BRUMMER & PARTNERS

Brummer multi

Sustainability Report

Brummer Multi-Strategy, 2022

Published July 2023

Contents

1. Brummer Multi-Strategy – sustainability in a double sense

Brummer Multi-Strategy[1] ("BMS") allocates to hedge fund strategies managed by Sub-Investment Managers in the Brummer & Partners group. By allocating to different investment strategies with exposure to a variety of asset classes, we strive to build a diversified "all weather" portfolio that generates sustainable alpha over time, independent of market direction. At the same time, thanks to our partnership model, we have a unique opportunity to collaborate to ensure alignment of sustainability efforts from a multi-strategy, multi-manager perspective, including putting our heads together to continuously improve Brummer Multi-Strategy's and the different investment strategies' responsible investment practices. Hence, we strive to achieve a long-term sustainable alpha in a double sense.

The purpose of this report is to briefly describe how BMS's approach to sustainability and ESG has evolved over the years, to illustrate the tools for responsible investment that BMS applies today, to inform about activities we performed in 2022, and to share some insights on how hedge fund strategies that BMS allocates to adopt ESG in ways suitable to their specific investment strategies.

1.1 OUR DNA

As a multi-strategy manager allocating to absolute return focused strategies risk management is the core of our DNA. To consider factors that may have a material effect on a portfolio's return is essential if we want to make well informed investment decisions and generate returns in a responsible way. Thanks to our Nordic Heritage, with investors from the Nordic countries pioneering in responsible investment, our clients started asking us about our approach to responsible investment over a decade ago while the default reply was still "non-applicable". Back then, responsible investment was, by many, equal to negative screening and exclusions and hedge fund managers, by design, do not embrace being restricted. If the questions were posed in a slightly different way however, for example if an investment team would consider going long in a company with serious negative impact on the environment, the answer would likely be negative both due to the risks imposed by potential legal claims and potential fines, but also because it was an indicator of a governance issue and hence, it could be a candidate for the short book instead.

1.1.1 Learning a new language

As illustrated by the example above, ESG considerations were made but they were not labelled as such but instead considered common sense risk management, the essence of the role description of a portfolio manager. Questioning the non-applicable answer, we started asking ourselves what we already did to ensure we invested responsibly and what it actually meant to be a responsible investor for each of our investment strategies. We also realised we needed to educate ourselves and communicate in a language familiar to our clients and other stakeholders. We drafted responsible investment policies for all of our investment strategies, and we were one of the first hedge fund firms to become signatories to the United Nations Principles for Responsible Investment ("PRI") on behalf of all of our investment strategies in June 2016.

1.1.2 Beginner, fluent, but still a long way to proficient…

Although we, and the hedge fund industry, have come a long way since we started questioning the non-applicable answer to ESG, there is still work to be done. Over the past couple of years, and as a result of the EU Action Plan on Sustainable Finance, there has been an explosion of regulatory frameworks and voluntary initiatives as well as a surge in client demand for investment strategies considering both how material ESG factors, such as governance issues or climate change, may affect investment returns but also how investment decisions may affect sustainability factors such as human rights or global warming. As an industry pioneer in ESG and hedge funds, we strive to contribute to industry best practices by participating in working groups organised by SBAI (Standards Board for Alternative Investments, founded by Brummer & Partners and 13 industry peers in 2007), and AIMA (the Alternative Investment Management Association). Our Head of Sustainability has recently been appointed as a member of the UN-backed initiative PRI's Hedge Fund Advisory Committee, a voluntary body that guides the PRI's work in relation to sustainability and hedge funds, to further contribute to, and promote, industry best practices in this space.

1.2 OUR APPROACH

BMS typically allocates to a number of investment strategy types, for instance sector focused long-short equity strategies (currently technology, industrials, financials, and healthcare), trend following strategies (traditional and exotic markets[2]), and systematic macro strategies. The long-short equity strategies are so called fundamental strategies (analysis and evaluation of fundamental data) where the investment decisions are made by portfolio managers on a discretionary basis. The trend following and systematic macro strategies use algorithms to analyse huge amounts of data, and to create signals that data models use when making investment decisions, hence, the investment decisions are systematic and not discretionary.

