

DIVERSIFICATION DASHBOARD

Research Insights from Outside the Box

December 2020



A Sustainable Way – Disruption, Reinvention, Reflection

Original research, actionable insight

A note from the Portfolio Management desk...



This year TOBAM celebrated 10 years as a signatory of the United Nations Global Compact and the Principles for Responsible Investment (UNPRI). Ten years ago, we strongly believed that adhering to both sets of Principles - as a company and as a fiduciary - was a fundamental responsibility. We wanted to be the kind of company that took these principles to heart, demanding of ourselves the same level of commitment as that we demand from our investments and from the companies in which we invest.

That desire led to the development of a pathway – TOBAM's Sustainable Way – to both responsible investment and corporate social responsibility.

Ten years ago we set a direction, today¹ we have achieved:

- 100% of assets under management managed according to our Responsible Investing framework
- Carbon footprint reduction of 57% across our flagship Anti-Benchmark® strategies²
- Non-executive employee ownership has grown to 26%,
- Over \$1mn donated to support the fight against human rights abuse, and
- 330% annual (2019) carbon footprint offset including scope 1, 2 & 3+ by subsidizing green, renewable energy, or reforestation projects.

We are proud of what we have achieved, but we are not done yet.

We are committed to corporate social responsibility and continuing our conduct as a responsible and engaged investor, part of which is to encourage sharing of best practise and ideas exchange. It is in this spirit that this month's Dashboard shares highlights from our 7th Annual Report on TOBAM's Corporate Social Responsibility and Responsible Investment and invite you to join us on the path and in this dialogue.

Ayaaz Allymun
Portfolio Manager & Head of Sustainability

out-of-the-box thinking

noun. Thinking that moves away from established convention to incorporate alternative perspectives and which sometimes leads to novel ideas and solutions.

¹ All data presented as of October 31, 2020 unless otherwise noted.

² Weighted average carbon footprint reduction of 57% across our Anti-Benchmark® strategies versus their respective reference index, as of October 31, 2020.

A Sustainable Way – Disruption, Reinvention, Reflection

Highlights from TOBAM's Annual Corporate & Social Responsibility and Responsible Investment Report, 2020

A range of principles and commitments guides TOBAM's activities and puts sustainability at the heart of our corporate culture. As part of our commitment to transparency we have, for the past six years, produced an annual review of our social and responsible investment activities which is shared with our employees, clients, shareholders, and partners.

The full report can be accessed here: www.tobam.fr/sustainable-way/

Having examined our fossil-fuel free approach in a previous Dashboard, we take the opportunity in this edition to introduce TOBAM's framework for Corporate Social Responsibility and Responsible Investment, then highlight key developments and results achieved over the past year.

Introduction

In February 2010, TOBAM signed the United Nations Global Compact and the Principles for Responsible Investment (PRI). These initiatives reflect the company's commitment to socially responsible values and the transparency of its investment process. By adhering to the principles for socially responsible investment set out by the United Nations, investors pledge to take environmental, social and governance issues into account, thus recognizing the ultimate importance of these issues for businesses and society alike.

Sustainable development has been a core, and clear, part of TOBAM's values since our founding, and we are committed to maintaining our 15-year record of corporate social responsibility and extending our conduct as a responsible and engaged company alongside our conduct as an investor and fiduciary.

TOBAM's Sustainability Committee's founding mission is to challenge and monitor TOBAM's Sustainable Way and ensure a high level of commitment to ESG/ responsible investment and Corporate Social Responsibility challenges. The Committee is also responsible for oversight and monitoring of market and normative evolutions in the field. Committee members are drawn from Portfolio Management, Business Development and the Executive Committee and the Committee is sponsored by our CIO and Founder, Yves Choueifaty.

In line with our core mission and investment philosophy and approach, TOBAM directs significant resources to continuing research into sustainable investment. In particular, working on the development of pragmatic and science-based responsible investment integration approaches with the objective to develop ways in which to implement further ESG integration, while leaving the nature of our Maximum Diversification® investment philosophy unchanged.

I. TOBAM's Sustainability Charter: a longstanding commitment to sustainability

Endorsing Environmental, Social and Governance principles (ESG) forms an integral part of both our day to day business as well as our investment activity. TOBAM aims to act in a socially responsible manner in our business, our social relations and through our long-term vision of sustainable growth. By upholding these principles everyday we make sure that TOBAM does not veer from our "sustainable" journey. Table 1 presents a summary of commitments made under our Sustainability Charter.

