

# SUSTAINABILITY-RELATED DISCLOSURES FOR THE GLOBAL TOTAL RETURN ESG ETF STRATEGY

Date of Review: 10 February 2023

Disclaimer: The present working document may be subject to further regulatory changes. This document is issued for information purposes only in accordance with the requirements of SFDR. It is not intended as investment advice and is not an offer or a recommendation about managing or investing assets. The information contained herein is current as of the date of issuance and is subject to change without notice.



## **Summary**

Pursuant to the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) as amended ("SFDR"), the Global Total Return ESG ETF strategy (the "Strategy") promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and only includes, directly or indirectly, the securities of companies that follow good governance practices. When the Strategy is implemented in a client's investment portfolio, such investment portfolio will meet the criteria to qualify as an "Article 8 Financial Product". As client investment portfolios are tailored to each client and are treated as confidential, these sustainability-related disclosures have been prepared for the Strategy and not a specific client's investment portfolio for the purpose of meeting the financial product level website disclosure requirements contained in SFDR applicable to an Article 8 Financial Product. To the extent a client directs investments to be either restricted from, or included in, their investment portfolio, or used to manage tax sensitivities, such investments may not promote the Strategy's environmental and social characteristics, and as such, may lead to a client's portfolio implementing the Strategy to not meet the stated characteristics being promoted. Clients who have the Strategy implemented in their investment portfolio should refer to the SFDR pre-contractual disclosures for specific disclosure applicable to their investment portfolio.

Fisher Investments Luxembourg, Sàrl, trading as Fisher Investments Europe ("Fisher Investments Europe"), delegates its portfolio management function to its parent company, Fisher Asset Management, LLC, trading as Fisher Investments, subject to Fisher Investments Europe's oversight. The sustainability-related disclosures below describe how Fisher Investments manages the Strategy.

The Strategy seeks to outperform the MSCI World Index (the "Benchmark"). Fisher Investments utilises an investment strategy based upon top-down and bottom-up research. This combined approach allows Fisher Investments to select the countries, sectors, and equity securities it believes are most likely to generate the highest expected returns.

The Strategy promotes environmental and social characteristics by including equity focused collective investment schemes ("Funds"), such as ETFs, that either promote environmental and/or social characteristics or have a sustainable investment objective. While Fisher Investments does not apply specific environmental or social criteria for which such Funds must meet, it does require each Fund included in the Strategy to be classified as either an Article 8 or Article 9 financial product under SFDR by such Fund's issuer. Article 8 financial products are those that promote environmental or social characteristics, but do not have a sustainable investment objective. Article 9 financial products are those with a sustainable investment objective. This SFDR classification requirement is monitored on a periodic basis (no less than quarterly), and any Fund that is no longer classified as either an Article 8 or Article 9 financial product under SFDR by such Fund's issuer will be elevated for replacement within the Strategy consistent with Fisher Investments' monitoring policies.

The Strategy only promotes environmental and social characteristics through its inclusion of Funds, and not through the Strategy's inclusion of other assets (including, but not limited to, cash, cash equivalents and other collective investment schemes not focused primarily on equity securities).

The Strategy uses the Benchmark for performance measurement purposes only. The Strategy has not designated a reference benchmark for purpose of determining whether it is aligned with the environmental and social characteristics that it promotes.

The Strategy does not have sustainable investments as its objective and does not make any commitment to include a minimum proportion of sustainable investments.

Fisher Investments selects investments (primarily Funds) to be included in the Strategy that are consistent with Fisher Investments' market views about country, sector, and industry positioning and are most likely to generate the highest expected returns and to control risk relative to the Benchmark. As part of the initial and on-going due diligence process, when considering investments included in the Strategy, Fisher Investments focuses on information including but not limited to, a Fund's benchmark, its underlying holdings and the degree to which the characteristics of the investment are aligned with Fisher Investments' market views. This process also includes an assessment of a Fund's expenses and liquidity and whether or not the Fund is designated as Article 8 or Article 9 by its issuer using information from various public sources.

As the Strategy is not expected to directly include equity or debt securities, and instead will include Funds designated as Article 8 or Article 9 financial products under SFDR by their respective issuers, Fisher Investments will not directly assess good governance practices of the companies whose securities are held by the Funds. As Article 8 or Article 9 financial products, such Funds are required to assess good governance practices of the companies held in such Funds. Fisher Investments relies on the respective issuers of the Funds to assess good governance practices of the companies whose securities are held in such Funds.