1) BMS is here defined to include the Brummer Multi-Strategy products managed by Brummer Multi-Strategy AB.
2) Exotic meaning operationally challenging markets with fewer participants, for example newer contracts where liquidity is not yet sufficient to allow for trading by larger systematic trend following funds.

Brummer Multi-Strategy Master (BMS Master) and Brummer Multi-Strategy UCITS (BMS UCITS) are classified as Article 8 funds within the meaning of EU's Sustainable Finance Disclosure Regulation[3] and integrate sustainability risks, consider certain principal adverse impacts of investment decision on sustainability factors, and promote the environmental and social ("E&S") characteristics below:

- the climate (to consider and mitigate climate change and its impacts)
- human rights, labour rights, the environment and anti-corruption (governed by international norms and conventions)
- the UN Sustainable Development Goals (the "SDGs")

Our approach to sustainable investments is based on our partnership with the investment teams where Brummer & Partners holds a minority stake in the investment management companies. The Responsible investment committee[4] sets the strategic direction and decides on priorities in relation to our sustainable investment activities and our partnership structure allows us to align BMS's sustainability ambitions with those of the investment teams, as well as facilitates engagement and transparency on sustainability matters.

The tools applied are:

- ESG integration on a BMS as well as sub-investment strategy level
- Engagement with Sub-Investment Managers
- Investment restrictions
- Proxy voting and collaborative engagement

1.2.1 ESG integration

When BMS's investment team evaluates new hedge fund strategies in advance of an initial allocation from BMS, the ESG assessment includes alignment with BMS's Responsible investment policy ("RI-policy") on for example ESG integration processes, the E&S characteristics that BMS strives to promote, relevant SDGs, and potential ESG topics specific to that investment strategy.

The monitoring of existing Sub-Investment Managers includes screening their portfolios for exposure to major sustainability risks and potential principal adverse impacts that BMS avoids, hence:

- Long and short exposure[5] to companies involved in controversial weapons (cluster bombs, anti-personnel mines, biological and chemical weapons, nuclear weapons)
- Long exposure to companies involved in thermal coal
- Long exposure to companies in violation of international norms (on human rights, labour rights, the environment and anti-corruption)

The investment restriction list is updated quarterly and submitted to the Sub-Investment Managers along with their respective screening results.

Apart from screening to ensure compliance with the restriction list, the monitoring also involves calculating certain sustainability indicators related to the E&S characteristics that BMS strives to promote and includes WACI (weighted average carbon intensity), exposure to fossil fuels, and SDG impact.

The Sustainability working group

The results of the monitoring are assessed by the Sustainability Working Group (the "SWG")[6] along with a qualitative assessment of the Sub-Investment Managers' and their investment strategies' alignment with BMS's RI-policy and sustainability activities. The SWG meets monthly and summarises its conclusions in an ESG rating matrix, which feeds into BMS's portfolio managers' monthly allocation decisions. Repeatedly poor results or ignorance of recommendations regarding sustainability practices are factors that are considered in the investment decision-making process and could lead to BMS decreasing, alternatively redeeming, its investments in any investment strategy.

1.2.2 Engagement with the investment teams

When a new investment team is joining Brummer & Partners and prior to BMS's initial investment, the Sustainability team engages with the new team to develop an RI-policy and ESG integration processes as well as to ensure that the team has access to relevant ESG data.

The Sustainability team also engages with the existing Sub-Investment Managers to ensure continuous learning and development of responsible investment practices. Quarterly calls (video meetings) are held with each Sub-Investment Manager to discuss the results of the screening and relevant sustainability indicators, as well as other sustainability topics of relevance to the Sub-Investment Manager. Further, ad-hoc video meetings, calls or emails are exchanged to discuss any issues or enquiries in between the more formal quarterly calls. Also, the Sustainability team regularly meets with the Sub-Investment Managers in person to facilitate relationship and trust building as well as to provide opportunities for more in-depth discussion on relevant ESG-topics.

