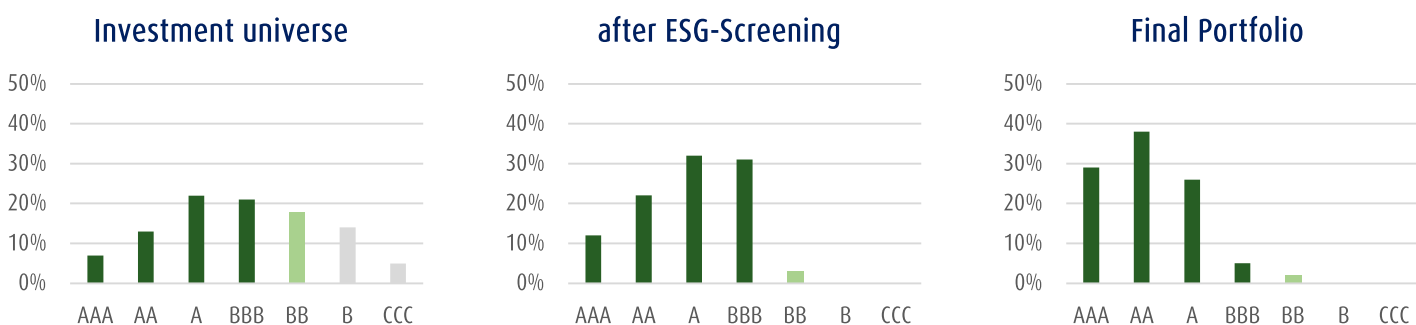


Figure 4: Sample Distribution of ESG Ratings

In addition, the most significant adverse impacts, known as Principles Adverse Impacts (PAIs), are considered within the investment decision on sustainability factors. This is based on the conviction that sustainability risks are investment risks and that taking them into account can enable investors to achieve better performance in the long term.

Further details on PAI indicators can be found on our homepage at https://impact-am.eu/fileadmin/redakteure/Pictures/Sustainability/I-AM_PA_Statement_EN.pdf (Statement on Art. 3 and 4 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27. November 2019 on sustainability-related disclosure in the financial services sector).

I-AM ESG Investment Process Portfolio Funds

Active risk management

We define risk as the permanent loss of the capital invested. Our active risk management is multifactorial, mandate-dependent and is considered the cornerstone of our investments. It consists of our world view (coordination of strategic allocation), security selection (more stable portfolios through stable products), diversification (reduction of unsystematic risk) and quota control (tactical allocation through hedging or reallocation). Risks must be assessed qualitatively in addition to quantitatively, as historical data often becomes worthless in a crisis.

Based on the management's view of the world, long-term strategic decisions are made and framework conditions are created. Important questions are: What role do central banks and public finances play? In which direction are interest rates, currencies, asset classes and market segments moving? Which opportunities and trends determine the development of sectors and regions? For us, the world view and strategic allocation form part of risk management.

The selection of securities is also part of risk management, as risk avoidance begins before the purchase. Therefore, the target funds used are not only subjected to a quantitative but also a qualitative analysis. An in-depth consideration of the investment process as well as ESG integration play an essential role here. In addition, meetings can be held with product specialists and fund managers in order to receive a detailed explanation of the processes and to better understand their perspectives.

Diversification remains the simplest method to reduce risk in an existing portfolio. We apply different approaches and diversify by asset classes and market segments (equities, bonds, liquidity,...), by regions, industries and sub-industries (technology, consumer goods,...) as well as themes emerging from them (disruptive technology,...), by company characteristics (size, creditworthiness,...) and by quantitative factors (quality, growth, value,...).

The adjustment of investment ratios results from the tactical allocation, it is made through discretionary decisions and is also based on quantitative methods, such as trends, relative strengths, etc. This results in reallocations of asset classes (e.g. between equity funds/bond funds/liquidity), market segments (e.g. between investment grade/high yield bonds) and/or risk factors (e.g. between defensive/cyclical) and, depending on the mandate, the use of hedging or products with low/negative correlation to the equity market (e.g. long/short equity funds).

