



**CHICAGO  
FUNDAMENTAL  
INVESTMENT  
PARTNERS  
SUSTAINABILITY  
REPORT 2023**

# INTRODUCTION



CFI Partners, LLC (“CFIP” or the “Firm”) is a predominantly credit-focused investment management firm. As stewards of capital, we recognize that climate change is not only an environmental challenge but also a critical financial consideration. Our commitment to TCFD reporting stems from our core investment principles deeply rooted in risk management and long-term value creation.

## Purpose and Commitment



- + At CFIP, we aim to provide **higher risk-adjusted returns** to our clients in the long run. Our strategy involves "cutting off tails" (i.e., protecting against severe drawdowns).
- + Negative returns have a **disproportionate impact** compared to positive returns of the same magnitude. By managing risk to severe outcomes, we seek to achieve long-run outperformance.
- + **Climate risk is a significant and systemic risk** that transcends asset classes. Our commitment to managing such risks lies at the very heart of our firm's approach to investing.



Our commitment to climate disclosure isn't just about compliance; it's about creating value by safeguarding against risks.

# GOVERNANCE

## Board and Management Level Oversight



CFIP's team is led by four principals, including Levoyd Robinson, CEO and CIO. The senior leadership team is ultimately responsible for overseeing investment systemic risks such as climate risks.



CFIP has established an ESG Committee responsible for assessing and reporting climate-related risks and opportunities. Our ESG Committee convenes quarterly and is chaired by Perry Hollowell, Head of Sustainable Investing. The Committee conducts annual training on climate-related risks and opportunities and works with investment teams to incorporate ESG into their fundamental analysis. The Committee's responsibilities align with the recommendations of both the PRI and TCFD. The identification of risks and opportunities and summary of approaches to assessing and managing them are presented to the senior leadership team annually.



The ESG Committee comprises ten individuals representing a range of business areas, including Investment, Management, Legal and Compliance, Research, Marketing and Investor Relations, Operations, and Information. The Committee has formal responsibility for creating CFIP's ESG strategy and overseeing its implementation, including climate-related initiatives at the firm and fund levels.



## Overview



- + Climate change is one of our greatest challenges as a society and as investors. As a firm, CFIP integrates climate risks and opportunities into investment decision-making at all stages of the investment process. In investment analysis and decisions, the primary objective of considering ESG factors, including climate risk, is to manage potential ESG-related risks and opportunities that may have a financial impact and maximize returns.

In alignment with the TCFD recommendations, this includes assessing and managing climate-related risks and opportunities associated with our firm and internal operations and our investment portfolios. As recommended by TCFD, we consider both acute and chronic, direct and indirect physical climate issues, i.e., risks related to more frequent or severe weather events such as flooding, droughts, and storms, as well as transition issues, including the policy and legal, technology, market and reputational risks associated with the transition to a low carbon economy. We also consider where opportunities may arise or potentially arise from climate-related issues, such as resource efficiency and investment in low-carbon energy and technologies.

## Identifying Financial Risks and Impacts from Climate Change



- + As a firm, CFIP uses MSCI Climate Data to assess climate-related risks and opportunities in the short (<1 year), medium (2-5), and longer terms (6+). We also use MSCI to conduct scenario analysis on our portfolio. The findings of these reports and analyses are described in detail in the following sections.

Drawing on data from MSCI and additional third-party and in-house analysis, we have identified material climate risks and opportunities and their potential impacts on our business, strategy, and performance. We have also indicated the timeframes relevant to these risks and opportunities. These are described in alignment with the TCFD framework, as shown in Table 1.

### Climate-related risks

Transition risks			
Category	Risk/opportunity	Material Financial Impacts	Time frame
Policy and Legal Risks	Regulatory changes in existing products and services	Potential increase in expenses due to the increasing cost of environmental compliance w/ companies or changes in legal frameworks	Short, medium-term
	Exposure to litigation		
Technology Risk	Costs to transition to a lower-carbon economy	Potential changes in operating and working capital and potential revaluation of existing assets or collateral	Medium, long-term
	Market adoption of new technologies and industry transformation		
Reputation Risk	Shifts in consumer preferences	Potential decrease in revenues from sectors perceived as operating in an unsustainable manner	Medium-term
	Stigmatization of sector Increased stakeholder concern or negative stakeholder feedback		
Physical risks			
Category	Risk/opportunity	Material Financial Impacts	Time frame
Acute	Exposure to extreme weather events	Potential increase in expenses due to climate-related events (hurricanes, wildfires, etc.)	Short, medium-term
		Potential loss in revenue from business disruptions or reduction in productivity due to the impacts of climate change (e.g., excessive heat impacting workers, rising sea levels interrupting operations)	
Chronic	Exposure to long-term shifts in climate patterns		Long-term