Engagement is not currently part of the environmental or social characteristics promoted by the Strategy.

Fisher Investments does not expect to directly include equity securities in the Strategy, and instead the Strategy will primarily include Funds. As such, Fisher Investments relies on the respective issuers of the Funds and their policies, data sources, and data processing for the SFDR classification of their respective Funds. For information on data sources used, measures taken to ensure data quality, how data is processed and the proportion of data that is estimated for a Fund, as well as information on the limitations of using ESG data with respect to such Fund and how such limitations do not affect how the environmental or social characteristics promoted by such Fund are met, please see the prospectus for such Fund provided by its issuer.

*IMPORTANT: Please note that because the Strategy promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, the Strategy may underperform or perform differently relative to other comparable Strategies that do not promote environmental and/or social characteristics.*

## **No sustainable investment objective**

The Strategy promotes environmental and social characteristics, but does not have as its objective sustainable investment. The Strategy makes no commitment to include a minimum proportion of sustainable investments.

## **Environmental or social characteristics of the financial product**

The Strategy promotes environmental and social characteristics by including Funds that either promote environmental and/or social characteristics or have a sustainable investment objective. While Fisher Investments does not apply specific environmental or social criteria for which such Funds must meet, it does require each Fund included in the Strategy to be classified as either an Article 8 or Article 9 financial product under SFDR by such Fund's issuer.

The Strategy only promotes environmental and social characteristics through its investment in Funds, and not through the Strategy's investment in other assets (including, but not limited to, cash, cash equivalents and other collective investment schemes not focused primarily on equity securities).

# **Investment strategy**

## **INVESTMENT STRATEGY**

The Strategy is based on a top-down approach to determine which countries and economic sectors are most likely to generate the highest expected returns based upon fundamental research. Fisher Investments uses a multitude of indicators or "drivers" to determine country and sector allocations. This includes:

- Economic drivers such as monetary policy, yield curve, and relative GDP growth analysis.
- Political drivers (which have exaggerated importance in emerging markets) such as taxation, governmental stability, and political turnover. In particular, changes in tax systems and regulatory rules can occur rapidly in emerging markets.
- Sentiment drivers that primarily measure consensus thinking to identify what expectations the market is discounting.

Fisher Investments selects investments (primarily Funds) for the Strategy consistent with its market views about which countries and economic sectors are most likely to generate the highest expected returns and to control risk relative to the Benchmark.

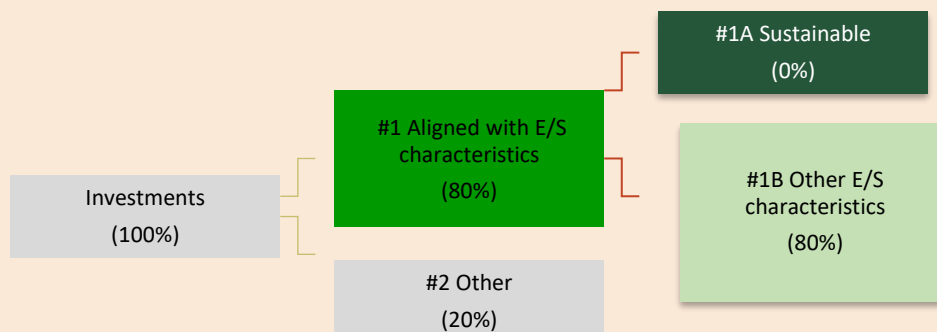
In order to promote environmental and social characteristics, the Strategy only includes Funds that are classified as an Article 8 financial product (i.e., it promotes environmental and/or social characteristics) or an Article 9 financial product (i.e., it has a sustainable investment objective) under SFDR by their respective issuers.

## **GOOD GOVERNANCE POLICY**

As the Strategy is not expected to directly include equity or debt securities, and instead will include Funds designated as Article 8 or Article 9 financial products under SFDR by their respective issuers, Fisher Investments will not directly assess good governance practices of the companies whose securities are held by the Funds. As Article 8 or Article 9 financial products, such Funds are required to assess good governance practices of the companies held in such Funds. Fisher Investments relies on the respective issuers of the Funds to assess good governance practices of the companies whose securities are held in such Funds.