Table1: TOBAM Sustainability Charter

RESPONSIBLE INVESTMENT	
TOBAM integrates ESG in our investment approach	<ul style="list-style-type: none"> ▪ Applying an exclusion policy addressing both controversial behaviour and controversial products ▪ Implementing a systematic carbon footprint reduction of at least 20% versus reference benchmarks ▪ Maintaining an ESG focus within research projects
TOBAM acts as a responsible shareholder	<ul style="list-style-type: none"> ▪ By properly documenting the exercise of our voting rights in accordance with our proprietary voting principles ▪ Participating in both direct and collaborative engagement with other partners or investors
TOBAM promotes responsible asset management practices	<ul style="list-style-type: none"> ▪ In the media, with our clients and peers, to help contribute to the implementation of more robust ESG-related requirements for investments and to pursue the development of a more responsible financial system
CORPORATE & SOCIAL RESPONSIBILITY	
TOBAM is committed	<ul style="list-style-type: none"> ▪ Maintaining a responsible and collaborative governance system overseeing our CSR and RI approaches. ▪ Maintaining an alignment of interests between shareholders, employees, clients, and partners ▪ Monitoring our Environmental impact through mitigation and off-setting ▪ Promoting Social Progress through: <ul style="list-style-type: none"> ▪ Donation mechanism to support Human Rights ▪ The Youth Sponsoring Initiative ▪ Human Resources policies ▪ Gender Inclusion & Diversity Initiative

This formal Sustainability Charter is supported by a set of key performance indicators against which we measure and monitor our commitments, across a range of metrics. These, also, are reported in full within TOBAM's full Annual Corporate & Social Responsibility and Responsible Investment Report, 2020. The following section provides a range of key milestones from our activities over the period.

II. Activity Report: 2019 - 2020 key milestones

External Recognition

- **UNPRI assessment (March 2020):**
TOBAM received an A+ for our global strategy and governance, the highest grade possible. While we achieved this result for a third consecutive year, we were particularly pleased to have increased scores across sub-modules, particularly as broader industry standards are improving apace.
- Elected **"Most Sustainable Company in the Investment Industry"** at the inaugural World Finance Sustainability Awards 2019. The award recognises our commitment to integrating environmental, social and governance values across our business operations.

Responsible Investment and Active Ownership

- **ESG Integration:**
 - 100% of assets under management managed according to our Responsible Investing framework,
 - 100% of our assets under management subject to systematic carbon reduction footprint, achieving a weighted average carbon footprint reduction of 57% across our flagship Anti-Benchmark® strategies (as at October 31, 2020), and

- The LuxFlag ESG Label was awarded to the full range of Anti-Benchmark® strategies in 2019 and renewed in 2020.
- **Fossil-fuel free investments:**
In 2020, a 100% fossil-fuel free approach has been adopted across selected strategies including the TOBAM Anti-Benchmark® Emerging Markets Equity strategy and the TOBAM Anti-Benchmark® Global High Yield strategy (as of September 30, 2020). Under the approach, companies significantly involved in fossil fuel production, sales or extraction (coal, coal power generation, oil & gas) are excluded from the investment universe of each strategy. The approach is also made available to clients within dedicated mandates and segregated accounts.
- **Engagement:**
We have been active in exercising our voting rights, achieving a consistently high level of voting engagement (98% voting participation in 2019). Additionally, we have:
 - increased our direct engagement interaction with companies compared to last year,
 - launched a collaborative engagement project with clients to multiply our ability to 'influence for good' whether in best practises or risk management, and
 - been active participants in the Carbon Disclosure Project to ensure companies worldwide are more active in reporting their carbon footprint.