Table 1: Overview of climate-related risks, opportunities, and material financial impacts



## Processes



- + As part of its ESG analysis, CFIP conducts environmental risk assessment using various tools and resources, including reporting provided by entities directly and third-party ESG ratings and research. This includes MSCI ESG and Climate Data, other third-party ESG ratings and scores such as Sustainalytics accessed via Bloomberg, ESG commentary provided by Moody's and S&P ratings where available, and sustainability and ESG reports provided directly from investee entities. This aligns with the overall investment objective of the funds that CFIP advises and our fiduciary duty to maximize returns for investors. In addition, considering environmental factors such as climate risk helps CFIP to develop a deeper understanding of sustainability issues and potentially reduces detrimental sustainability outcomes. CFIP also monitors progress on climate-related metrics and reports under the TCFD framework, as demonstrated in this report.
- + CFIP provides annual training to ensure all staff understand and integrate climate risks and opportunities into business practices and investment decisions. The Firm's internal ESG Procedures Manual contains additional materials and resources.
- + Where possible, we also engage with our investee companies and managers through an Engagement Letter to encourage them to conduct climate risk assessments and disclose emissions from their own operations and supply chains.

## Climate-Related Risks and Opportunities in Our Investments



- + CFIP integrates environmental risk assessment, such as climate risk, into all investment strategies via our ESG approach and specific climate metrics. During the initial due diligence phase, the investment team seeks to identify any potential material ESG factors considered in our investment process. Our team of investment analysts includes assessing ESG risk factors as a required part of their analyst recommendations, which are reviewed during Investment Committee meetings as part of the approval process.
- + We consider material ESG factors across different time horizons by assessing our visibility into the future and identifying areas where ESG-related issues, such as transition risk, could significantly impact our investments. This involves projecting beyond our initial investment period to evaluate potential loan refinancing needs, considering that future investors will have an even longer-term perspective. Additionally, there is a risk of ESG-related repricing during our holding period, even if the event is beyond the investments' typical loan life of 5 to 7 years, as markets are inherently forward-looking, and future risks may be discounted today.



## We have identified the following risks and opportunities for specific asset classes:



Climate Risks	Examples of Climate Risk Impacts		
	<u>CLOs</u>	<u>Individual Credit</u>	<u>Investment Grade Fixed Income</u>
<b>Physical</b>	Severe weather events like floods and hurricanes can result in substantial damage to buildings, potentially leading to higher default rates in heavily affected regions	Impaired physical assets adversely affect both asset value and cash flows, ultimately impacting creditworthiness	The rising occurrence and expenses associated with extreme weather events result in increased outlays for relief and restoration, ultimately impacting bond values
<b>Transition</b>	Changes in regulations aimed at tackling climate change may result in higher operational expenses and increased capital investments for enhancing energy efficiency	As climate policies become more stringent, elevated emissions result in reduced creditworthiness for companies	The increasing concern about climate change has prompted numerous countries to expedite their shift toward a low-carbon economy, which may impact underlying bond revenues

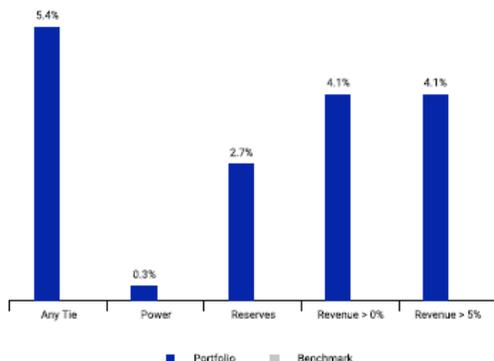


Our analysis demonstrates that the most material risk to CFIP's investments is 5.4% of our total portfolio with any tie to Oil & Gas Exposure due to this sector's very high transition risk.



## MSCI Energy Sector Exposure

### Oil & Gas Exposure



The portfolio coverage available for Energy Sector Exposure analysis is 43.1% of total securities and 39.9% by market capitalization.

Data as of 12/31/2023

## Climate-Related Risks and Opportunities to Our Firm



- + At CFIP, we recognize that environmental preservation is a shared responsibility and a vital facet of our daily operations. Our commitment to environmental stewardship focuses on energy efficiency, waste management, and sustainable travel.
- + CFIP takes pride in being situated in a building with a Gold Certification from Leadership in Energy and Environmental Design (LEED). The LEED certification represents our commitment to sustainability, as it is granted based on adherence to key criteria addressing carbon, energy, water, waste, transportation, materials, and indoor environmental quality.



