

Socially Responsible Investment Guidelines

Carmignac Portfolio Emerging Patrimoine



Carmignac's Overarching Sustainable Framework



**UNPRI Signatory
since 2012**



**SRI Objective
in prospectus***



**Investment Team
SRI guidelines**

Carmignac Portfolio Emerging Patrimoine Obtained the French SRI* Label

A label created and supported by the French Ministry of Finance

Accredited upon a strict audit run by an independent body

Renders SRI* products more visible for investors in France and across Europe



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Our Internal ESG Guidelines



Portfolio construction objective

- ▶ Minimum 30% of the Fund invested in companies rated A or above by MSCI ESG
- ▶ Reduction of the investment universe by 20% on the basis of an ESG analysis



Integration of ESG criteria and engagement with companies

- ▶ At least 90% of the issuers in the Fund have an ESG analysis
- ▶ We commit to a strengthened engagement dialogue with companies to improve their approach to ESG issues



Voting Policy engagement

- ▶ A participation rate of 80% or above*

On the Equity Side

Sustainability is at the heart of our equity investment process

OUR COMMITMENT TO INVESTORS

Generating attractive returns with a low turnover...

By selecting the right

- ▶ **Countries with healthy macro-economic fundamentals** and sound balance of payments
- ▶ **Underpenetrated sectors** that stand to benefit from long-term growth themes
- ▶ **Capital-light companies** offering attractive and sustainable cash generation capable of self-financing their growth

... while contributing to sustainable development

- ▶ **Systematically taking into account environmental, social and governance criteria (ESG)** when analyzing companies and when making our investment decisions
- ▶ **Positively impacting society** by Favoring companies that bring solutions to social and environmental challenges
- ▶ **Minimizing the impact on the environment** with a portfolio whose carbon footprint is lower than its reference indicator (MSCI EM) and close to the one of the MSCI EM Low Carbon Target index
- ▶ **Identification and exclusion** of controversial sectors

Favoring companies that bring solutions to social and environmental challenges

FINANCING THE FUTURE

OFFERING INNOVATIVE
TECHNOLOGIES



FINANCING SUSTAINABLE
TECHNOLOGIES

IMPROVING
LIVING STANDARDS

ESG criteria are embedded in our decision-making process and our financial analysis



Step 1
Setting the
investment
universe



All companies eligible to our investment universe must meet both our country, sector and company criteria as well as our **ESG standards guidelines and exclusion policy**.



Step 2
Analysis



Stock selection is made through a **long-term, sustainable approach**, which includes consultation of external and independent ESG reports and ratings. Our teams carry out detailed financial and ESG assessments of companies held in portfolio.



Step 3
On-the-ground
visits



We complete this analysis by **regular on-site visits** of production sites and **one-to-one meetings** with the companies' management in order to understand their strategy as well as their long-term engagements.



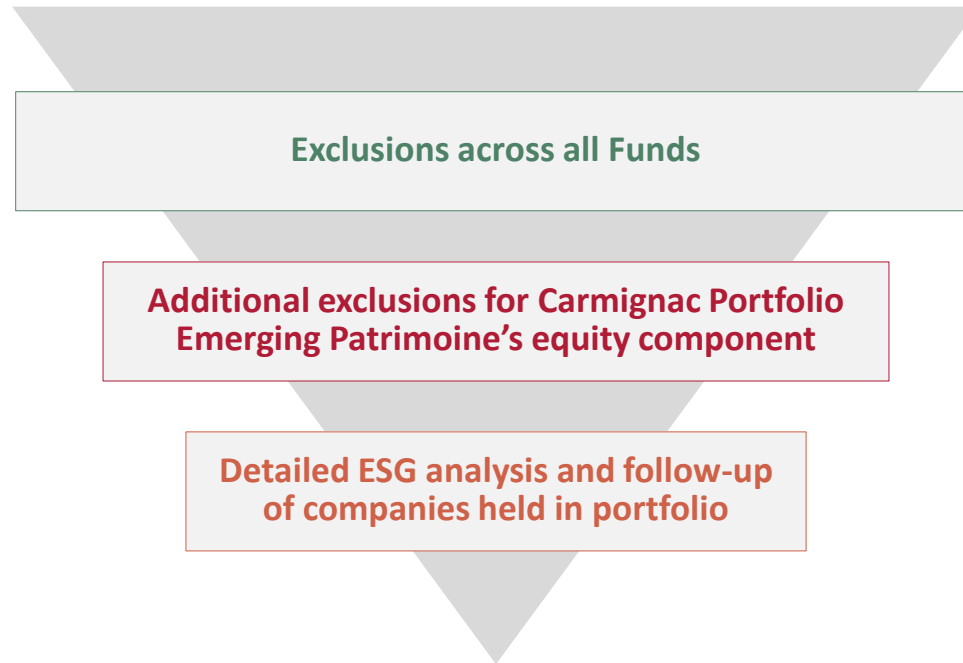
Step 4
Monitoring



Consideration of ESG issues does not end when the investment decision is made. The Emerging Market (EM) Equity team continuously reviews the investment thesis of companies held in portfolio, including a **review of ESG criteria**.

