



# SFDR Annex II–Website Disclosure for Article 8 Funds–UCITS ICAV

## Product Name: Baron Capital US All Cap Focused Growth Fund

### Summary

This disclosure to the Baron Capital All Cap Focused Growth Fund (the “Fund”) pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR). The Fund is a financial product that promotes an environmental or social characteristic under Article 8 SFDR.

The Fund promotes a combination of environmental/social (“E/S”) characteristics through (a) its consideration of a number of sustainability indicators and (b) the application of an exclusionary screen. However, the Fund does not have sustainable investment as its objective.

- E/S characteristics promoted: social justice, gender equality, gun control, and community health.

Through its exclusion criteria, the Fund promotes certain norms and values by excluding issuers that are directly involved in, and/or derive a certain amount of revenue from, the manufacture, production, distribution or supply of products relating to the adult entertainment, civilian firearms, tobacco, and cluster munitions industries.

While the Fund promotes environmental and social characteristics and makes no minimum percentage commitment to making sustainable investments, it also does not exclude investment in any type of sustainable investment and in practice the Fund may (but is not required to) make sustainable investments.

BAMCO, Inc., the investment manager for the Fund (the Investment Manager), will use third-party ESG scores and internal research to measure the promotion of the Fund’s ESG Factors with respect to each investment made by the portfolio manager and the portfolio overall.

The Investment Manager's portfolio managers and research analysts generate ideas, both independently and collaboratively. The team analyses fundamental financial information, such as income statement, cash flow statement, balance sheet, turnover, and other company-specific data, and meets with the management of the company. The team also analyses environmental, social, and governance (“ESG”) factors relating to companies, with a view to identifying sustainability and investment risks and opportunities. The Investment Manager uses, for this purpose, the outcome of its own company and industry-specific ESG research, as well as third-party ESG ratings and research and ESG-specific engagements with investee companies. The Investment Manager applies an exclusionary screen which prohibits the set-up of potential investments in companies. If a company passes this screen, it is eligible to be considered as a possible investment.

The Investment Manager monitors the Fund’s environmental and social attributes by regularly updating the portfolio holdings with the latest available third-party research, scores, and ratings made available to the Investment Team.

The Investment Manager considers a number of sustainability indicators in its investment process. A decision by the Investment Manager to invest (or to sell an existing investment) is informed by these indicators (as well as other non-ESG related indicators), but the Investment Manager is not bound by any one indicator. In particular, the Investment Manager’s views regarding these sustainability indicators may not be conclusive or employed in the analysis of all companies and securities of companies may be purchased and or held for reasons other than ESG factors.

Governance factors are assessed systematically for every company in which the portfolio managers invest based primarily on proprietary research including, but not limited to, interactions with management, as well as externally sourced inputs including third-party governance ratings and data, controversies research, and/or proxy voting research as deemed relevant.

A number of data sources are used to attain each of the environmental or social characteristics. This data includes data from third-party vendors (who themselves use a combination of company reported data as well as estimates based on industry norms), and data obtained directly through the Investment Manager’s own review of and engagement with a company.

At present, the methodologies are partially driven by data availability. Any significant gaps in the currently available data or reliance on estimations or assumptions, which leads to uncertainty regarding indicators, may result in certain indicators and associated indicators being prioritized relative to others. The data that the Investment Manager uses will, to some extent, be subjective.

Regarding due diligence in underlying investments for the Fund, the ESG Factors are holistically embedded in the Investment Manager’s investment process by considering these factors alongside others that it believes can impact risk-adjusted returns.

The Investment Manager methodically exercises its voting rights and may engage with the management of companies on material ESG issues and may discontinue its investment in a company if progress proves unsatisfactory.

No reference benchmark has been designated for the purpose of attaining the ESG characteristics promoted by the Fund.

### **No sustainable investment objective**

The Investment Manager does not currently consider the principal adverse impacts (“PAIs”) of investment decisions on sustainability factors, within the meaning of Article 7 of the SFDR, as they relate to the management of the Fund.

Meaningful consideration of PAIs is not currently possible due to the difficulty in obtaining the requisite data on which the Investment Manager would be obligated to report in accordance with the SFDR, and in any case, the possibility remains that such data may be incomplete, estimated, out of date and/or otherwise inaccurate. This is partially because investee companies and/or underlying issuers are often not obligated to - and do not currently - report by reference to the same data.

Notwithstanding the aforementioned barriers to the identification and prioritisation of PAIs, the Investment Manager may re-evaluate its position on a periodic basis, giving due consideration to market developments.

### **Environmental or social characteristics of the Baron Capital US All Cap Growth Fund**

The Fund promotes a combination of environmental/social (“E/S”) characteristics through (a) its consideration of a number of sustainability indicators and (b) the application of an exclusionary screen. However, the Fund does not have sustainable investment as its objective.

- E/S characteristics promoted: social justice, gender equality, gun control, and community health.

Through its exclusion criteria, the Fund promotes certain norms and values by excluding issuers that are directly involved in, and/or derive a certain amount of revenue from, the manufacture, production, distribution or supply of products relating to the adult entertainment, civilian firearms, tobacco, and cluster munitions industries.