1.2.3 Investment restrictions

As mentioned above, investment restrictions are updated quarterly and distributed to the Sub-Investment Managers. The systematic investment strategies typically exclude all companies on the investment restriction list from their investment universe as the investment team does not have a view on specific companies,

3) SFDR
4) Members of the committee: Markus Wiklund (CEO, Brummer Multi-Strategy and Partner, Brummer & Partners), Peter Thelin (Board member, Brummer Multi-Strategy and Partner, Brummer & Partners), Carl-Johan Brodowski (Head of Investor Relations and Partner, Brummer & Partners), Joakim Schaaf (Chief Compliance Officer, Head of Legal & Compliance and Partner, Brummer & Partners), Ann-Sofie Odenberg (Head of Sustainability), Hampus Hårdeman (Sustainability).
5) Long and short meaning financial instruments, such as equities, bought by the fund (long exposure) with the intention of generating a profit from an expected increase in share price; and, financial instruments borrowed and sold (short exposure) with the intention of buying them back at a lower share price, returning them to the lender, and generating a profit on the decrease in share price. Please note that this is a simplified explanation of how hedge fund strategies may generate returns independent of market direction.
6) The SWG consists of members from the Sustainability team, the Risk team and BMS's Risk Manager.

the analysis and investment decisions are made by algorithms. In case a breach of investment restrictions is identified in any of the fundamentally managed long-short equity strategies, actions taken differ somewhat depending on which restriction has been breached.

BMS has a zero tolerance for any exposure to companies involved in controversial weapons however, an exposure may be identified when the ESG data supplier updates their analysis of companies' involvement in between the distribution of restriction lists.

If an exposure to thermal coal is identified in the long book, the Sustainability team would engage with the relevant Sub-Investment Manager to understand their investment rationale including whether the company is a so-called transition case which is expected to significantly contribute to the transition away from carbon emissions. If this is the case, the exposure would not be liquidated but instead a topic of further evaluation and discussion with the Sub-Investment Manager.

In case an exposure in the long book is identified to be in violation of international norms on human rights, labour rights, the environment or anti-corruption, the Sustainability team would engage with the Sub-Investment Manager to understand their investment rationale and their view on the violation and its materiality, and to discuss potential actions such as further analysis and evaluation, engagement with the investee company, or divestment.

As the investment restriction lists are based upon our ESG research provider's methodology and analysis, there may be cases where our opinion on a company's involvement in a specific violation or in the activities mentioned above differs from the research provider's. Should that be the case, the Sustainability team would recommend the Responsible investment committee to remove the company from the restriction lists. The decision to remove a company from the restriction list would then be reviewed by the committee at least quarterly.

1.2.4 Proxy voting and collaborative engagement

While BMS does not typically retain voting rights, the Sustainability team is subscribing to proxy advisory research and voting recommendations that, among other things, take violations of international norms into account. The proxy advisory research may support discussions and collaboration with the Sub-Investment Managers who actually hold the voting rights, in order to potentially inform voting decisions. BMS encourages the Sub-Investment Managers to be active in their own dialogue with investee companies on relevant ESG topics.

Apart from engaging with the Sub-Investment Managers, BMS also participates in collaborative engagement activities together with other capital owners and institutional investors targeting companies that the Sub-Investment Managers may, or may not, have exposure to. The purpose of the collaborative engagement is to further improve companies' compliance with international norms on human rights, labour rights, the environment and anti-corruption, as well as encouraging them to take actions related to climate mitigation.

2. Year 2022 in review

In 2022 we focused on meeting the requirements on sustainability related disclosures stipulated in EU's Sustainable Finance Disclosure Regulation, including the so called Principal Adverse Impact ("PAI") indicators, which can be found here: PAI-statement. It is worth noting that the formulae for calculating these indicators are currently being reviewed and we hope to see amendments that would make them more meaningful also for alternative investment strategies such as ours. On that note, we participated in collaborations with other institutional investors organised by SBAI and AIMA with the purpose of providing feedback on the disclosure regulation from a hedge fund perspective, and to discuss best practice in terms of calculating and reporting on ESG metrics such as carbon footprint and carbon intensity.

