

Fair Oaks AAA CLO Fund – Sustainability-related disclosures

A. Summary

The Fund has weighted average environmental and social scores (the “E Score”, the “S Score” and together the “Scores”) which are each above the average for the corporate loan market.

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Investment Manager’s team of investment analysts conducts due diligence on each prospective investment. The diligence includes a review of the issuers of the loans held in each CLO (including their E and S Scores), the CLO documentation and CLO Collateral Manager.

The Investment Manager sources environmental and social scores from Sustainable Fitch, a reputable third-party evaluation service, for the issuers of corporate loans held by the CLOs in which the Fund invests or considers investing. The loan issuers’ Scores are weighted by the amount of each issuer’s loan held by a CLO to produce a weighted average environmental and social score for 100% of the investments in which the Fund invests. These scores are then weighted by the amount of each CLO held by the Fund to derive an environmental and social score for the Fund. The Fund’s score is then compared to the average for all loans scored by the third-party provider to assess whether the Fund has above-average scores.

The average scores for the Fund and the loan market are calculated by the Investment Manager on a monthly basis and the calculation is reviewed by the management Company.

The Investment manager calculates the E and S Scores for every investment which it is considering buying or selling for the Fund. The Investment manager will calculate the weighted average E and S Scores for each of its investments and for the Fund on a monthly basis to ensure they remain above the market average. This monitoring will also be overseen by the Management Company.

The main limitation to the methodology and data sources mentioned above is that the data provider does not yet provide 100% coverage of the loans held by the CLOs in which the Fund invests. This limitation is not deemed to impact the environmental or social characteristics which the Fund promotes since the coverage is very high (above 90%) and the unscored loans are not concentrated in any particular industry or sector so the weighted average score is not being skewed positively or negatively.

The Investment manager engages with CLO Collateral Managers as part of their manager diligence process to discuss how managers are considering environmental and social issues in their investment process and investment monitoring and how these issues impact their investment decisions. The investment manager also engages with CLO Collateral Managers as part of consideration of and monitoring of individual investments.

B. No sustainable Investment Objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

C. Environmental or Social Characteristics of the Financial Product

The Fair Oaks Fund has weighted average environmental and social scores (the “E Score”, the “S Score” and together the “Scores”) which are each above the average for the corporate loan market. The focus of the Scores is exclusively on the extent to which the corporate issuers’ business activities make a positive or negative contribution towards environmental and social goals. Since higher Scores indicate less negative impact and more positive impact, the fund can be considered to have a better-than-average environmental and social impact.

Please note that the Fund aims at fulfilling a double condition of having both its environmental E Score and its social S Score above the average for the loan market.

D. Investment Strategy

The Investment manager calculates the E and S Scores for every investment which it is considering buying or selling for the Fund. As part of the investment decision process, the Investment manager considers the impact the acquisition or sale would have on the Fund’s weighted average E and S Scores. In this way, the Investment manager can maintain an above-average E and S Score on an ongoing basis.

The Fund invests in collateralised loan obligations (“CLO”s). The Investment manager assesses the good governance of the CLO issuers by way of a thorough review of the CLO ‘s governing documentation and its due diligence on the CLO Collateral Manager (including its management structure staffing etc.). On a look-through basis, The Investment Manager assesses the good governance of the companies issuing the loans held in the CLOs by ensuring the governance of all issuers has been assessed and approved by both the CLO Collateral Manager and an internationally-recognised credit rating agency.

E. Proportion of Investments

The Investment manager sources an E and S Score for 100% of investments (excluding cash balances) and the Scores of all investments (excluding cash) are included in the calculation of the Fund’s weighted average E and S Scores.

F. Monitoring of Environmental or Social Characteristics

The Investment manager will calculate the weighted average E and S Scores for each of its investments and for the Fund on a monthly basis to ensure they remain above the market average. This monitoring will also be overseen by the Management Company.

G. Methodologies

The Investment Manager sources environmental and social scores from a reputable third-party evaluation service for the issuers of corporate loans held by the CLOs in which the Fund invests or considers investing. As at May 2023, over 90% of the assets held by CLOs in the Fund’s portfolio

have been assigned third-party Scores and the Investment Manager expects this coverage to gradually increase over time.

The loan issuers' Scores are weighted by the amount of each issuer's loan held by a CLO to produce a weighted average environmental and social score for each CLO. These scores are then weighted by the amount of each CLO held by the Fund to derive an environmental and social score for the Fund. The Fund's score is then compared to the average for all loans scored by the third-party provider to assess whether the Fund has above-average scores.

By updating and monitoring the environmental and social scores for each CLO, the Fund and the broader loan market on a monthly basis and by calculating the environmental and social score for all prospective purchases and sales, the Investment Manager will ensure continued compliance with the above-mentioned environmental and social characteristics.

H. Data Sources and Processing

The Investment Manager sources the E and S Scores from Sustainable Fitch, a part of the Fitch Group and an affiliate of Fitch Ratings. Please see here for further information on the E and S Scores: <https://www.sustainablefitch.com/products/esg-scores>

The Investment Manager reviews the full issuer reports and rationale for a selection of E and S Scores periodically to ensure they are well-founded.

The Investment Manager uses licensed software to produce a list of all loans in the CLOs held by the Fund, extract the E and S Score from the Sustainable Fitch database for each loan and calculate the weighted average for each CLO and, in turn, the Fund.

No E or S Scores are estimated.

I. Limitations to Methodologies and Data

The main limitation to the methodology and data sources mentioned above is that the data provider does not yet provide 100% coverage of the loans held by the CLOs in which the Fund invests and, as a result loans without E and S Scores are disregarded in the calculation of E and S Scores.

This limitation is not deemed to impact the environmental or social characteristics which the Fund promotes since the coverage is very high (above 90%) and the unscored loans are not concentrated in any particular industry or sector so the weighted average score is not being skewed positively or negatively.

J. Due Diligence

The Investment Manager's team of investment analysts conducts due diligence on each prospective investment. The diligence includes a review of the issuers of the loans held in each CLO (including their E and S Scores), the CLO documentation and CLO Collateral Manager.

The results of the due diligence are reviewed by an investment committee prior to any investment decision.

K. Engagement Policies

The Investment manager engages with CLO Collateral Managers as part of their manager diligence process to discuss how managers are considering environmental and social issues in their investment process and investment monitoring and how these issues impact their investment decisions.

The investment manager also engages with CLO Collateral Managers as part of consideration of and monitoring of individual investments. For example, if the Investment Manager sees a loan in a CLO portfolio which does not seem consistent with the expected environmental and social characteristics of the CLO, the Investment Manager will discuss this with the CLO Collateral Manager.

L. Designated Reference Benchmark

The weighted average E and S Scores for the Fund's portfolio are compared to the average E and S Scores for all loans rated by Sustainable Fitch. The average scores are calculated by the Investment Manager on a monthly basis and the calculation is reviewed by the management Company.