### **Investment strategy**

The Fund invests primarily in equity securities issued by U.S. growth companies across all market capitalizations.

The Investment Manager's approach to identifying equity securities is fundamental, bottom up, and research driven. The Investment Manager identifies companies it believes have strong fundamentals, regardless of the macroeconomic environment, and it invests for the long term. The Investment Manager's portfolio managers and research analysts generate ideas, both independently and collaboratively. Companies identified in this way are first assessed against an exclusionary screen (described below). Companies that pass the screen are then researched by the Investment Manager's own research team. The team analyses fundamental financial information, as well as environmental, social, and governance information (namely the sustainability indicators described above).

A decision by the Investment Manager to invest (or to sell an existing investment) is informed by all of the foregoing but is not bound by any one particular element of it (save for the screen, which is binding). In particular, the consideration of sustainability indicators described above may not be conclusive or employed in the analysis of all companies, and securities of companies may be purchased and / or retained by the Fund for reasons other than ESG factors.

The good governance of the investee companies is assessed during research and due diligence process against key governance and business integrity requirements, including how well the companies' interests align with the interests of minority shareholders, number of independent directors, reasonable compensation

practices, and transparent management teams that think and act like owners. The Investment Manager looks for demonstrable alignment among the interests of shareholders, management, and the owners/founders.

### **Proportion of investments**

While the Fund promotes environmental and social characteristics and makes no minimum percentage commitment to making sustainable investments, it also does not exclude investment in any type of sustainable investment and in practice the Fund may (but is not required to) make some sustainable investments. The sole binding element of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the Fund is the exclusionary screen. Every company in which the Fund invests must pass the screen. The Fund may also invest up to 10%, for cash management purposes, in cash and cash equivalents as such 90% of the Fund's portfolio is aligned with the binding environmental and social characteristics.

### **Monitoring of environmental or social characteristics**

As described above, the exclusion policy screen is the sole binding element of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product. The screen covers investment in adult entertainment, civilian firearms, cluster munitions and tobacco, as follows:

- **Adult Entertainment**

The Investment Manager's portfolio managers are prohibited from purchasing securities of businesses that are involved in the production, distribution or retailing of adult entertainment products. The Investment Manager defines adult entertainment products as material in which the dominant theme is sexually explicit conduct, specifically the depiction or description of sexual activities in a lascivious way.

- **Civilian Firearms**

The Investment Manager's portfolio managers will not purchase securities of businesses that manufacture handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian use. The Investment Manager does not exclude businesses whose products are sold to governments or are for military or police use.

- **Cluster Munitions**

The Investment Manager's portfolio managers will not purchase securities of businesses that are involved in using, developing, producing, acquiring, stockpiling, retaining or transferring cluster munitions.

- **Tobacco**

The Investment Manager's portfolio managers will not purchase securities of businesses that produce, distribute, retail, license, or supply key tobacco products and services.

Companies will be added to the exclusion list if MSCI's ESG Business Involvement Screening Research (BISR) identifies them as being directly involved in adult entertainment, civilian firearms, cluster munitions or tobacco and if they derive a certain amount of revenue from their involvement. The activities and thresholds are as follows:

- 5% or more of revenue is derived from production activities
- 10% or more of revenue is derived from distributing, retailing, supplying or licensing activities
- 10% or more of revenue from a combination of the above-mentioned business activities

In addition to the exclusion screen, the Investment Manager considers a number of sustainability indicators in its investment process. A decision by the Investment Manager to invest (or to sell an existing investment) is informed by these indicators (as well as other non-ESG related indicators), but the Investment Manager is not bound by any one indicator. In particular, the Investment Manager's views regarding these sustainability indicators may not be conclusive or employed in the analysis of all

companies and securities of companies may be purchased and or held for reasons other than ESG factors. The relevant sustainability indicators are:

Category	Indicator
Environmental	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Supply chain</li> <li>• Opportunities in cleantech</li> <li>• Circular economy</li> <li>• Pollution prevention &amp; control</li> <li>• Water stress</li> </ul>
Social	<ul style="list-style-type: none"> <li>• Human capital management</li> <li>• Employee safety &amp; treatment</li> <li>• Cybersecurity/Data privacy</li> <li>• Diversity &amp; discrimination</li> <li>• Supply chain</li> <li>• Product quality and safety</li> <li>• Access to healthcare</li> <li>• Access to finance</li> <li>• Access to communications</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Board &amp; management</li> <li>• Diversity</li> <li>• Business ethics</li> <li>• Corporate structure</li> <li>• Bribery &amp; corruption</li> <li>• Compensation</li> <li>• Accounting &amp; taxation</li> <li>• Lobbying &amp; public policy</li> </ul>

### Methodologies

A key element of the Investment Manager's methodology is identifying publicly traded businesses engaged in the above activities. For this, the Investment Manager uses MSCI's ESG BISR, which allows investors to identify global publicly traded companies involved in specific business activities and provides a profile of each company's specific business involvement. The company profile includes details on the company's tie to the activity, which in the case of adult entertainment, civilian

firearms, and tobacco, provides the reported or estimated percentage of total revenue derived directly from the business activity in question. In the case of cluster munitions, involvement is derived from evidence assessment research.