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Our investment process

Based on our principles of **Sustainability – Active Risk Management**, we construct our portfolios in a multi-stage process

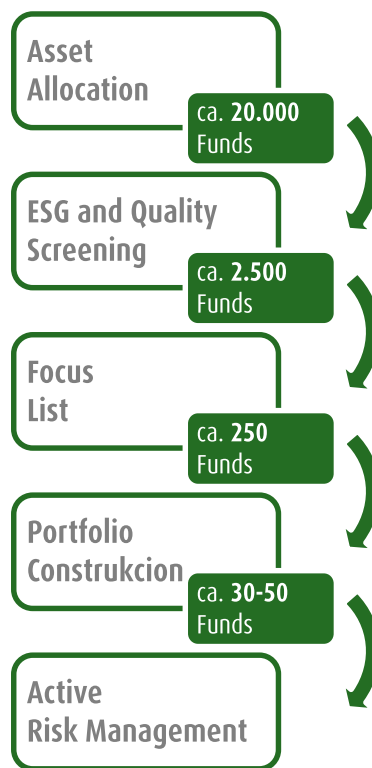


Figure 5: Investment Process

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Asset Allocation

The investment process starts with the definition of the investment universe, the long-term strategic allocation and the tactical allocation for shorter time periods. The long-term strategic allocation is based on our strategic world view with special consideration of the macroeconomic situation. The short- to medium-term tactical allocation is determined on a discretionary basis and is also based on quantitative methods; it is used for quota management of the various market segments. The main market segments considered are equities, bonds and money market/liquidity. Within equities, the main factors considered are regions, sectors, themes, quantitative factors (e.g. growth, quality, value), fundamental factors (e.g. cyclical, defensive) and market capitalisation. Within bonds, due to the flexibility within the portfolio funds, all segments are used, such as government bonds, corporate bonds of various credit ratings, emerging market bonds, inflation-protected bonds and bonds with various durations (short/long), and many more.

The following strategic allocations apply to the ESG portfolio funds, which can be adjusted as part of the tactical allocation:

I-AM AllStars Conservative

- 0-25% equity funds
- 75-100% bond funds
- 0-100% money market funds
- Use of liquid alternative strategies or short products for hedging possible

I-AM AllStars Balanced

- 0-50% equity funds
- 50-100% bond funds
- 0-100% money market funds
- Use of liquid alternative strategies or short products for hedging possible

I-AM AllStars Multi Asset

- 0-100% Geldmarktfonds, bond funds, equity funds
- Use of liquid alternative strategies for hedging possible

I-AM AllStars Opportunities

- 51-100% equity funds
- 0-49% bond or money market funds
- Use of liquid alternative strategies or short products for hedging possible

I-AM ETFs-Portfolio Select

- 51-100% equity-ETFs
- 0-49% money market funds

I-AM ESG Investment Process Portfolio Funds

ESG and quality screening

The investment universe of approx. 20,000 target funds is screened according to ESG and quality criteria and reduced in two steps to approx. 2,500 target funds. During screening, the target funds are therefore "sorted out". The ESG screening consists of negative criteria such as industry activity, global standards and controversies as well as positive criteria such as ESG minimum ratings. The quality screening includes, among other things, a quantitative analysis of the products.

A detailed list and description of the positive and negative criteria used in ESG screening can be found in the Annex to this document.

Focus List

The remaining target funds result in a focus list of approximately 250 products. This includes target funds from a wide range of asset classes and segments. In the sustainability analysis, the criteria E (Environmental), S (Social) and G (Governance) are assessed and the sector activity, compliance with global standards and relevant controversies are reviewed. Target funds considered for investment are now subjected to a more detailed quantitative and qualitative analysis, such as with regard to the investment process, ESG integration, key figures as well as historical performance (outliers, justifications), etc.

Portfolio Construction

In the portfolio construction, target funds from the focus list are used to form an appropriate portfolio: Based on strategic and tactical allocation, diversified and according to risk and return, ESG criteria and taking into account weightings and liquidity. The weightings of the individual positions are mandate-dependent and may vary.

Active risk management

Our active risk management is multifactorial and starts even before we buy securities. Within portfolio management, this includes our strategic world view (correct classification of the macroeconomic situation), security selection (stable portfolios by focusing on stable products), sufficient diversification (across as many factors as possible) and, depending on the mandate, exposure management (tactical allocation through hedging/rebalancing). Monitoring includes the assessment of large movements in ESG criteria, security prices and fundamental data.

In portfolio monitoring, all negative and positive criteria are continuously watched, which also includes the ESG rating and controversies. Downgrades or material changes are therefore closely observed accordingly and, depending on market conditions, may even lead to a divestment of the target funds invested. The detailed procedure is explained in the annex.

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Annex: ESG Screening Criteria

The criteria described below apply within the scope of the ESG screening. Target funds are considered, whereby products that do not meet the above criteria are filtered out of the respective initial universe in the course of the ESG screening.

