
DISCLOSURES PURSUANT TO
ARTICLE 10 OF REGULATION
2019/2088 ON SUSTAINABILITY-
RELATED DISCLOSURE IN THE
FINANCIAL SERVICES SECTOR
(SFDR)
-
SUMMARY

APPLICABLE TO THE SUB-FUND PCFS – MILTENBERG
EMERGING RESPONSIBLE EQUITY FUND

A) SUMMARY

No sustainable investment objective :

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

Environmental or social characteristics of the financial product :

PCFS – Miltenberg Emerging Responsible Equity Fund (“the Sub-Fund”) promotes primarily social characteristics through investments into listed companies that cater to the needs and well-being of consumers in developing countries. Environmental and social characteristics promoted by this financial product are primarily qualitative in nature. The Sub-Fund follows a thematic fundamental bottom-up approach and invests only in companies that directly address at least one of the 17 Sustainable Development Goals (“SDGs”) of the United Nations (“UN”). The main ESG tools used to achieve this goal are negative screening, ESG integration, and engagement and stewardship. The Sustainable Investment Policy (“SIP”) of Miltenberg Capital Ltd (“the Investment Manager”), available on its website, informs about the decision-making process when selecting investee companies for the Sub-Fund.

Investment strategy :

The investment objective of this financial product is to maximise the long-term financial return for investors through the investment into a concentrated portfolio of listed equity securities issued by consumer-oriented companies active in emerging and frontier markets. For cash management purposes, the Sub-Fund may invest at times in fixed income or money market UCITS within certain limits. Investee companies in which the Sub-Fund invests may promote, among other characteristics, environmental and/or social characteristics. Good governance practices at investee companies are a critical input in the research process when considering investments for the Sub-Fund. The sub-fund may also consider investments into companies with below-average quality of corporate governance, but which is expected to improve in the future. Corporate governance is a main area of engagement. The binding elements of the investment strategy used to select investments to attain each of the environmental or social characteristics promoted by this financial product are 1) Thematic (investments only in companies that address at least one of the 17 SDGs), 2) Negative Screening based on the IFC Exclusion List, 3) ESG Integration, and 4) Engagement and Stewardship. The governance pillar is perhaps the most important of the three ESG pillars for the investment strategy of the Sub-Fund. Strong long-term financial returns as well as good environmental and social practices regularly stem from the adherence to best practices in corporate governance.

Proportion of investments

The minimum proportion of the investment of the sub-fund used to attain the environmental and social characteristics promoted by the sub-fund is 75 (seventy-five) per cent (%).

Monitoring of environmental or social characteristics

The compliance with the Sustainable Investment Policy is ensured by the Investment Management team responsible for the selection of investee companies as part of the qualitative integration of ESG factors into the investment process. The permanent Risk Management function of the Management Company independently controls the compliance of the investments on an ex-post basis as the second line of defense.

Methodologies

The Investment Policy of the Sub Fund is to invest only in companies that directly address at least one of the 17 SDGs. The sub-fund applies negative screens and excludes certain countries and sectors from its investment universe. Miltenberg Capital Ltd analyses whether investee companies adhere to international codes and principles, particularly adherence to and violation of the UN Global Compact (“UNGC”) and the Organisation for Economic Cooperation and Development (“OECD”) Guidelines for Multinational Enterprises. The sub-fund constantly screens external databases for any controversies at investee companies. Miltenberg Capital Ltd engages with management and the board of directors of investee companies on environmental and/or social issues as and when required.

Data sources and processing

The Investment Manager collects data from different sources. Main sources are reports and presentations published by investee companies, such as annual audited financial reports, unaudited quarterly or half-yearly financial reports, investor relations presentations, and crucially annual sustainability reports. The Investment Manager is further using internet searches, external databases, as well as external sell-side and independent company and industry research. The Risk Management function is collecting independently the data from external sources to perform their independent controls.

Limitations to methodologies and data

Several limitations to the methodologies described in the present letter might (co-)exist. The sub-fund invests in emerging and frontier markets where the availability and quality of sustainability-related reports and data might be seriously compromised. The Investment Manager will engage with investee companies to ensure that annual sustainability reports of an acceptable standard are published. However, it is far from guaranteed that such engagement strategies will be successful. As a result, the sub-fund may divest from investee companies that do not publish reports of an acceptable standard. Another important limitation to methodologies and data is that external audits of annual sustainability reports are not required in most markets at this stage. This might entice issuers to publish erroneous information and data in such reports. However, the limitations presented above do not substantially affect the environmental or social characteristics as the Investment Manager is mitigating the risk through, diligence in the security selection process and through putting in place a strong SIP.

Due Diligence

The due diligence performed on the investments of the Sub-Fund is carried out at the level of the Investment Management as the first line of defense, and by the control of the Risk Management team as the second line of defense. Eligibility of the investments is controlled to ensure compliance with the Law, with the Investment Policy as per the issuing documents, with any internal limit set at the level of the Sub-Fund, with the sustainability risk criteria defined by the Sub-Fund, and with the SIP of the Investment Manager.

Engagement policies

The Sub-Fund is committed alongside the companies in which it invests at different levels.