## Proportion of investments

Below is a graphic showing the asset allocation planned for the Strategy, which includes the minimum proportion of the investments in the Strategy used to meet the environmental and social characteristics promoted by the Strategy (box #1).



**1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

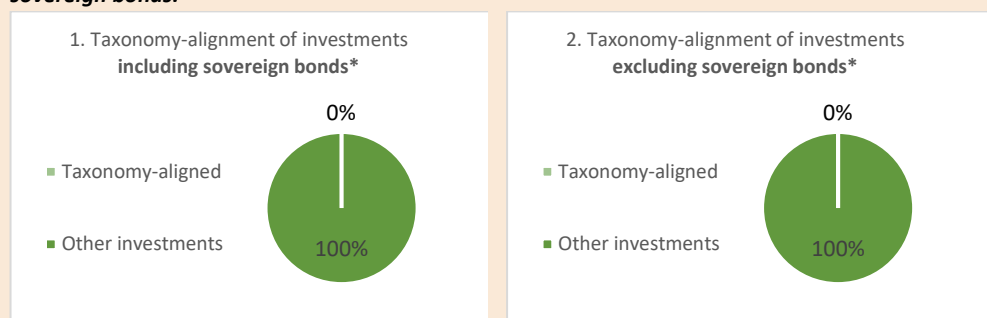
### Box #1 (Investments Aligned with Environmental or Social Characteristics Promoted by the Strategy)

Under normal circumstances, substantially all (at least 80%) of the assets included in the Strategy are expected to be Funds which promote environmental and/or social characteristics or have a sustainable investment objective. The Strategy only promotes environmental and social characteristics through its inclusion of Funds. The Strategy is not expected to include any derivatives.

### Box #1A (Sustainable Investments)

The Strategy does not commit to include any proportion of its assets in sustainable investments, which also means it does not commit to include the securities of companies engaged in environmentally sustainable economic activities aligned with the EU Taxonomy. Accordingly, the minimum share of EU Taxonomy-aligned investments is zero percent.

*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\*, 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.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

*Box #1B (Non-Sustainable Investments Aligned with Environmental or Social Characteristics Promoted by the Strategy)*

Fisher Investments expects at least 80% of the Strategy's portfolio to consist of Funds that are aligned with the environmental and social characteristics promoted by the Strategy, but are not considered to be sustainable investments.

*Box #2 (Investments Not Aligned with Environmental or Social Characteristics Promoted by the Strategy and Not Sustainable Investments)*

While the Strategy will include primarily Funds that align with the environmental and/or social characteristics promoted by the Strategy, in limited circumstances the Strategy may include other assets (including, but not limited to, cash, cash equivalents and other collective investment schemes not focused primarily on equity securities) that are not aligned with the environmental and/or social characteristics promoted by the Strategy. Such investments may be included for liquidity, hedging and/or cash management purposes, in circumstances of extreme volatility or if market factors require and if considered appropriate to the Strategy's investment objective. In limited circumstances, such investments may make up a significant portion of the Strategy. Furthermore, to the extent a client directs investments to be either restricted from, or included in, their investment portfolio, or used to manage tax sensitivities, such investments may not promote the Strategy's environmental and social characteristics, and as such, may lead to a client's portfolio implementing the Strategy to not meet the stated characteristics being promoted. No minimum environmental or social safeguards will be in place in relation to such investments.



## **Monitoring of environmental or social characteristics**

The Strategy requires each Fund included in the Strategy to be classified as either an Article 8 or Article 9 financial product under SFDR by such Fund's issuer. Such requirement is used as a sustainability indicator to measure the attainment of the environmental and social characteristics promoted by the Strategy. This indicator is monitored on a periodic basis (no less than quarterly) by ensuring the Funds included in the Strategy are classified as either an Article 8 or Article 9 financial product under SFDR by such Funds' respective issuers. Any Fund that is no longer classified as either an Article 8 or Article 9 financial product under SFDR by such Fund's issuer will be elevated for replacement within the Strategy consistent with Fisher Investments' monitoring policies.

