

Mobius Investment Trust - SDR Pre-Contractual Disclosure Part A

The Mobius Investment Trust (“MMIT”) is managed by MCP Emerging Markets LLP (“the Investment Manager”)

Date of Disclosure: 05/12/2024

International Securities Identification Number (ISIN): GBooBFZ7R9o

Fund identifier: (FRN): 791830

Sustainability Label: Sustainability Improvers

Sustainability investment labels help investors find products that have a specific sustainability goal. Learn more about the FCA’s SDR labelling scheme [here](#).

MMIT invests mainly in assets that may not be sustainable now, but that aim to improve their sustainability over time.

Sustainability Objective

MMIT’s sustainability goal is to enhance the ESG standards of portfolio companies in emerging markets, focusing on those with the potential for significant improvement over time. During the Investment Manager’s research process, the Investment Manager ensures pipeline companies are open to engagement.

Once MMIT invests, the Investment Manager collaborates closely with portfolio companies, driving engagement through customised strategies tailored to companies’ sector and needs. These strategies support both company-level advancements and broader portfolio-wide sustainability goals. Portfolio-wide goals include promoting gender equality by increasing the percentage of women on boards and enhancing environmental standards through improved Carbon Disclosure Project (CDP) scores; find out more about CDP scores [here](#).

The MMIT’s sustainability objectives are reviewed annually, and this disclosure will be updated accordingly. Since inception, there have been no changes to MMIT’s policies and objectives, and as of the time of writing, the Investment Manager does not anticipate changes in MMIT’s investment policies in the short- or long-term.

Material Effect on Financial Risk and Return:

The Investment Manager believes that when portfolio companies align with its sustainability goals this can drive positive financial returns. Research indicates that a higher proportion of women on boards or in senior management improves governance, risk management, and corporate reputation, boosting long-term profitability (for example, a [2023 McKinsey report](#) found that companies in the top quartile for board-gender diversity are 27% more likely to outperform financially than those in the bottom quartile). Similarly, companies with strong CDP scores may benefit financially by avoiding emissions-related taxes and fines, while gaining customer loyalty and protecting company reputation by building trust and transparency. While meeting ESG standards may raise short-term costs, the Investment Manager takes a long-term investment perspective and believes that these efforts not only mitigate risks but also unlock growth opportunities, ultimately driving sustainable profitability and enhancing shareholder value over time.

ESG related risks are part of the Investment Manager’s risk monitoring process. As a significant element of the Investment Manager’s sell discipline, deteriorating sustainability factors are monitored closely. In case a risk materialises, the team engages in conversations with the leadership of the relevant company to further understand the risks and constructively give advice as to how they can be minimised. In case such risks persist, or if management is reluctant to address them, MMIT may divest.

In general, there is always a risk of an investment going up as well as down and you may not get back the amount originally invested, particularly as pronounced fluctuations in price are characteristic of emerging and frontier economies, and MMIT’s performance may deviate considerably from that of a comparable market return as it pursues a very active management style.

Links to Positive Environmental and/or Social Outcomes:

Promoting gender equality by increasing the percentage of women on boards can lead to positive social outcomes, particularly in alignment with the United Nations' Sustainable Development Goal (SDG) 5 (Gender Equality) and 10 (Reduced Inequalities), including:

- This ensures women have equal access to fair opportunities, free from gender-based discrimination.
- Promotes balanced decision-making and fosters a more inclusive corporate culture through board diversity, enhancing stakeholder representation.
- Empowering other women by demonstrating leadership role models, inspiring them to pursue senior positions and high-level responsibilities.
- Reduces the gender pay gap by increasing the number of women in higher-paid, decision-making roles, contributing to greater economic empowerment for women.