If downgrades or material changes/deteriorations with regard to the mentioned limits occur after the purchase, the affected securities are monitored with regard to this for 6 months. The holdings of the target funds used are provided by the sub-fund providers - depending on the product - mostly with a corresponding time delay, so that the ESG rating agencies/data providers can therefore not evaluate the most current positions, but with a time delay. Depending on data availability and change/violation (e.g. in the area of controversial weapons, nuclear weapons), it is also useful to engage with the sub-fund provider by asking for comments, etc. If there is no new improvement after the 6-month period and thus ESG criteria continue to be not met, the positions will be removed from the internal ESG quota of the respective funds mentioned below or sold depending on market conditions. However, with regard to controversial weapons and nuclear weapons, based on the I-AM Directive on Controversial Weapons (see website <https://impact-am.eu/en/asset-management/sustainability/>), the respective positions will be mandatorily sold after the expiration of the above mentioned period depending on market conditions. The calculation of the internal ESG quota may differ from that of the respective management company.

In I-AM AllStars Conservative, I-AM AllStars Balanced, I-AM AllStars Multi Asset and I-AM AllStars Opportunities, at least 51% of the securities used must have a classification in Article 8 or 9 according to SFDR and take into account the most significant adverse impacts, the so-called Principle Adverse Impacts (PAIs). In addition, the target funds must have an ESG rating or meet the positive and negative criteria (use of products that do not meet these criteria is therefore possible). For the I-AM ETFs Portfolio Select, all securities must meet the before mentioned criteria (except PAIs).

We obtain the underlying data and detailed background information from MSCI ESG Research and Morningstar. This ESG screening should only be seen as as a basic building block. We do not only work by applying filters but complement them with qualitative analyses.

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Positive criteria

The positive criteria are based on the one hand on legal requirements and on the other hand on E (Environmental), S (Social) and G (Governance) criteria. Thus, target funds are excluded from the ESG exposure which are not classified as Article 8 or Article 9 products according to the Disclosure Regulation. In addition, it is verified that an Article 8 or Article 9 target fund considers the most significant adverse impacts on sustainability factors, known as Principle Adverse Impacts (PAIs). The Disclosure Regulation is intended to offer investors more transparency in the inclusion of sustainability risks and the consideration of adverse sustainability impacts as well as in the provision of information on the sustainability of financial products.

Target funds with poor ESG ratings are excluded via ESG screening. On a scale from AAA (best) to CCC (worst), the minimum rating of BBB applies - for individual bond segments BB, target funds without an ESG rating are excluded from the ESG exposure.

Positive criteria Equity funds / Alternatives		Positive criteria Bond funds	
ESG Rating	Criteria	ESG Rating	Criteria
AAA, AA, A, BBB	investable	AAA, AA, A, BBB, BB (single segments)	investable
BB, B, CCC	non-investable	BB, B, CCC	non-investable
No Rating	non-investable	No Rating	non-investable

The ESG rating is based on the ESG Quality Score. In order to receive a rating, 65% of the stocks/securities used (based on their weightings) of a target fund must be able to be rated by MSCI. In addition, the available holdings must not be older than one year and must consist of at least 10 stocks/securities.

A further positive criteria therefore requires that for equity funds or alternatives, **at least 70%** of the securities of a target fund must be covered by MSCI (minimum ESG coverage equity funds = 70%). For bond funds or alternatives in this area, **at least 55%** of the securities of a target fund must be covered by MSCI due to the challenges in the valuation (minimum ESG coverage bond funds = 55%). If target funds have a lower coverage, they are excluded from the investable universe.

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Negative Criteria

The negative criteria are intended to filter out those target funds whose assets include a corresponding portion in ethically or morally questionable industries (including controversial weapons, nuclear weapons, coal, shale gas, tobacco), violate global norms (UN Global Compact, ILO core labor standards) or are involved in serious controversies. In addition, target funds with very high shares of stocks with poor ESG ratings are excluded. The negative criteria are subject to ongoing monitoring and may be supplemented or adjusted based on new findings and developments in the market.

The following is an overview of the defined exclusion criteria / tolerance thresholds:

Sector & Business Involvement Global Standards & Controversies	Exclusion Criteria (Tolerance threshold)
Very severe controversies	> 5% of the portfolio value
Conventional Weapons (Highly Restrictive)	> 5% of the portfolio value
Controversial Weapons	any connection
Nuclear Weapons (Production)	any connection
Thermal Coal Involvement (Highly Restrictive)	> 5% of the portfolio value
Tobacco Involvement (Highly Restrictive)	> 5% of the portfolio value
High Impact Fossil Fuel Reserves	> 10% of the portfolio value
UN Global Compact violation	> 5% of the portfolio value
Violation of Human Rights	> 5% of the portfolio value
Violation of ILO core labour standards	> 5% of the portfolio value
Percentage of ESG laggards	>20% of the portfolio value

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Tolerance thresholds are taken into account because the asset managers use different databases and the ESG approaches differ. Therefore, the asset managers' analyses and assessments may differ from the data basis used by I-AM.

Very Severe Controversies

The percentage of portfolio's market value exposed to companies facing one or more very severe controversies related to the environment, customers, human rights, labor rights and governance.