**Energy Efficiency:** Our office design and operational practices work harmoniously to reduce our carbon footprint and optimize energy use. To encourage increased energy efficiency, we are implementing the following measures:

- + Maximizing the use of natural light: Our office layout is designed to harness maximum natural light, thus lessening the dependence on artificial illumination.
- + Prioritizing renewable energy: All the energy consumed in our office building is sourced from renewable energy providers, underscoring our commitment to sustainable power.
- + Implementing energy-efficient technology: We utilize high-efficiency equipment across the board, including LED lighting, superior-performance appliances, and systems (such as boilers, HVAC, monitors, and insulation). We also host our servers on the cloud to reduce energy consumption further.
- + Enforcing energy efficiency protocols: Our office employs various automated controls to optimize energy use. These include automated standby power switches for computers and monitors, motion/daylight sensors for lighting, and timers for heating systems.



**Waste Management:** We believe that effective waste management is integral to reducing the strain on our natural resources and decreasing the volume of waste in landfills and oceans. We are dedicated to the principles of “reduce, reuse, and recycle” and are actively incorporating these principles into our operations. To encourage efficient waste management, we are implementing the following measures:

- + Prioritizing digital solutions: Our operations are primarily digital, significantly reducing the need for paper. When paper is necessary, we ensure it is sourced sustainably. We also leverage electronic signature tools like DocuSign to minimize printing.
- + Encouraging recycling: To promote recycling, we have placed recycling bins throughout our office and encourage our staff to segregate waste and recycle diligently.
- + Donating unwanted items: Any surplus IT equipment and office furniture are donated to local schools and businesses through a reuse platform. This practice helps extend the lifespan of these items, reducing the need for new production and associated waste.



**Sustainable Travel:** We understand that business travel contributes to our carbon footprint, and we are committed to promoting environmentally conscious travel to lessen our impact on the planet. To encourage sustainable travel, we are implementing the following measures:

- + Promoting sustainable commuting: We encourage our staff to use public transport or electric vehicles. Our office building offers secure bike parking, showers, changing rooms, and lockers to support active commuting further.
- + Encouraging eco-friendly transport options: When a vehicle is necessary for local travel, we urge staff to choose low-emission options like electric Uber cars or taxis.
- + Limiting air travel: For air travel under 4 hours, we only reimburse expenses for energy-efficient travel classes, such as economy class. If an employee opts for an upgraded class, the additional cost is their responsibility. Furthermore, we support and cover the cost of carbon offsetting associated with flights, emphasizing our commitment to mitigating carbon emissions.



### **Beyond the Investment Horizon**

We recognize that risks extend beyond our investment horizon as market pricing of future events remains uncertain. Consequently, we remain vigilant even during our holding periods, acknowledging the potential impact of unforeseen developments.



## Scenario Analysis

+ Scenario analysis provides a way to compare possible future climate risks and their impacts. We use data from MSCI Climate Reports to understand how our portfolio could be impacted under different climate scenarios. CFIP uses the MSCI Climate Value-at-Risk (CVaR) analysis to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio. The CVaR analysis relies on an approach set forth by the Network for Greening the Financial System (NGFS), which employs three climate scenarios: 2% Orderly, 2% Disorderly, and 3% Hot House (definitions below).

Scenario	NGFS definitions
Orderly 2 °C	Assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
Disorderly 2 °C	Explores higher transition risk due to delayed or divergent policies across countries and sectors. Carbon prices are typically higher for a given temperature outcome.
Hot House 3 °C	Assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise.

Table 2: MSCI scenario definitions (Source: Network for Greening the Financial System (NGFS))

## Portfolio Analysis



+ Table 3 is the MSCI CVaR analysis for all CFIP portfolios. The table shows the present value of the aggregated future policy risk costs, technology opportunity profits, and extreme weather event costs and profits expressed as a potential cost to the Portfolio's market value should each scenario be realized. This compares the potential financial gains or losses associated with the three climate scenarios.

	% of PV Portfolio Value at Risk		
	Orderly 2 °C	Disorderly 2 °C	Hot house 3 °C
Transition risk	-0.46%	-1.54%	-0.25%
Physical risk	-0.06%	-0.06%	-0.08%
Aggregated CVaR	-0.52%	-1.60%	-0.33%

Table 3: Comparison of CVaR contribution by scenario

## Scenario Analysis - Key Findings



+ The transition risk coverage universe for our portfolios was 27.65%, and the physical risk coverage universe for our portfolios was 25.22%. As alternative credit managers, data availability is still a significant challenge, making it difficult to draw definitive conclusions at a portfolio level.

However, based on these findings, we were able to identify specific investments with heightened transition and physical risk that we can conduct additional analysis on as part of our risk management process.