To assemble the Exclusion List, the Investment Manager screens for publicly traded securities using MSCI ESG BISR revenue percentages for a given business activity. In this step, the Investment Manager can identify the companies that meet the criteria listed above. This List is updated quarterly. Because of ongoing updates to MSCI’s ESG BISR coverage, the Investment Manager may add companies to our Exclusion List or remove them each quarter. The Compliance Department enters these companies into the Investment Manager’s trading compliance system (Charles River) to prevent them from being purchased. The Exclusion List includes primary and secondary listings.

MSCI also identifies indirect involvement, such as ownership of or by a company with involvement in a given business activity. In these instances, MSCI does not disclose the level of involvement of the related businesses, but it will “flag” them as having indirect involvement in adult entertainment, civilian firearms, tobacco, or cluster munitions. For these businesses, the Investment Manager maintains an indirect involvement list that flags these securities in the trading compliance system. If a portfolio manager wants to purchase a flagged stock with indirect involvement, the analyst and portfolio manager must first independently verify that the level of involvement does not violate the exclusion policy. Otherwise, the purchase would be prohibited.

In addition, the Investment Manager’s portfolio managers and research analysts conduct rigorous, ongoing fundamental research on prospective investments and existing investments. The Investment Manager’s analysts and portfolio managers routinely engage directly with companies, their competitors, customers, and suppliers, as well as utilize third-party sources of information from

investment banks, independent research providers, and ESG specialist research providers as part of our consideration of the applicable material sustainability indicators.

### **Data sources and processing**

Data for the ESG Factors are sourced from third-party vendors (who themselves use a combination of company reported data as well as estimates based on industry norms), and data obtained directly through the Investment Manager’s own review of and engagement with a company.

The data used to analyse environmental and social characteristics is sourced from a reputable international financial data and index provider as well as published portfolio company reports and direct engagement with issuers (executive/investor relations) etc.

The implementation of SFDR requirements necessitates a sourcing of adverse impact data in various ways on a best-efforts basis, which may include research providers, internal analysis, publicly available information, and direct engagement with companies. The following sources are used by data providers relied on by the Investment Manager to collect company-reported data:

- Company direct disclosure: sustainability reports, annual reports, regulatory filings, and company websites
- Company indirect disclosure: government agency published data, industry and trade associations and financial data providers
- Direct communication with companies

The Investment Manager currently sources ESG research from multiple providers including MSCI, ISS, Sustainalytics, Bloomberg, global investment banks, and nonprofit alliances such as the PRI and CDP. ESG factors are holistically embedded in due diligence of underlying assets.

Usage of third-party research varies depending on relevance to specific issuers and/or investment strategies. Third-party ESG ratings may not be available for certain issuers due to incomplete investment universe coverage by research providers. This is more common for small-capitalization and emerging markets issuers.

### **Limitations to methodologies and data**

The third-party dataset that the Investment Manager uses may not identify every company, directly or indirectly, involved in activities the Investment Manager seeks to avoid, and the Investment Manager recognizes that different systems may estimate exposures using different methods and assumptions, producing disparate results. If an existing holding becomes involved in any of these areas directly or indirectly, or if a business in which the Investment Manager invests acquires part or all of a business engaged in these activities, the research analyst covering the company, the portfolio manager who made the decision to invest in the business, and the Investment Manager will evaluate the activity and exposures collaboratively and determine if continuing to own the company complies with the exclusionary policy. The Investment Manager may invest in private companies within the relevant UCITS limits, which would not be captured by the MSCI data. In these instances, it is the responsibility of the analyst covering the stock and the portfolio manager who wants to invest in the company to provide research and analysis supporting their assessment that an investment in the private business would comply with the exclusionary policy prior to initiating security set up.

### **Due diligence**

ESG Factors are considered in the fundamental assessment of the quality of corporate management and sustainable value creation potential of underlying assets. The Investment Manager holistically integrates this ESG analysis in its investment process by considering these factors alongside others that it believes can impact risk-

adjusted returns. ESG insights are primarily informed by proprietary research, including company meetings, annual reports, regulatory filings, and data aggregation from multiple internal and external resources. In addition to the Investment Manager's proprietary ESG research, third-party ESG research and ratings may be utilized to provide additional context.

### **Engagement policies**

The Investment Manager has created processes to include engagement with companies on ESG issues on the basis that direct communication and engagement between investors and companies on ESG matters is an important element of the portfolio management services provided to clients and investors. The Investment Manager analyses each shareholder proposal related to these topics on a case-by-case basis. Engagement may lead to making decisions that favour actions on a variety of factors that intend to maximize an investee company's shareholder value and contribute to the Investment Manager's overall research on, and developing a holistic view of, the portfolio company. The Investment Manager's voting behaviour and use of proxy service providers is consistent with its proxy voting policy.

### **Designated reference benchmark**

The Fund does not use a designated index to reference benchmark its investments, neither in terms of financial performance, nor in terms of benchmarking whether it is aligned with the environmental and/or social characteristics that the Fund promotes.