Further, we strengthened our engagement and voting processes to improve alignment with the environmental and social characteristics that BMS strives to promote (see "Our approach" above) by initiating proxy voting on behalf of BMS UCITS, including acquiring proxy voting research and recommendations, and by engaging with the Sub-Investment Managers on ESG-related shareholder resolutions, and encouraging them to vote on equities held by them on behalf of BMS Master, where relevant. We also initiated participation in collaborative corporate engagement with investee and non-investee companies.

2.1 A SUMMARY OF ACTIVITES PERFORMED

The table below summarises key activities performed in 2022 when monitoring and assessing the Sub-Investment Managers and their investment strategies. Please note that activities and tools may be amended over time as we continuously evaluate our approach to sustainable investments.

Tool	Description	Activity
ESG integration	Monitoring and assessment of Sub-IMs and their investment strategies were performed at least quarterly but typically on a continuous basis. The results of the assessments were documented in the ESG rating matrix and considered by BMS's portfolio managers in analysis and allocation decisions.	The SWG convened nine times and the ESG rating matrix covers ten investment strategies.
	Investment strategies not yet part of the Brummer & Partners' group were assessed prior to a potential initial allocation from BMS.	Five investment strategies were assessed of which three received allocations from BMS.
Engagement with investment teams	The Sustainability team has engaged with the Sub-IMs to ensure alignment of sustainability activities and compliance with RI-policies.	30 meetings were held with nine Sub-IMs. Key topics of discussion were: ▪ screening results ▪ RI-policy development ▪ the SDGs

Investment restrictions	Restriction lists were updated quarterly, and the investment strategies were screened at least quarterly to ensure compliance. Please note that unwanted exposure may be identified when the ESG research and data provider issues new and/or updated ESG data and updates its company research accordingly. The screenings performed uses the most recent ESG data available while the restriction lists are only updated quarterly.	Exposure to four investee companies in the investment strategies' portfolios were identified[7] to be in breach of BMS's and the relevant Sub-Investment Manager's RI- policy. Three were divested in an orderly manner and one was subject to further analysis and evaluation including discussions with the Sub-Investment Manager and the ESG research providers.
Proxy voting and collaborative engagement	Collaborative engagement on compliance with international norms (human rights, labour rights, the environment, and anti-corruption).	110 companies were subject to new engagement dialogues[8] and the response frequency was approximately 70 per cent. Breakdown of issues discussed: Environment (E): 39% Social (S): 40% Governance (G): 9% E/S/G Overlap: 12%
	Collaborative engagement on climate action	30 companies were subject to new engagement dialogues on for example target setting, transition plans, and transparency.
	Proxy voting	Statistics on BMS UCITS's voting activity is limited for 2022 as processes for proxy voting were implemented during the year.

2.2 A CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS

As mentioned previously in this report, BMS is avoiding exposure to certain activities and sectors as the sustainability risks related to such exposure is deemed to potentially have a material negative affect on returns, should they materialise. Part of that potentially material negative affect on return is also a result of the potentially material adverse impact these activities or sectors may have on certain sustainability factors that BMS has identified to be of relevance to BMS's and the Sub-Investment Managers' investment strategies. The sustainability risks and adverse impacts that BMS has identified to be of relevance relate to the Principal Adverse Impact indicators in the disclosure regulation and have been included in BMS's Principal Adverse Impact Statement (see link above) on a voluntary basis. They are also outlined in the table below, along with actions taken to mitigate or manage exposure to these sustainability risks/adverse impacts in 2022.

7) The number refers to exposure identified as a result of the quarterly screenings performed and does not capture exposure, if any, identified and managed as part of daily business operations.

8) The collaborative engagement activities are coordinated by our ESG research provider and although we have signed formal communication sent to the target companies during the engagement processes, we have not, due to resource constraints, participated in all calls held in 2022. Some of the engagements were initiated before we joined, hence, we have not participated from start in all of them. The engagements are typically performed over two years with regular reviews and reports on progress, actions planned and outcome. The research provider nominates new target companies which are reviewed by us, and the Sub-investment managers are notified and encouraged to provide feedback which we consider before a decision to join an engagement with a specific company is made.