## Next Steps:

This is our first year in assessing scenario analysis; over time, we plan to:

- + **Expand Scenario Analysis Coverage** to include all Assets Under Management to provide a more comprehensive view of climate-related risks and opportunities.
- + **Refine Scenario Analysis Refinement** by exploring additional climate scenarios (e.g., more severe climate impacts, different transition pathways).
- + **Assess Mitigation Strategies** for our portfolios under extreme climate scenarios and explore hedging strategies to mitigate identified risks.



**PRI Scenario Analysis Alignment:** Similar to MSCI, PRI climate scenarios share common goals of enhancing climate-aware investment practices. Both approaches align with the Paris Agreement and emphasize forward-looking analysis. However, their methodologies differ: UN PRI scenarios collaborate with climate research institutions, focusing on temperature rise trajectories and impact assessments. In contrast, MSCI scenarios draw from scientific literature and expert input and explore transition and physical risks. While both inform investment decisions, PRI scenarios emphasize metrics alignment, while MSCI scenarios provide tools for assessing portfolio exposure to climate risks.

# RISK MANAGEMENT

## Processes for Identifying, Assessing, and Managing Climate-Related Risks



### Processes for Identifying, Assessing, and Managing Climate-Related Risks:

CFIP has established a process for identifying, assessing, and managing environmental factors such as climate risk.

Material ESG factors such as climate risk are incorporated into our risk management process in the following ways:

- + The Investment Committee has an ESG veto, which may be used if material ESG risks are deemed financially impactful.
- + We monitor our investments for changes in exposure to material ESG factors, including through third-party research and ratings, new research, and market research.
- + We monitor the overall portfolio exposure to certain ESG factors, such as climate-related risks, and consider this exposure when adjusting position sizing, portfolio construction, and hedging where applicable.

# METRICS AND TARGETS



## Metrics



- + Measuring our climate-related risks and opportunities is essential to understanding the direct and indirect impacts of climate factors on our investments. In alignment with the TCFD's recommendations, we also calculate and report the weighted average carbon intensity (WACI) of our portfolios. WACI helps demonstrate emissions against revenue.
- + CFIP uses third-party MSCI to provide climate-related data and insights into our CLO and Opportunistic Credit portfolios. The MSCI assessment aligns with the TCFD's recommendations.

*The key metrics we focus on are:*

- + **Total Financed Carbon Emissions** – measures the total carbon emissions for which we are responsible via investment exposure.
- + **Financed Carbon Intensity** – measures the carbon efficiency of a portfolio, which is defined as the ratio of carbon emissions for which we are responsible to the sales for which we have exposure.
- + **Weighted Average Carbon Intensity (WACI)** – measures the portfolio's exposure to carbon-intensive companies, using a weighted portfolio average of companies' and sovereigns' carbon intensity.
- + **Implied Temperature Rise (ITR)** – indicates how effectively public companies align with global temperature objectives. Expressed in degrees Celsius, it provides a forward-looking assessment of a company's alignment with the Paris Agreement's ambitions.
- + **Fossil Fuel-Based Revenue Exposure** – measures carbon-intensive industries in the portfolio that could be directly affected by a potential low-carbon transition.

### MSCI Financed Emissions By Asset Type

From MSCI ESG Research LLC

Portfolio: PCAF.CFIP.PORTFOLIO.20240314.v2 Currency: USD

	Market Value (USD)	Financed Emissions (tCO2e)		Emission Intensity (tCO2e/mil USD)		Data Quality Score (1 - 5)		Coverage Ratio (%)		Coverage Adjusted Financed Emissions (tCO2e)	
		Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3
<b>Total</b>	1,269,472,137.11	91,694.57	476,772.03	72.23	375.57	4.28	4.42	100.00	100.00	91,694.80	476,773.22
Business loans	1,269,468,955.11	91,694.57	476,772.03	72.23	375.57	4.28	4.42	100.00	100.00	91,694.57	476,772.03
Uncovered	3,182.00									0.23	1.20



Data as of 12/31/2023

### MSCI Carbon Footprint

From MSCI ESG Research LLC

Portfolio: cfi FUND

Currency: USD

#### Footprint Metrics on Investor Allocation

Allocation Base	EVIC	Portfolio	Coverage
<b>Financed Carbon Intensity</b> tons CO2e / USD M sales Investor Allocation. EVIC	Scope 1+2	157.6	35.8%
	Scope 3 – upstream	310.0	35.8%
	Scope 3 – downstream	655.4	35.8%
<b>Weighted Average Carbon Intensity</b>	Scope 1+2	144.5	39.4%
	Scope 3 – upstream	273.4	38.1%
	Scope 3 – downstream	428.9	38.1%
<b>Corporate constituents</b> tons CO2e / USD M sales	Scope 1+2	144.5	39.4%
	Scope 3 – upstream	273.4	38.1%
	Scope 3 – downstream	428.9	38.1%