Exclusion Policy

The Emerging Market Equity team has extended exclusion list with its own specific convictions



Exclusions Across All Funds



Exclusions

Hard restrictions (transactions are prohibited and blocked on trading tools):

- ✘ Controversial weapon companies
- ✘ Tobacco producers
- ✘ Coal producers*
- ✘ Russian company sanction list
- ✘ US Patriotic Act exclusions
- ✘ Human Rights Violations exclusions
- ✘ Oslo/Ottawa Treaty exclusions

Soft restrictions (transactions are not prohibited nor blocked on trading tools but subject to systematic monitoring and reporting by the compliance department)

- ✘ Nuclear companies

*Coal producers with over 25% revenues from coal extraction are excluded in our equity funds. This does not apply to Carmignac Portfolio Commodities. Exclusion lists are updated on a quarterly basis.

Additional Exclusions for Carmignac Portfolio Emerging Patrimoine's Equity Component

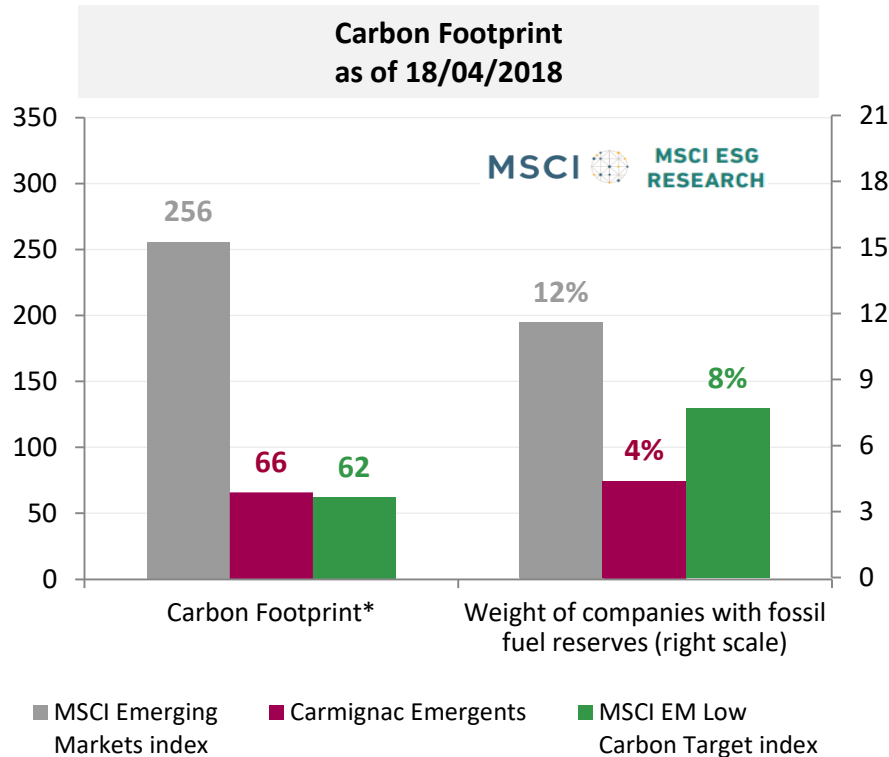


Exclusions

- ✘ Companies that derive more than 5% of their revenues from the extraction of **thermal coal**
- ✘ **Oil sands companies** that derive more than 1% of total production from oil sands
- ✘ **Adult entertainment companies** that derive any turnover from the production of pornographic materials
- ✘ **Meat-processing companies** whose revenues derive partially or completely from the processing of cattle, pork, lamb or poultry
- ✘ **Companies in the PETA (People for Ethical Treatment of Animals) exclusion list**

A Low Carbon Approach measured in Carmignac Emergents

Replicated in the equity component of Carmignac Portfolio Emerging Patrimoine



Investment strategy and transparency regarding carbon emissions

Our specific carbon risk policy is as follows:

- Minimizing the environmental impact with a portfolio whose carbon footprint is lower than its reference indicator (the MSCI EM index) and close to the one of the MSCI EM Low Carbon Target
- Limiting investments in companies owning fossil fuel reserves
- Selecting companies that follow a more ambitious carbon risk management policy than their industry peers
- Investing in companies that offer clean technology solutions

*CO2 Tons equivalent per million dollars invested
Source: MSCI Carbon Portfolio Analytics, Carmignac, 18/04/2018.