An improvement in a company's CDP scores reflects increased action reported by that company to assess and manage its environmental impacts, specifically relating to climate change, water security, deforestation and plastic use. This can lead to positive environmental outcomes in line with the SDG 13 (Climate Action) and SDG 12 (Responsible Consumption and Production). Companies with higher CDP Scores are more likely to:

- Climate change: implement strategies to reduce greenhouse gas emissions, transition to renewable energy, and set targets that align with limiting global warming to 1.5-degrees.
- Water: have better management, governance, use and stewardship of water resources; for example, reducing water consumption, enhancing water recycling, and addressing water scarcity risks.
- Forests: engage in responsible sourcing practices that prevent deforestation, such as using deforestation-free, restorative supply chains.
- Plastics: reduce plastic pollution, improve waste management, have better visibility of plastic footprints, and shift towards sustainable packaging solutions.

Material Negative Environmental and/or Social Outcomes:

In pursuing the Fund's sustainability objectives, there is potential for unintended negative consequences. For example, efforts to promote gender equality by increasing the representation of women on boards could inadvertently result in a more qualified male candidate being overlooked. Initiatives to improve CDP scores, such as switching to a supplier with lower reported carbon emissions, might lead to higher transport-related emissions if the new supplier is geographically further away.

To mitigate the risk of such unintended material negative environmental or social outcomes the Investment Manager tries to be as actively involved in ESG-related decisions as possible.

Investment Policy and Strategy

Determination of Assets:

Defining the Investment Universe

The Investment Manager filters over 41,000 stocks in emerging and frontier markets to around 6,900 based on market capitalisation (\$500 million–\$15 billion) and liquidity (3-month ADTV > \$1 million), with case-by-case flexibility.

Idea Generation

The universe is further narrowed to around 650 stocks using a proprietary quality screen evaluating debt levels, profitability, and earnings durability.

Investigative Research

From these, approximately 150 stocks are selected for deeper research, assessing industry attractiveness, accounting standards, capital structures, and risk.

In-Depth Research Mosaic

The team conducts an intense due diligence on shortlisted companies, including DCF modelling, valuation analysis, stakeholder interviews, and ESG integration, with final decisions made by the portfolio manager.

Integration of ESG

ESG factors are deeply embedded in the due diligence process, assessing material ESG factors such as percentage of women on boards, CPD reporting and scores, selling practices, energy efficiency, environmental impact, diversity, decision-making, and innovation capabilities to evaluate a company's competitive moat. These factors directly influence operational aspects like pricing power, market share, and employee retention. The framework also includes active engagement with companies to help them improve their ESG standards and evolve into sustainability leaders. Issues identified are addressed privately with management, boards, and controlling shareholders. Research and targets are tailored to a company's country, sector, and current ESG standards.

The Basis for Determining Asset Appropriateness in Line with the Product's Sustainability Objective

Numerous studies have been published demonstrating that having a higher percentage of women on boards will lead to the positive social outcomes aforementioned, and hence reduce gender inequality. For example the [World Economic Forum \(2021\)](#) considers 30% female representation on corporate directors boards a crucial goal on the road to gender equality.

In terms of improving environmental standards, the Investment Manager holds that measuring, reporting, and maintaining transparency, for example through CDP scores, is a first step to improving environmental standards, which in turn should contribute to reducing emissions and have other positive environmental impacts.

Assessment of Asset Determination Standard:

MMIT is committed to adopting a thoughtful and evidence-based approach to sustainability. Anna von Hahn, Chief Operations Officer and part of the Investment Manager since its inception, works closely with the team on sustainability reporting and observes the application of MMIT's asset allocation process. Anna's involvement aims to support the alignment of MMIT's practices with the SDR regime requirements.

While challenges are inevitable, MMIT remains focused on fostering meaningful engagement across its portfolio companies and addressing escalation plans where necessary. Anna's independence from the investment process provides a valuable perspective, highlighting MMIT's dedication to continuously enhancing its sustainability efforts and making progress wherever possible.

Proportion of Assets:

MMIT excludes all direct or indirect investments in companies with a turnover share of > 10% in the following industries: alcohol, tobacco, defence/weapons, gaming/pornography, fossil fuels, nuclear energy, and genetic engineering.