Data as of 12/31/2023

Footprint Metrics on Investor Allocation Definitions

<b>EVIC: Enterprise Value Including Cash</b>	Enterprise Value Including Cash (EVIC) is an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to EV.  <i>EVIC = Market capitalization at fiscal year-end date + preferred stock + minority interest + total debt + cash and cash equivalents</i>  The underlying data used for EVIC calculation is sourced from a company's accounting year-end annual filings. EVIC is updated and reflected once a year as the data is sourced annually.
<b>Financed Carbon Emissions</b> tons CO2e / USD M invested	Allocated emissions to all financiers (EVIC) normalized by \$m invested. Measures the carbon emissions, for which an investor is responsible, per USD million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalization).  $\frac{\sum_i \left( \frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (\$M)}}$
<b>Total Financed Carbon Emissions</b> tons CO2e	Allocated emissions to all financiers (EVIC). Measures the total carbon emissions for which an investor is responsible by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalization).  $\sum_i \left( \frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$
<b>Financed Carbon Intensity</b> tons CO2e / USD M sales	Allocated emissions per allocated sales. Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalization).  $\frac{\sum_i \left( \frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\sum_i \left( \frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's \$M revenue}_i \right)}$
<b>Weighted Average Carbon Intensity Definitions</b>	
<b>Corporate constituents</b> tons CO2e / USD M sales	Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' Carbon Intensity (emissions/sales).  $\sum_i \left( \frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$
<b>Sovereign constituents</b> tons CO2e / USD M GDP nominal	Measures a portfolio's exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns' GHG Intensity (emissions/GDP).  $\sum_i \left( \frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{sovereign issuer's GHG emissions}_i}{\text{sovereign issuer's \$M GDP}_i} \right)$

MSCI Portfolio Temperature Alignment

MSCI Implied Temperature Rise

Implied Temperature Rise (ITR) provides a portfolio level number in degrees of Celsius demonstrating how aligned the companies in the portfolio are to global temperature goals.

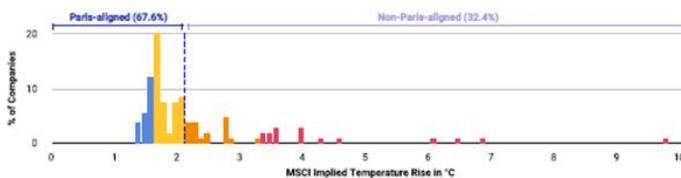
The Implied Temperature Rise (ITR) metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement – which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.



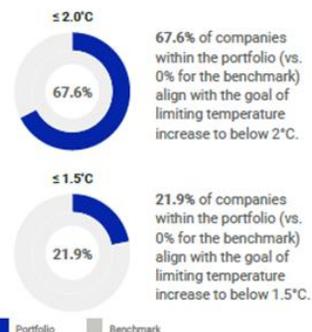
The portfolio-level Implied Temperature Rise uses an aggregated budget approach: it compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings. The portfolio's total estimated carbon budget over-/undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

Portfolio MSCI Implied Temperature Rise Distribution

The issuers in the portfolio are distributed according to their Implied Temperature Rise showing the number who are aligned with the Paris Agreement and the more ambitious 1.5°C temperature goal.



Implied Temperature Rise Categories	% of companies in category
1.5°C Aligned <= 1.5°C	21.9%
2°C Aligned > 1.5°C - 2°C	45.7%
Misaligned > 2.0 - 3.2°C	17.1%
Strongly Misaligned > 3.2°C	15.2%



The portfolio coverage available for Implied Temperature Rise analysis is 41.7% of total securities and 37.5% by market capitalization.

Data as of 12/31/2023



# MSCI Fossil Fuel-Based Revenue Exposure

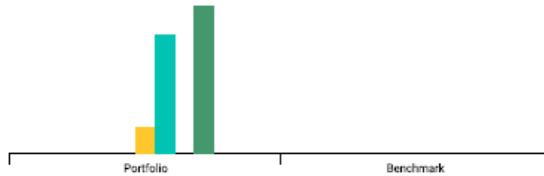
From MSCI ESG Research LLC

Portfolio : cfi FUND

Currency : USD

## Weighted Average Fossil Fuel-based Revenue Exposure

## Understanding Fossil Fuel-based Revenue Exposure



The reduced demand for carbon-intensive products and services could lead to financial stress and asset stranding in carbon-intensive industries. It is estimated that a low-carbon transition could put assets worth USD 25 trillion at risk of stranding in the fossil fuel industry alone (source: "2020 vision: why you should see peak fossil fuels coming" Carbon Tracker, Sept. 2018).