PAI-indicator (Adverse sustainability indicator)		**Comment**
Weighted Average Carbon Intensity ("WACI") of investee companies in the Sub-IMs' portfolios. Long/Short Scope 1 and 2 emissions.	tCO2/MEUR (tonnes per € million revenue) Long:110 Short:108	WACI was included in the monitoring and screening processes and as an indicator in the ESG rating matrix, as well as a topic of discussion with relevant Sub-IMs.
Violations of UNGC's principles and OECD's guidelines (violations of international norms)[9] Share of NAV Long/Short Verified violations of international norms on human rights, labour rights, the environment, and anti-corruption.	Long: 0.37% Short: -0.10%	BMS and the Sub-IMs avoided exposure to companies involved in violations of the UNGC principles and the OECD guidelines in their long books. Discussions were held with the relevant Sub-IMs on one identified exposure (the other one was divested upon identification). BMS participated in collaborative engagements to encourage the targeted companies to comply with international norms (of which UNGC's principles are one).
Controversial weapons Share of NAV Long/Short Verified involvement in anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium, and nuclear weapons.	Long: 0.00007% Short: - 0.00001%	Identified exposures were divested in an orderly manner.
Thermal coal Share of NAV Long/Short More than five percent of revenue is generated from the production of thermal coal, or more than 30 per cent from energy (electricity) production based on coal.	Long: 0% Short: 0%	BMS and the Sub-IMs avoided exposure to companies involved in thermal coal in their long books, and no such exposure was identified in the screenings performed.
Fossil fuels Share of NAV Long/Short More than five percent of revenue is generated from the production or distribution of fossil fuels, or more than 50 per cent generated from services. (Includes unconventional extraction methods such as oil sands and arctic drilling).	Long: 3.54% Short: -2.04%	BMS engaged with relevant Sub-IMs on their exposure to fossil fuels to understand their investment rationale. An example of a discussion on investment rational in relation to fossil fuels is Pantechnicon's view on the energy transition and the industrial transformation outlined below.

9) The United Nations Global Compact (UNGC) and Organisation for Economic Cooperation and Development (OECD).

3. Fossil fuels – to be or not to be?

It is clear that we need to reduce carbon emissions and replace fossil fuels with renewable energy sources, but the path to a net zero emissions future is much debated. Some may come to the conclusion that an exclusion of fossil fuels from their investment portfolio is the best way forward, while others may decide to keep companies contributing to fossil fuels as they believe these companies facilitate the transition in some way.

BMS allocates to Pantechnicon, a long/short equity strategy focusing on global industrials. Pantechnicon's investment team strives to identify investment opportunities by analysing inter alia how the energy transition, and the industrial transformation, affects value chains, and make investment decisions based on significantly deviating views on earnings and cash flows 1-3 years into the future. Their process is fuelled by thematic shifts or structural imbalances that give rise to outsized opportunities for earnings and cash flows to deviate from norm/expectations. Therefore, sustainability and ESG matters which materially influence supply/demand in the medium term is an integral part of the investment process. The investment team typically try to identify investment opportunities in companies that "make the dirty stuff less dirty" however, the investment strategy is not striving to make impact investments and is not focused on sustainability outcomes, the purpose is to make well-informed investment decisions and to generate competitive risk-adjusted returns in a responsible way.

3.1 MAKING THE DIRTY STUFF LESS DIRTY

When asked to share a case study on "making the dirty stuff less dirty" with BMS's investors, Pantechnicon's portfolio managers wanted to highlight the greening of cement outlined below.

"As an example, as we continue to encourage the transition to "green steel" in Europe, despite not having solved for the incremental electricity consumption, we believe the transition to "green cement" has been given far too little attention. One of the more obvious reasons is that we as a society show no willingness to pay more for a "green" bridge or airport runway, while those buying steel believe they can pass on higher steel costs to the consumers of cars, trucks, etcetera. We believe this is about to change, driven mostly by regulation. From 2026, cement producers need to start weening off the free allowance of carbon credits. This implies an actual cost, ramping over a 9-year period, until the producers need to pay for their emissions. Besides the importance for society, given the proportion of CO2 emissions stemming from the cement production, the producers have individually committed to significant CO2 reductions up to 2030 as a part of "Fit for 55" – the EU's plan for a green transition.