In the Investment Manager's view, these industries are not compatible with MMIT's sustainable investment strategy.

At least **70%** of assets are analysed in line with MMIT's sustainability objectives.

However, the Investment Manager recognises the complexities involved in achieving these goals and allows for **20-30%** flexibility in the portfolio. This accommodates situations where some companies may not progress as anticipated or may become less responsive to the Investment Manager's engagement efforts. Changes in management or shifting strategic priorities within portfolio companies could also lead to the de-prioritisation of ESG goals, requiring the Investment Manager to reassess their alignment with MMIT's objectives.

Additionally, MMIT may hold up to **10%** in cash to ensure flexibility in buying and selling positions and managing liquidity.

Policies and Procedures to Monitor Performance Towards Sustainability Objectives

The investment team as a whole is dedicated to driving engagement with their respective portfolio companies, regularly reporting progress to the portfolio manager. The Investment Manager is committed to transparency and provides detailed updates on MMIT's sustainability goals' progress.

Board Oversight:

The board plays a key role in challenging the Investment Manager regarding ESG issues, risks and engagement, ensuring that the Investment Manager is conducting engagement to meet MMIT's investment policies and objectives.

Quarterly ESG Factsheets:

Includes updates on environmental, social, governance, and corporate culture dimensions and tracks the portfolio's progress in achieving its sustainability goals and KPIs.

The Investment Manager's reporting does not rely on ratings. Very few companies in the emerging and frontier markets small-/mid-cap space are covered by rating companies. Furthermore, ratings frameworks as employed by leading providers such as MSCI or Sustainalytics are more tailored towards mature and established businesses, and do not consider local sector-/country-specific intricacies which can be rather pronounced in the developing world. Additionally, ratings focus on past performance rather than future potential for improvement.

Instead, the Investment Manager relies to a large degree on the data provided by portfolio companies gathered via the Investment Manager's customised engagement approach.

Only information publicly available and traceable to the source is considered for reporting purposes. Accordingly, the Investment Manager avoids private questionnaires or surveys as such a process is difficult to replicate on a quarterly basis. Quantifying qualitative data helps to evaluate the overall portfolio and provides comparable data.

Although the Investment Manager does not rely on ratings, as of 29 November 2024, 8 of MMIT's 33 portfolio companies had an MSCI ESG rating. Looking at the progress investee companies have been making over the past years, the team is convinced that this number will continue to rise.

KPIs:

To measure the effectiveness of MMIT’s sustainability strategy, MMIT establishes KPIs across its portfolio:

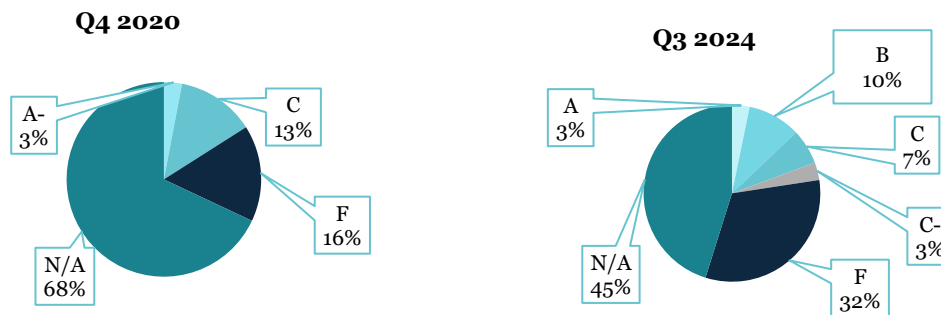
- 1) **Percentage of women on boards**
- 2) **CDP scores**

The Investment Manager has seen annual improvements in these goals since first started it reporting in Q4 2020, tracked through the quarterly ESG factsheets, and the Investment Manager expects continued progress each year.