Historically, investors have focused much attention on the carbon-intensive industries that could be directly affected by a potential low-carbon transition: fossil-fuel-based power generation, coal mining and oil and gas production and refining.

	Portfolio	Benchmark
Thermal Coal Extraction	0.0%	0.0%
Unconventional O&G	0.0%	0.0%
Conventional O&G	0.0%	0.0%
Generation Fossil Fuel	0.3%	0.0%
O&G Refining	1.4%	0.0%
Exposure from Funds	0.0%	0.0%
Total	1.7%	0.0%



The portfolio coverage available for Fossil Fuel-Based Revenue Exposure analysis is 43.1% of total securities and 39.9% by market capitalization.

Data as of 12/31/2023

## Targets



### Financed Emissions Coverage:

- + Over the past year, our dedicated efforts in collaboration with MSCI have resulted in obtaining financed emissions coverage for nearly 100% of our portfolios.
- + This achievement reflects our commitment to understanding and managing climate-related risks associated with our investments.



### Ongoing Work and Climate Metrics:

- + While significant progress has been made, we recognize that there is still work to be done.
- + Our focus extends beyond emissions data to include other critical climate metrics, such as Implied Temperature Rise (ITR) and Climate Value at Risk (CVaR).
- + We remain dedicated to expanding coverage and refining our analysis to develop meaningful carbon reduction targets.

Together, we strive to create a more sustainable and resilient investment landscape.

# SUSTAINABILITY OUTCOMES



While all our investment strategies consider financially material ESG factors, most of our strategies, unless designated as an Impact strategy, are not designed to deliver specific sustainability outcomes, which we define as positive and negative externalities. Still, we seek to identify positive externalities (e.g., MSCI Sustainability Impact Metrics) and negative externalities (e.g., MSCI Controversies) connected to our investment activities. Identifying and managing negative externalities is especially important as they may carry undesired regulatory, litigation, or reputational risks.



From MSCI ESG Research LLC

Portfolio : cfi FUND

Currency : USD

## Portfolio SDG Net Alignment

### Portfolio MSCI SDG Achievement Signal Break Down

The MSCI SDG Alignment framework is constructed based on existing data sets and analysis. Each of the issuers in the portfolio are assessed based on its overall alignment with each of the 17 SDGs, respectively.

The Portfolio is Aligned with 5 Sustainable Development Goals



Sustainable Development Goals	Achievement Signal*	Strongly Misaligned (%)	Any Alignment (%)	Misaligned (%)
1. No Poverty	Not Aligned	0.0%	0.0%	0.3%
2. Zero Hunger	Not Aligned	0.0%	0.0%	1.1%
3. Good Health and Well-Being	Not Aligned	0.0%	0.0%	0.0%
4. Quality Education	Not Aligned	0.0%	0.0%	0.0%
5. Gender Equality	Aligned	0.0%	16.5%	0.0%
6. Clean Water and Sanitation	Aligned	0.0%	0.9%	0.0%
7. Affordable and Clean Energy	Not Aligned	1.7%	2.2%	0.0%
8. Decent Work and Economic Growth	Aligned	0.0%	2.7%	0.0%
9. Industry, Innovation and Infrastructure	Not Aligned	0.0%	0.9%	4.8%
10. Reduced Inequalities	Aligned	0.0%	2.7%	0.0%
11. Sustainable Cities and Communities	Aligned	0.0%	2.8%	0.0%
12. Responsible Consumption and Production	Not Aligned	1.7%	0.9%	0.0%
13. Climate Action	Not Aligned	1.7%	2.2%	0.0%
14. Life Below Water	Not Aligned	0.0%	0.0%	0.0%
15. Life on Land	Not Aligned	0.0%	0.0%	0.0%
16. Peace, Justice and Strong Institutions	Not Aligned	0.0%	0.0%	0.0%
17. Partnerships for the Goals	Not Aligned	0.0%	0.0%	0.0%

### Methodology Note:

The MSCI SDG Alignment Tool is designed to provide a holistic view of companies' net contribution - both positive and negative - towards addressing each of the 17 UN Sustainable Development Goals (SDGs). SDG Net Alignment assessment includes analysis of companies' operations, products and services, policies, and practices and their net contribution - positive and adverse - to addressing key global challenges.

To be considered Aligned it must meet the following criteria:

- Strongly Misaligned (%) = 0%
- Any Alignment (%) > Misaligned (%)

\*Portfolio level Achievement Signal for each SDG is based on the net alignment (i.e., percentage of portfolio market value that is Aligned minus percentage that is Not Aligned). Aligned portfolio net alignment greater than 0% per each SDG. Any portfolio that does not meet the criteria above or that holds any exposure to Strongly Misaligned companies is categorized as Not Aligned.