So how will this be achieved? The answer is through a raft of actions. First and foremost, we ideally want to consume less cement, but it is needed for all kinds of construction. Therefore, any technology that allows for a lower degree of cement in concrete is welcomed. Here, the Swiss chemical company SIKA plays an important role, providing adhesives and admixtures to achieve just this, as well as allowing for a higher share of recycled concrete in the cement mix. Secondly, we need to address the production process of cement as well as reduce the clinker portion of cement, given that the clinker grinding process represent a significant part of the cement production's overall CO2 emissions. Here we can reduce the proportion of clinker and partly replace clinker with calcinated clay. We also need to modernise the grinding process with energy efficient equipment and ensure that the electricity it consumes stems from carbon free sources. Finally, we need to more broadly introduce carbon capture technologies in cement production. All the latter technology choices are something the Danish cement equipment manufacturer FLSmidth is providing.
Put simply, coming from a level where Europe is demanding less "green cement" per unit of consumption than for instance India, we believe this is about to change in rapid order. Therefore, we own companies that provide the solution to go green, not because it "feels right", but rather because it provides a significant earnings driver and helps cement producers counteract an otherwise potentially fatal cost increase, unless we would agree to simply pay much more for cement in the future than we do today. We operate in dirty industries, just because we believe we can identify those that make them less dirty."

4. Sustainability and ESG is non-applicable to systematic trend following strategies, right?!

No, responsible investment is highly applicable, we just need to understand how.

4.1 SYSTEMATIC TREND FOLLOWING STRATEGIES' ROLE IN THE FINANCIAL SYSTEM

When we joined the UN-backed initiative PRI back in 2016, we were one of the first hedge fund firms to sign on behalf of our total assets under management, including the systematic trend following strategy[10] that BMS allocated to, and still allocates to. Since then, BMS has started allocating to one more systematic trend following strategy – Florin Court Capital.

Trend following strategies, broadly also called commodity trading advisors ("CTAs"), are usually trading in contracts associated with commodities, for example contracts allowing farmers to hedge future income. They do not invest in single companies' equities but instead in derivative contracts such equity swaps as well as commodity futures and index derivatives. Since they have the possibility to go both long and short, trend following strategies support the market with better liquidity, increased price discovery and improved market efficiency. However, in order to ensure the models applied by trend followers function properly, and to comply with regulatory requirements, systematic trend following strategies need to trade markets with adequate liquidity in relation to the sizing of positions taken, and with sufficient daily trading volumes to not risk driving prices of the underlying physical commodities from which, amongst other things, the derivative contracts derive their values.

4.2 TREND FOLLOWERS AND RESPONSIBLE INVESTMENT

Florin Court has, thanks to its operational expertise and size, an advantage to most of its peers as it can trade developing markets often not traded by other traditional and larger CTAs. We asked the investment team to share their view on what that means from a responsible investment perspective.

"Within the Florin Court Programme, there are two sectors where sustainability is more applicable: commodities and equities. While Florin Court, for the time being, continues to trade fossil fuel commodity derivatives, we have been adding green energy-related financial securities and derivatives, including financial instruments related to emissions rights in various countries and regions, lithium, and solar energy. As a trend follower, Florin Court is able to participate in, and contribute to, the shift towards more environmentally friendly commodities. By a way of example, the Florin Court Programme used to trade futures in a certain marine cargo fuel contract. As new global regulations addressing pollution from marine fuel came into effect, liquidity shifted away from this contract and into a different market, referencing a cleaner, low-sulphur form of marine fuel. The Programme was able to capture the reduced demand for the dirtier marine fuel, and the increase in demand for a cleaner alternative. In a similar manner, Florin Court's models are well placed to adapt to increasing electricity price volatility and can also capture increased demand for greener alternatives like solar or lithium financial derivatives and securities. In the equities sector, Florin Court's approach on tackling ESG related issues for corporate securities has several dimensions. Firstly, some companies are excluded from our investable universe based on certain characteristics. As an example, Florin Court excludes companies that are directly involved in development, production, maintenance or sale of weapons that are illegal, as their production and use is prohibited by international legal instruments, or deemed particularly controversial because of their indiscriminate effects and the disproportionate harm they cause. Such weapons are for example cluster munitions, anti-personnel mines, nuclear weapons as well as biological and chemical weapons. Second, Florin Court Capital has also chosen to avoid investing into companies that generate a disproportionate share of their revenue from heavily polluting and highly carbon intensive energy sources. Finally, amongst its many trading signals used within the equities sector, one signal takes positions in companies that has a higher rating from an ESG perspective, as companies that rate highly on ESG generally tend to be better governed with more sustainable business models and hence, generate higher returns. This signal is composed of 23 ESG metrics, that are then combined to reflect an overall ESG measure of each company."

