



SUSTAINABILITY APPROACH

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Dealing with sustainability risks

Sustainability risks are events or conditions in the areas of environment, social issues or corporate governance, the occurrence of which may actually or potentially exert substantial negative influences on the asset, financial and earnings situation as well as on the reputation of the investments concerned and may thus affect their market value.

Zenit Asset Management AG (ZENIT AM) regards sustainability risks as a type of risks which impact already long-known risk categories such as market price risk, credit default risk, reputational risk and operational risk.

Expected effects of sustainability risks on returns

Sustainability risks basically impact all other prevailing risk categories and thus affect the expected returns of an investment. Sustainability risks can impair the performance of a portfolio or of assets held therein. These risks can therefore have a deleterious effect on performance generally and on the investor's capital. ZENIT AM takes appropriate measures, such as giving due attention to ESG criteria, to effectively attenuate any negative performance trends attributable to sustainability risks.

It should be borne in mind though, that adherence to particularly strictly defined ESG criteria results in a smaller investment universe. As a consequence, this may lead to reduced portfolio diversification and increased portfolio risk.

Investment approach

Our investment approach has always been based on a responsible investing policy and our conviction that a long-term broadly diversified, and therefore robust, strategic asset allocation is the key to sustainable good performance.

Sustainability (ESG) risks are a fixed part of our investment process, and they are a default component of our investment due diligence.

ZENIT AM obtains ESG ratings from highly reputable ESG rating agencies. In selecting the agencies, we take care to ensure that they provide the broadest possible coverage of the investment universe, that their methods are completely state-of-the-art, and that they enjoy wide acceptance in the market.

At present, ZENIT AM does not take into consideration negative effects of investment decisions on sustainability factors (PAI – Principal Adverse Impacts) in accordance with SFDR Art. 4. The relevant data needed for establishing and weighting adverse sustainability effects are not yet available in the market on a sufficient scale or in the required quality.

We will continue to observe regulatory developments relating to SFDR and other applicable ESG-oriented laws and regulations, and we will, if it is required or appropriate, make changes to our existing guidelines and procedures.