## **Methodologies**

Fisher Investments' primary method for measuring how the environmental and social characteristics promoted by the Strategy are met is through the use of the following sustainability indicator:

<b>Sustainability Indicator</b>	<b>Methodology</b>
SFDR Classification	All Funds included in the Strategy must be classified as an Article 8 financial product (i.e., it promotes environmental and/or social characteristics) or an Article 9 financial product (i.e., it has a sustainable investment objective) under SFDR by their respective issuers.

## **Data sources and processing**

Fisher Investments does not expect to directly include equity securities in the Strategy, and instead the Strategy will primarily include Funds. As such, Fisher Investments relies on the respective issuers of the Funds and their policies, data sources, and data processing for the SFDR classification of their respective Funds. For information on data sources used, measures taken to ensure data quality, how data is processed and the proportion of data that is estimated for a Fund, please see the prospectus for such Fund provided by its issuers.

## **Limitations to methodologies and data**

Fisher Investments does not expect to directly include equity securities in the Strategy, and instead the Strategy will primarily include Funds. As such, Fisher Investments relies on the respective issuers of the Funds and their policies, data sources, and data processing for the SFDR classification of their respective Funds.

Some of the general limitations to using ESG data include:

- *The accuracy of estimates:* Corporate ESG data is not widely disclosed and at times third party data providers supplement their data with estimates, which may be less accurate than direct corporate disclosures.
- *The timeliness of data:* Corporate disclosures may not be timely, which can lead industry participants to use out-dated information provided by third party data providers in the reporting and decision-making process. The timeliness of reported data is a limitation that is expected to improve as global reporting regulation come into effect over time.
- *The lack of reporting standards:* The lack of standards in corporate reporting may lead industry participants to use information provided by third party data providers that is not directly comparable across investee companies. Such risks should improve over time as reporting standards become more consistent across jurisdictions over time.

For further information on the limitations of using ESG data with respect to a Fund and how such limitations do not affect how the environmental or social characteristics promoted by such Fund are met, please see the prospectus for such Fund provided by its issuer.

## **Due diligence**

Fisher Investments selects investments (primarily Funds) to be included in the Strategy that are consistent with Fisher Investments' market views about country, sector, and industry positioning and are most likely to generate the highest expected returns and to control risk relative to the Benchmark.

As part of the initial and on-going due diligence process, when considering investments included in the Strategy, Fisher Investments focuses on information including but not limited to, a Fund's benchmark, it's underlying holdings and the degree to which the characteristics of the investment are aligned with Fisher Investments' market views. This process also includes an assessment of a Fund's expenses and liquidity and whether or not the Fund is designated as Article 8 or Article 9 by its issuer using information from various public sources.

## **Engagement policies**

Engagement is not currently part of the environmental or social characteristics promoted by the Strategy.

In compliance with the requirements of the Shareholder Rights Directive II (EU/2017/828) (as transposed into Luxembourg law), Fisher Investments Europe has put in place a shareholder engagement policy (the “Shareholder Engagement Policy”) that applies to the investee companies of Fisher Investments Europe’s clients. Because the Strategy does not expect to directly include the equity or debt securities of corporate issuers, and instead will primarily include Funds, the Shareholder Engagement Policy is not applicable to the Strategy. A copy of the Shareholder Engagement Policy can be found here: <https://www.fisherinvestments.com/en-lu/shareholder-engagement-policy>.



## **Designated reference benchmark**

The Strategy uses the Benchmark for performance measurement purposes only. Accordingly, the Strategy has not designated a reference benchmark for the purpose of determining whether the Strategy is aligned with the environmental and/or social characteristics that it promotes.

The methodology of the Benchmark can be found here: <https://www.msci.com/index-methodology>.

## **Amendments**

10 February 2023

- The good governance policy disclosure was amended to make it clear Fisher Investments relies upon the issuers of the Funds to assess good governance practices of the companies held in the Funds.
- The disclosure regarding data sources and processing, as well as limitations to methodologies and data, was updated to direct readers to the disclosures published by the issuers of the Funds for further information on what such issuers use for data sources, processing and methodologies.
- The engagement policies disclosure was updated to make it clear why the Shareholder Engagement Policy does not apply to the Strategy.
- Minor clean up edits were applied to various sections.
- The summary section was updated to reflect the changes described above (as applicable).