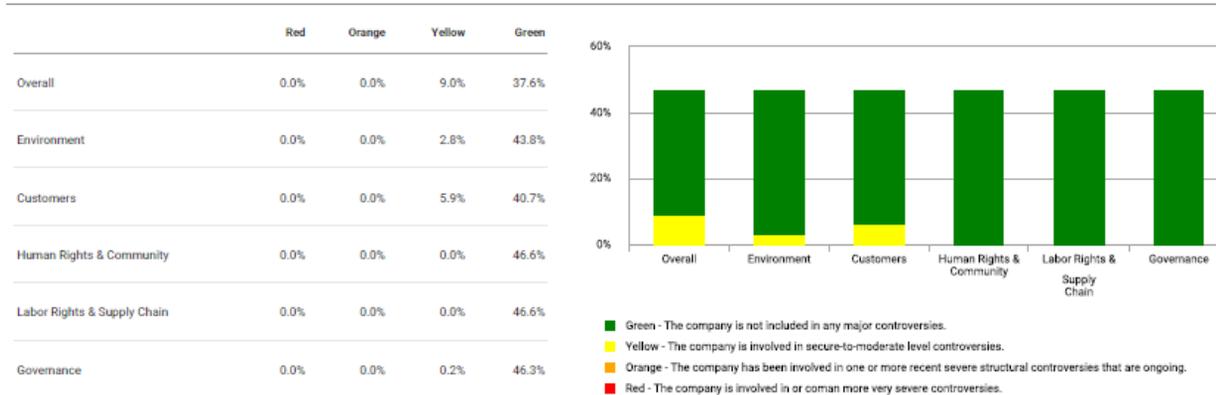
The portfolio coverage available for SDG Alignment analysis is 45.7% of total securities and 44.1% by market capitalization.

Data as of 12/31/2023



## ESG Controversies

### Portfolio exposure to ESG Controversies



### Environmental Controversies

	Portfolio
Exposure to Severe Biodiversity Controversies	0.0%
Exposure to Companies facing Water Stress	3.9%

All metrics in the table above reflect the weight of the portfolio, or benchmark, coming from securities meeting the criteria for the relevant metric.

### Social Controversies

	Portfolio
Exposure to Severe Product Safety Controversies	4.8%
Exposure to Companies facing Major Layoffs	11.0%

All metrics in the table above reflect the weight of the portfolio, or benchmark, coming from securities meeting the criteria for the relevant metric.



The portfolio coverage available for ESG Controversies analysis is 45.7% of total securities and 44.1% by market capitalization.

Data as of 12/31/2023

MSCI ESG Controversies aim to deliver consistent and timely assessments of ESG controversies related to publicly traded companies and fixed income issuers. It evaluates companies' public profiles based on their actual or alleged involvement in adverse impact activities, as reported by media, NGOs, and other stakeholders.

# ENGAGEMENT

In 2024, CFI Partners engaged with policymakers on addressing plastics pollution, including by joining 160 investors, banks, insurers, and others in signing the United Nations Environmental Programme Finance Initiative's Finance Statement on Plastic Pollution, which calls on governments to establish an ambitious policy framework to support the private finance sector in taking action on plastic pollution and aims to amplify finance sector perspectives.

In addition to our direct engagement with policymakers, CFI Partners actively participated in the Alternative Investment Management Association (AIMA) Responsible Working Group. Through this collaboration, we provided consultation on the proposed extension of the Sustainability Disclosure Requirements (SDR) regime to Portfolio Management, as put forth by the Financial Conduct Authority (FCA).

# CONCLUSION AND NEXT STEPS



CFIP is committed to understanding the climate-related issues we face and managing them as part of an integrated governance and investment process. We also recognize the critical importance of reporting against the TCFD recommendations. This report covers our actions and initiatives to ensure climate risk is considered at all levels of our investment process. We aim to build on this foundation and work towards the following actions over the coming 12 months:

- + Further integrate climate risk into investment research and investment processes
- + Expand our climate metrics and develop carbon reduction targets
- + Explore transition pathways and build on our climate scenario analysis
- + Enhance our internal environmental initiatives, including carbon offsets
- + Expand our stewardship engagement with corporate issuers, policymakers, and industry peers

In addition to climate risk, CFIP is exploring ways to progress on other financially material ESG factors, such as crafting a human rights policy closely aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and becoming a supporter of biodiversity commitments such as the Taskforce for Nature-Related Financial Disclosures (TNFD). Any decision on future policies or commitments will be made after thoroughly examining alignment with our fiduciary responsibilities to our clients.