On the Fixed Income Side

Fixed income approach to socially responsible investment



Sovereign bonds

- ✓ Respect norms-based country exclusions
- ✓ Global country sanction list configured in portfolio management system
- ✓ Proprietary qualitative sustainable sovereign rating
- ✓ Seek sovereign bonds of country whose governments are raising the standards of governance
- ✓ Ongoing assessment of countries' governance sustainability



Corporate bonds

- ✓ Filter the investment universe for financial and extra-financial criteria
- ✓ Assess company ESG risks, documented under specific ESG section in our front office tool
- ✓ Respect firm-wide and fund specific exclusions
- ✓ Engage with companies during controversies

Sovereign bond selection process



1. MODIFIED DURATION

- ▶ Establishing a modified duration target



2. COUNTRY ALLOCATION

- ▶ Choice of countries presenting the best opportunities, lower long term credit or default risk and making efforts in terms of ESG
- ▶ Use of internal models (input from Laurent Chebanier, country risk analyst)
- ▶ Sovereign risk monitoring to identify sovereign credits that have lower or improving long-term credit or default risk



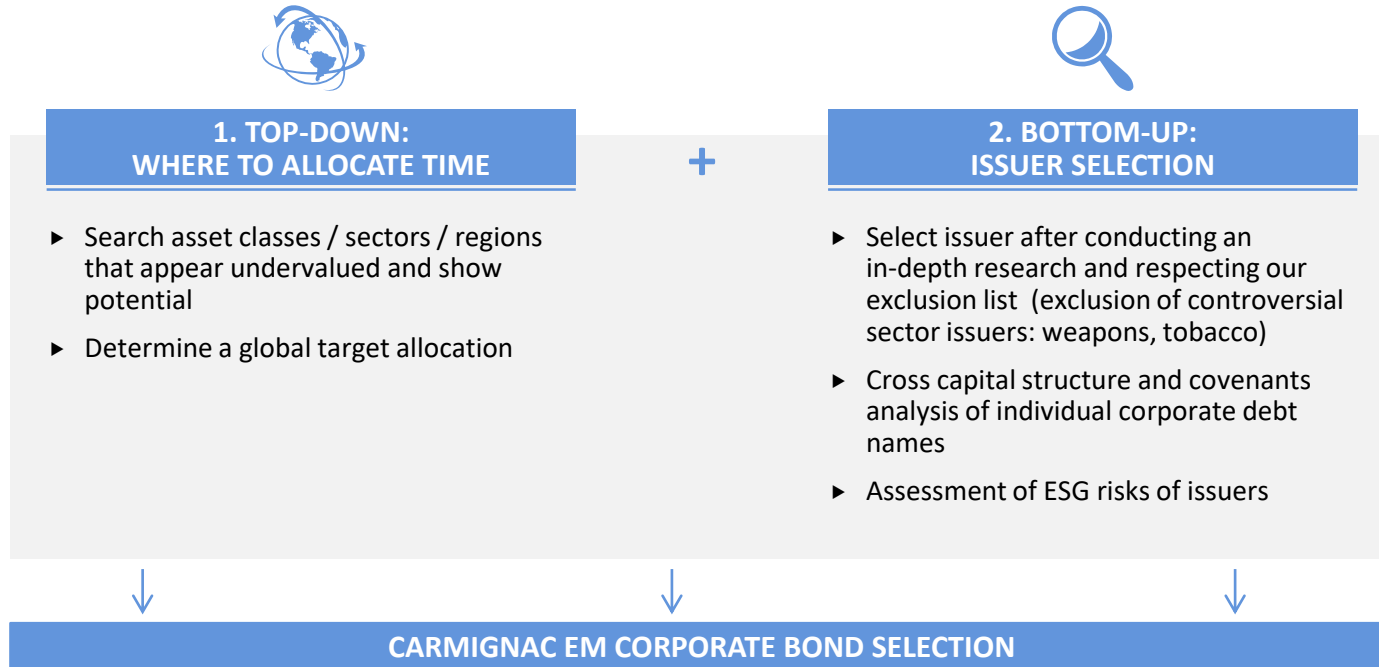
3. INSTRUMENT SELECTION

- ▶ External or local debt (analysis of real rates vs CDS)
- ▶ Choice of maturities
- ▶ Curve steepening/flattening strategies



CARMIGNAC EM SOVEREIGN BOND SELECTION

Corporate bond selection process



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