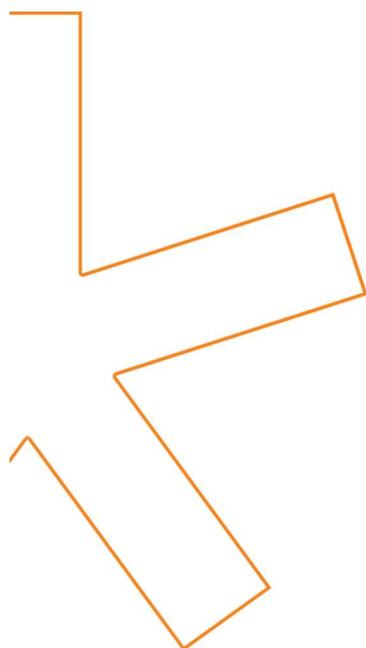
Corporate & Social Responsibility

- **Promoting Social Progress:**
We continue to support NGOs fighting against human rights abuses, donating over €1,3 million since 2011. The human rights track record of some governments in emerging countries can be suspect and difficult to reconcile with a desire to support the local economies and communities within these countries. Rather than trying to lobby those governments, or duplicate the actions of the many NGOs whose core mission is to defend human rights worldwide, we decided that our contribution would involve funding select NGOs to serve as partners in their work promoting human rights. This year, alongside Human Rights Watch, we added a new partner to this program: Reporters without Borders, a leading international non-profit and non-government organization that safeguards the right to freedom of information.
- **Mitigating environmental impact:**
We strive to make mitigation efforts wherever possible, however, some impacts cannot be significantly reduced. Therefore, for a second calendar year running, TOBAM has offset 330% of our scope 1, 2 & 3 emissions in 2019 by subsidizing green, renewable energy or reforestation projects. We also incorporate employees' personal emissions ('scope 4') in our efforts.

III. Conclusion

The integration of sustainability - TOBAM's Sustainable Way - took place early on in our corporate development and has continued to evolve over the years through the contribution of employees, clients, shareholders and partners. We are proud to share our commitments and the progress we have made over the last year and welcome you to join with us in this important dialogue.

While we've provided selection of highlights within this Dashboard, TOBAM's full Annual Corporate & Social Responsibility and Responsible Investment Report, 2020 can be accessed here: <https://www.tobam.fr/sustainable-way/>



For more information

TOBAM is an asset management company offering innovative investment capabilities designed to increase diversification. Its mission is to provide rational and professional solutions to long term investors in the context of efficient markets.

The Maximum Diversification® approach, TOBAM's flagship investment process founded in 2006, is supported by original, patented research and a mathematical definition of diversification and provides clients with diversified core exposures, across equity and fixed income markets.

In line with its mission statement and commitment to diversification, TOBAM also launched a separate activity on cryptocurrencies in 2017.

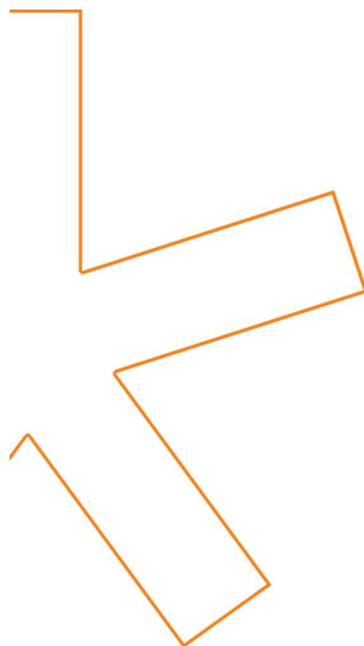
As at September 2020, TOBAM manages US\$8.1 billion on behalf of clients globally. TOBAM's team is composed of 47 professionals.

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Investment involves risk, past performance is not indicative of future results, investors could lose of their investment. All investors should seek the advice of their financial advisor prior to any investment decision in order to determine its suitability.

Past performance and simulations based on back tests are not reliable indicators of future performance, forecast or prediction. Back tested data may reflect the application of the strategy methodology to historical data, and thus the strategies were constructed with the benefit of hindsight and has inherent limitations. TOBAM has continued and will continue its research efforts amending the investment process from time to time accordingly. TOBAM reserves the right of revision or change without notice, of the universe, data, models, strategy and opinions.

The constraints and fees applicable to an actual portfolio would affect the results achieved. The value and the income produced by a strategy may be adversely affected by exchange rates, interest rates, or other factors. This material, including back tests, is based on sources that TOBAM considers to be reliable as of the date shown, but TOBAM does not warrant the completeness or accuracy of any data, information, opinions or results.

The carbon impact shown is the weighted average of carbon emissions corresponding to scopes 1 and 2 of the GHG Protocol. Data on emissions used is obtained from a number of sources including company reports, CDP questionnaire (Carbon Disclosure Project) or the estimation model. The data does not take into account all emissions induced by the firm.

TOBAM's quantitative investment process is supported by extensive proprietary computer code. TOBAM's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

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