# SCOPE AND LIMITATIONS



- + Any statements that are not statements of historical facts may be deemed to be forward-looking statements. When used in this 2023 TCFD Report, the words “aim”, “may”, “can”, “could”, “target”, “plan”, “goal”, “commitment”, “achieve”, “project”, “impact”, “intend”, “estimate”, “believe”, “potential”, “will”, “should”, “seeks”, “strive”, “work toward” and similar expressions (or the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. Undue reliance should not be placed on such statements or the conclusions drawn therefrom, which in no event shall be construed as a guarantee of future performance, results or courses of action. Any forward-looking statement speaks only as of the date on which such statement is made, and CFIP expressly disclaims any obligation or undertaking to update or revise any such forward-looking statements, except as required by applicable law.
- + Terms such “ESG,” “impact,” and “sustainability” can be subjective in nature, and there is no representation or guarantee that these terms, as used by CFIP, or judgment exercised by CFIP or its affiliates or advisors in the application of these terms, will reflect the beliefs or values, policies, principles, frameworks or preferred practices of any particular investor or other third-party or reflect market trends. In this report, we are not using such terms as “material” or “materiality” as they are used under the securities or other laws of the U.S. or any other jurisdiction, or as they are used in the context of financial statements and financial reporting.
- + The information and/or data required to discharge the TCFD disclosure requirements may not be available in every instance, and/or may be partially or fully incomplete due to a number of factors such as methodological challenges affecting the ability to collect and/or calculate certain data, or where data is sourced from third-party sources. As such, information and data in this TCFD report may be based on estimated data, which necessarily involves a number of assumptions, and CFIP gives no representation or assurance as to the accuracy, completeness and/or reliability of such estimates. CFIP does not independently verify data obtained from third-party sources, or estimated data. Additionally, there are various providers of climate-related data in the market and information produced by other providers may vary materially from the data provided by MSCI. Internal systems and/or processes described herein may be under development, evolution and review, and CFIP gives no guarantee that these systems and processes will be implemented as described.
- + Further, certain of the information contained in this document has been obtained from investee entities and/or sources outside of CFIP, and could prove to be incomplete or inaccurate and is current only as of any specific date(s) noted herein. CFIP makes no representations as to the accuracy or completeness of the information obtained from such investee entities and/or sources and neither CFIP nor any of its affiliates takes any responsibility for, and has not independently verified, any such information, which (if incomplete or inaccurate) could materially impact the GHG emissions data reflected.



- + GHG emissions calculations methodologies and data collection practices and the reporting thereof as a whole are evolving and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. CFIP's decision to utilize and its approach to implementing guidance from MSCI, Sustainalytics, Moody's, and S&P ratings, among others, may not align with the approach used by other asset managers or preferred by prospective investors or with future market trends. CFIP's approach to estimated GHG emissions calculations and related data collection processes and reporting thereof is expected to evolve over time, and CFIP could determine, in its discretion, to revisit the GHG emissions calculations methodologies and other processes reflected herein. Additionally, the act of selecting and evaluating material climate-related risks and opportunities is subjective by nature, and the criteria utilized or judgment exercised by CFIP may not align with the views, internal policies, or preferred practices of any particular investor or other asset manager or with market trends.
- + There can be no assurance that CFIP's ESG policies and procedures as described in this TCFD report, including the application of ESG-related criteria or reviews to the firm, its portfolio or its investment process, will be successfully implemented or continue; such policies and procedures could change, even materially, or may not be applied to a particular investment. Goals, targets, and commitments described in this TCFD report are aspirational, subject to change, and not guarantees or promises that any or all goals, targets, and commitments will be met. Such goals, targets and commitments are not binding on investment decisions and/or CFIP's management of investments. CFIP is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its ESG goals, initiatives, policies, and procedures based on cost, timing, or other considerations. Statements about ESG initiatives or practices related to the investment process or investee entities do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an ESG initiative to or within the investee entity; the nature and/or extent of investment in or control or influence exercised by CFIP with respect to the investee entity; and other factors as determined on a case-by-case basis. No assurance can be given that CFIP will remain a signatory, supporter, or member of any ESG-related initiative or other similar industry frameworks.
- + The United Nation Sustainable Development Goals (SDGs) are also aspirational in nature. The analysis involved in determining whether and how certain initiatives may contribute to the SDGs is inherently subjective and dependent on a number of factors. There can be no assurance that reasonable parties will agree on a decision as to whether certain projects, initiatives, investments, or other aspects of our business contribute to a particular SDG. Accordingly, investors should not place undue reliance on our application of the SDGs, as such application is subject to change at any time and in our sole discretion.



Unless otherwise indicated, all data presented in this report is as of April 29, 2024.