4.3 OK, POINT TAKEN, BUT ENGAGEMENT – THAT IS DEFINITELY NOT APPLICABLE TO TREND FOLLOWERS!

Actually, it is! We still hear from industry participants, and even more so from the long only community, that you can only engage with companies if you invest in their equity. Lynx's, a peer to Florin

10) Systematic trend following strategies are also go by the name commodity trading advisors ("CTAs").

Court that BMS has allocated to since BMS's launch in 2002, primary engagement approach is to work directly with derivatives exchanges and industry organisations to influence their efforts in enabling the green transition when developing new standards, practices and products.

Derivatives exchanges play an important role in supporting sustainability standards that are being incorporated in the underlying physical commodity markets. In recent years, many exchanges have begun building sustainability standards into their operations. To the extent that derivatives exchanges have unique knowledge of the underlying marketplace, and in turn collaborate with trusted standard-setters, Lynx supports and encourages this industry-led process with the ultimate goal of including and improving sustainability factors when setting contract specifications. Liaising with the exchanges and industry organisations increases Lynx´s understanding of ESG risks relating to the investment universe as well as opens up to potentially including new ESG related investments such as emissions rights, ethanol and electricity contracts that were introduced into the Lynx program in 2023.

In 2022, Lynx's Sustainability Forum advised against including coal, cryptocurrencies, and palm oil in the Lynx program as part of its ESG analysis on new contracts eligible for trading. With regards to the Malaysian palm oil contract specifically, the Forum had extensive interaction with Bursa Malaysia throughout the year advocating for them to upgrade the current Malaysian Sustainable Palm Oil (MSPO) standard, a national certification standard created by the Malaysian government, to the Roundtable on Sustainable Palm Oil (RSPO) standard, which is the main certification standard for the use of palm oil and its fractions in food and oleo chemicals. Bursa Malaysia has now become an affiliate member of the RSPO however, Lynx has not yet made the decision to start trading palm oil.

5. Conclusion

Although we have come a long way in figuring out how sustainability and ESG is relevant to us and how we can contribute to improving responsible investment practices in the hedge fund industry, as illustrated by the information in this inaugural sustainability report, we still have a lot to learn and to figure out. Examples of tasks to be evaluated and potentially acted upon are figuring out how we may define and commit to making sustainable investments within the meaning of the disclosure regulation, how we may measure the performance attribution of ESG-related investment decisions, as well as how we best report on sustainability outcomes and potential so called principle adverse impacts in a meaningful way, considering that we trade listed equities and other publicly traded financial instruments. We do not market BMS, or any of the hedge fund strategies that BMS allocates to, as sustainability or ESG funds, and we do not claim to be impact investors achieving real world outcomes. However, considering factors that may have a material effect on return is common sense if we strive to make well-informed investment decisions in the best interest of our investors. Hopefully this report has shed some light on our approach as a multi-strategy, multi-manager hedge fund and multi-asset(!) investor and we look forward to sharing more insights in the year to come.

BRUMMER & PARTNERS

BRUMMER MULTI-STRATEGY AB
BOX 7030, SE-103 86 STOCKHOLM VISIT: NORRMALMSTORG 14
Tel +46 8 407 13 00, info@brummer.se, www.brummer.se

SWESIF SVERIGES FORUM FÖR HÅLLBARA INVESTERINGAR

Signatory of: PRI Principles for Responsible Investment

SBai SIGNATORY May'23

JULY 2023