

Mobius Capital Partners: Environmental, Social and Governance (ESG) Policy August 2018

Mobius Capital Partners' investment philosophy utilises an active ownership approach with an emphasis on improving governance standards in Emerging and Frontier Market companies. The firm focuses on mid-capitalisation companies and invests with an absolute return mindset.

Our bottom-up fundamental research considers all relevant information which can improve a company's operations. We do not constrain ourselves to conventional definitions of 'ESG' but also assess political, macroeconomic, legal and accounting factors. As global emerging and frontier market investors, we are cognisant of the variation of regulatory frameworks throughout our investment universe. Accordingly, we do not employ a blanket policy across our investments, but rather focus our efforts on our customised active ownership strategy, which assesses companies on a pragmatic case-by-case basis.

There are essentially two pillars to this framework.

I. Governance Pillar

Our area of engagement is very broad but is focused on increasing long-term shareholder value. Potential governance improvements may be made in, but are not limited to: capital allocation, management remuneration structures, board independence, balance sheet restructuring, investor relations, operational inefficiencies, capital structures and acquisitions and divestures. When we identify such problems, we will address these in private meetings by partnering with management teams, boards and controlling shareholders. We strongly believe that a regular constructive dialogue is the bedrock of the active ownership approach we pursue.

II. Environmental and Social Pillar

Unlike governance factors, where we believe a common framework can be applied to portfolio companies, we recognise that each company and sector presents unique environmental and social challenges and opportunities. Our analysis goes beyond assessing pure environmental and social factors. We focus on how a company can improve these factors and how this can have a positive impact on its long term financial performance. This encourages us to focus on material factors such as selling practices, energy efficiency or employee relations. These can – in turn – impact operational areas such as pricing power, market share, operating costs, employee retention and productivity.

We assess ESG factors throughout our investment process:

1. Investment Committee Recommendation:

Our investment team consists of seasoned professionals with strong experience in global emerging and frontier markets. Before we invest in a business, we undertake detailed private equity like research, which includes assessing material ESG factors. Where possible, the investment team integrate ESG factors into their models and assumptions for the company. The emphasis at Mobius Capital Partners, however, is on governance factors. We believe that improving corporate governance allows us to improve a company's environmental and social standards. We will only engage with companies where the management, board and controlling shareholders are open to partnering with Mobius Capital Partners.

2. ESG Action Plan/ Engagement:

We believe that companies with higher standards of governance should be rewarded with premium valuations versus their peers. The best way to accomplish this is for companies to consider all stakeholders, which includes employees, customers, suppliers, shareholders and the government. Our specialised active engagement strategy involves partnering with portfolio companies to help them respond to the changing ESG landscape. Engagement is an on-going process and is a pivotal part of our approach throughout our holding period. It involves extensive contact with portfolio companies and includes face-to-face meetings, telephone conferences and email correspondence.

3. Monitoring, measuring and reporting ESG improvement:

We measure and monitor ESG factors through engaging with companies, which includes extensive on the ground travel. In doing so, we track and monitor improvements in their ESG standards. Furthermore, we use a range of ESG related research reports from various firms including MSCI ESG.

We are strongly convinced there are several reasons to focus on improving ESG standards.^[1]

Companies with higher ESG standards generally have:

1. A lower cost of capital
2. More efficient operational performance
3. Greater protection of minority investors' interests
4. Lower business risk
5. Higher shareholder distributions

These all positively influence a company's valuation.

Since our clients are interested in how we add value through our active ownership approach, we will also provide reporting on our engagement with companies.

Exercising Voting Rights

As mentioned above, as global emerging and frontier market investors, we are aware of the country-level differences when it comes to corporate governance and exercising voting rights. Accordingly, we assess each company on a case-by-case basis and attempt to attend shareholders' meetings whenever possible. As our investment philosophy is rooted in improving corporate governance by using our specialised active engagement strategy, we believe our process goes significantly beyond exercising voting rights. All proxies are voted and further information on voting decisions is available upon request.

^[1] From the stockholder to the shareholder – How sustainability can drive financial outperformance, Arabesque Partners