Tolerance threshold: 5%

Conventional Weapons Involvement (Highly Restrictive)

The percentage of portfolio's market value exposed to companies flagged for involvement in conventional weapons according to the MSCI Highly Restrictive screen definition. This includes all manufacturers of conventional weapons systems and components as well as companies providing supplies and services if the revenue is =>5%. The full weight of each flagged company is included in the calculation.

Tolerance threshold: 5%

Controversial Weapons

The percentage of portfolio's market value exposed to companies with ties to cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.

Tolerance threshold: None - any connection is excluded

Nuclear Weapons (Production)

The percentage of portfolio's market value exposed to companies flagged for involvement in nuclear weapons according to the MSCI Least Restrictive screen definition. This includes companies that manufacture nuclear warheads and/or whole nuclear missiles, companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles), and companies involved in the production and/or storage of fissile materials used in/for nuclear weapon. The full weight of each flagged company is included in the calculation.

Tolerance threshold: 5%

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Thermal Coal Involvement (Highly Restrictive)

The percentage of portfolio's market value exposed to companies flagged for involvement in thermal coal according to the MSCI Highly Restrictive screen definition. This factor identifies the maximum percentage of revenue (either reported or estimated) => 10% that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal, coal mined for internal power generation (e.g. in the case of vertically integrated power producers), intra-company sales of mined thermal coal, and revenue from coal trading. The full weight of each flagged company is included in the calculation.

Tolerance threshold: 5%

Tobacco Involvement (Highly Restrictive)

The percentage of portfolio's market value exposed to companies flagged for involvement in tobacco according to the MSCI Highly Restrictive screen definition. This includes all tobacco producers as well as tobacco distributors, suppliers, and retailers if the combined revenue is => 5%. The full weight of each flagged company is included in the calculation.

Tolerance threshold: 5%

High Impact Fossil Fuel Reserves

The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves. High impact fossil fuel reserves include Thermal Coal, Oil Sands, and Shale Oil and Shale Gas.

Tolerance threshold: 10%

UN Global Compact violation

The percentage of portfolio's market value exposed to companies in violation of the UN Global Compact principles.

Tolerance threshold: 5%

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Violation of Human Rights

The percentage of portfolio's market value exposed to companies in violation of international norms around human rights.

Tolerance threshold: 5%

Violation of ILO core labour standards

The percentage of portfolio's market value exposed to companies in violation of the International Labour Organization's broader set of labor standards.

Tolerance threshold: 5%

Percentage of ESG laggards

The percentage of portfolio's market value with an ESG rating of B or CCC (worst in class relative to peers).

Tolerance threshold: 20%

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UN Global Compact

The Global Compact is a strategic initiative of the United Nations which aims to commit companies to align their business activities and strategies with ten universally recognised principles in the areas of human rights, labour standards, environmental protection and anti-corruption. Companies can join this initiative voluntarily and thus commit themselves to the 10 principles listed below.

MSCI ESG Research reviews each company, whether or not it is a member of the initiative, against these ten principles and prepares a detailed report for each identified breach.

The ten principles of the UN Global Compact can be classified into four areas:

Human Rights:

- Principle 1: Businesses should support and respect the protection of international human rights; and
- Principle 2: ensure that they are not complicit in human rights violations.

Labour Standards:

- Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Businesses should work for the elimination of all forms of forced labour
- Principle 5: Businesses should work towards the elimination of child labour
- Principle 6: Businesses should work to eliminate discrimination in employment and occupation

Environmental Protection:

- Principle 7: Businesses should follow the precautionary principle when dealing with environmental problems
- Principle 8: Businesses should take initiatives to promote greater environmental awareness
- Principle 9: Businesses should accelerate the development and diffusion of environmentally friendly technologies

Prevention of Corruption:

- Principle 10: Businesses should work against all forms of corruption, including bribery and extortion

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ILO Core Labour Standards

The core labour standards of the International Labour Organisation (ILO) are defined by eight conventions.

This includes:

Trade Union Rights

Convention 87: Freedom of association and protection of the right to organise, 1948

Convention 98: Right of association and collective bargaining, 1949

Abolition of Forced Labour

Convention 29: Forced or compulsory labour, 1930

Convention 105: Abolition of forced labour, 1957

Equal Treatment

Convention 100: Equal pay for work of equal value, 1951

Convention 111: Discrimination in employment and occupation, 1958

Prohibition of Child Labour

Convention 138: Minimum age for admission to employment, 1973

Convention 182: Prohibition and immediate action to eliminate the worst forms of child labour, 1999

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Legal disclaimer

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Unit classes denominated in foreign currencies entail an additional currency risk. Their performance may rise or fall due to currency fluctuations

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