Percentage of Women on Boards Across the Portfolio

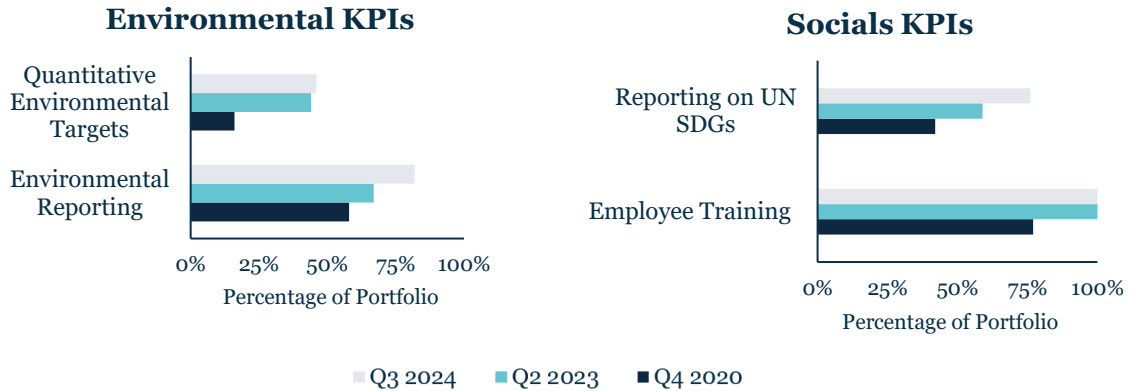


CDP Scores Across the Portfolio



The Investment Manager also tracks additional ESG factors, as progress in these areas often signals broader advancement towards higher ESG standards and can enhance the likelihood of achieving the Investment Manager’s core KPIs. For instance, companies with dedicated sustainability professionals are more likely to improve their CDP scores by allocating resources and expertise to these efforts. Additionally, MMIT defines specific targets for each company, tailored to their unique circumstances and material issues. These bespoke KPIs address the most relevant ESG factors for each company, ensuring a focused and impactful approach to sustainability. The wide range of metrics the Investment Manager is analysing can be found on <https://www.mobiuscapitalpartners.com/esgplusc>.

From Q4 2020 to Q3 2024, MMIT portfolio companies have shown significant progress towards the supporting KPIs:



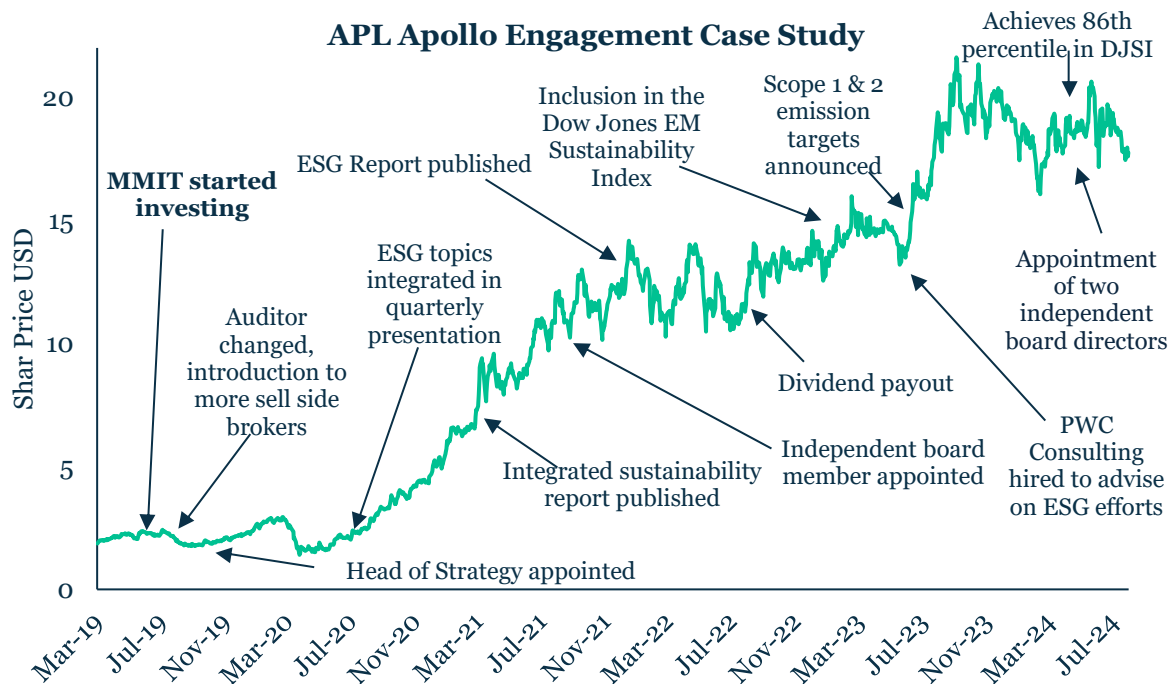
Stewardship

Strategy and Resources:

Active engagement with every portfolio holding ensures ESG standards are improved, and sustainability roadmaps are laid out on a case-by-case basis, with an escalation plan in place if companies fail to respond to engagement.

The Investment Manager’s stewardship prioritises governance improvements as the cornerstone of improving sustainability, believing that strong governance forms the foundation for improving long-term environmental and social standards through more efficient resource allocation. Key areas of focus include enhanced reporting and transparency, the appointment of independent directors, and the protection of voting rights and minority shareholders.

The Investment Manager’s successful stewardship with APL Apollo exemplifies how engagement can lead to measurable ESG progress. Initially focused on governance, over time the Investment Manager’s engagement expanded to include board diversity and sustainability reporting:



Sustainability Improvers Timescale

1) Short-Term Goals:

Objective: Ensure initial receptivity of engagement from portfolio companies.

Actions: Conduct bi-monthly calls or meetings, complete initial ESG assessments in line with the internal framework, and secure commitments from management.

2) Medium-Term Goals:

Objective: Facilitate and observe the implementation of ESG improvements.

Actions: Develop and initiate bespoke ESG action plans, establish quarterly reporting, conduct workshops, and see early improvements in key ESG metrics, including percentage of women on boards, reporting on and improvement in CDP scores, as well as companies' Glassdoor scores.

3) Long-Term Goals:

Objective: Achieve substantial and sustained improvements in ESG standards.

Actions: Establish long and mid-term targets on carbon reduction and ensure alignment with global standards.

Time Frame: long-term goals are expected to be reached over the investment holding period, with the Investment Manager aiming to hold stocks for around five years.

Escalation Plan for Non-Responsive Companies

1) Initial Engagement and Follow-up:

Conduct bi-monthly calls or meetings, reassess engagement strategy, and provide tailored support.

2) Understanding the Barriers:

Conduct thorough analysis and arrange direct dialogue with senior management to address concerns and offer solutions.

3) Escalation Measures:

Intensify engagement efforts, set clear deadlines, and offer conditional support for meeting milestones.

4) Revisiting the Investment Case:

If unresponsive, reassess the investment case and initiate an exit strategy if necessary.

Evidence that Assets Meet Robust, Evidence-Based Standards:

Data collection is a critical component of the Investment Manager's investment process which forms the basis of MMIT's evidence that its products are meeting, and have the potential to meet, robust, evidence-based standards laid out in Investment Policy and Strategy, Determining Assets. The Investment Manager's data collection utilises publicly available materials such as annual reports, sustainability reports, and the official Carbon Disclosure Project (CDP) site. This data is complemented through stakeholder interviews, which provide deeper insights and serve as a basis for a customised engagement plan, as well as third party providers.

Access to further information can be accessed on mobiusinvestment.com including:

- Consumer Facing Disclosure.
- ESG+C Factsheets, costs and charges, annual and interim reports, KIID, prospectus, quarterly manager's commentaries, and monthly factsheets.
- Part B of the Public Product-Level Sustainability Report, *available Q4 2025*.

For any further queries or detailed information, please contact anna@mobiuscapitalpartners.com

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