

Pillar 2 - Portfolio Management

1. Portfolio level ESG characteristics [iii]: We have decided ESG criteria to be used as our portfolio characteristics that include:

Scope 1 and Scope 2 greenhouse gas emissions

3. The number of holdings [i]: What is the average number of securities in the fund over the last 3 years?

75 - 89

4. Security weight: What determines the weight of each security?

Liquidity at the security level

Correlation with other securities in the portfolio

Potential to produce alpha

Material[ii] ESG merits of the investee

Investee's response to our fund's/firm's engagement on material[ii] ESG issues

Portfolio limits (explicit limits or soft guidelines) such as single issuer, single security, etc.

Additional Remarks, if any (maximum 250 words)

Stock active weights in the portfolio are decided based upon convictions for the upside potential. The team uses the unique 'Growth Framework' approach to capture sustainable growth opportunities. In the portfolio implementation phase, we put together bottom-up research, top-down views and valuation to determine the weights in the portfolio. Initial position size is typically between 1% to 3%, then market influences weighting. The investment team obtains a concentrated portfolio (40-60 target holdings) focusing on their 'best ideas', allocating the largest active portfolio weights in the highest conviction ideas, including ESG considerations.

5a. Investment Bases: Our investment decisions are substantively based on the following.

Valuation

Target price

Risk/return profile of a security relative to other positions in the portfolio

Investee's cash flow

The ability of investee to benefit from structural changes in its industry

Investee's key management's track record

Validity of our investment thesis

Downgrade/upgrade of the investee by our analysts

ESG factors improving

Investee's response to our fund's/firm's ESG engagement

Environmental factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance

Social factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.

Governance factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.

Additional Remarks, if any (maximum 250 words)

- Buy discipline

The buy discipline is driven by the team's ongoing research and peer group analysis. The investment team builds 2-3 year internal financial forecast models and mainly adopts the method of 'multiples' in valuation. The analysts assign a target price for each company they cover. Stocks are ranked on both an absolute and relative basis, and the target price and ranking is updated frequently.

The investment team obtains a concentrated portfolio (40-60 holdings) focusing on their 'best ideas', allocating the largest active portfolio weights in the highest conviction ideas, including ESG considerations.

- Sell discipline

Portfolio implementation adheres to a strict sell discipline philosophy to protect capital and gains, including ESG considerations. A strong sell discipline strategy will be implemented to trim or exit positions in cases where a company has reached or surpassed an assessed fair value of the stock, where company or industry fundamentals have turned negative, where there are better risk-reward opportunities elsewhere or there are portfolio or risk management issues. Low ESG ratings and companies being non-responsive to engagement can also lead the investment team to trim or divest their positions from the portfolio.

As a result of a strong buy and sell discipline, the portfolio should present more favorable ESG characteristics than its benchmark (a higher weighted average ESG score and a lower carbon footprint).

5b. Divestment Bases: Our divestment decisions are substantively based on the following.

Security's liquidity in the secondary market

Valuation

Target price

Risk/return profile of a security relative to other positions in the portfolio

Investee's cash flow

Investee's ability to meet liabilities promptly/ credit quality

The ability of investee to benefit from structural changes in its industry

Investee's key management's track record

Validity of our investment thesis

Downgrade/upgrade of the investee by our own analysts

Downgrade/upgrade of the investee by sell-side analysts

ESG factors deteriorating

Investee's response to our fund's/firm's ESG engagement

Market timing

Signals generated by our quantitative, big data models or other similar methods

Environmental factors have (or likely will have) a material^[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance

Social factors have (or likely will have) a material^[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material social factors.

Governance factors have (or likely will have) a material^[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material governance factors.

Additional Remarks, if any (maximum 250 words)

- Buy discipline

The buy discipline is driven by the team's ongoing research and peer group analysis. The investment team builds 2-3 year internal financial forecast models and mainly adopts the method of 'multiples' in valuation. The analysts assign a target price for each company they cover. Stocks are ranked on both an absolute and relative basis, and the target price and ranking is updated frequently.

The investment team obtains a concentrated portfolio (40-60 holdings) focusing on their 'best ideas', allocating the largest active portfolio weights in the highest conviction ideas, including ESG considerations.

- Sell discipline

Portfolio implementation adheres to a strict sell discipline philosophy to protect capital and gains, including ESG considerations. A strong sell discipline strategy will be implemented to trim or exit positions in cases where a company has reached or surpassed an assessed fair value of the stock, where company or industry fundamentals have turned negative, where there are better risk-reward opportunities elsewhere or there are portfolio or risk management issues. Low ESG ratings and companies being non-responsive to engagement can also lead the investment team to trim or divest their positions from the portfolio.

As a result of a strong buy and sell discipline, the portfolio should present more favorable ESG characteristics than its benchmark (a higher weighted average ESG score and a lower carbon footprint).

6. Portfolio managers' turnover: What is the portfolio managers' turnover rate over the last 12 months?

<30%

7. Analysts' turnover: What is the analysts' turnover rate over the last 12 months?

<10%

8. Research resources: How many securities does each analyst responsible for this fund cover on average?

90 - 109

9. Research depth: What types of research do you rely on to make investment decisions?

Our proprietary financial models

Site visits to investees' facilities: We observe operational employees' effectiveness, productivity, attitude, initiative

Site visits to investees: We observe the key processes or production of items that are salient to the investees' competitiveness

One-to-one conversations with investees' management outside of scheduled conferences for all investment analysts

We verify investees' claims with informed third parties, including but not limited to suppliers, customers, distributors, competitors, and industry specialists

Earnings conference calls or meetings with investees' management which are scheduled for all investment analysts

Independent consultants specializing in specific sectors, technologies, geographies, economies, factors, etc.

Sell-side brokers' research

Additional Remarks, if any (maximum 250 words)

To support the quality of our investment decisions, our team members frequently conduct on-the-ground research and meet with company management. Our investment team conducts over 700 company meetings per year (including virtual meetings). The team assigns significant importance to company visits, corporate meetings and internal sector research, with our local presence provides competitive edge for against overseas managers in this regard. Company site visits and visits with both our suppliers and customers help validate views on the industry and company positioning. During these meetings, assumptions for investment cases are either confirmed or challenged. Majority research is generated internally. Our research focuses on fundamental research, and our extensive screening and analysis of the universe helps reducing risk by selecting companies with strong businesses and superior management.

We rely mostly on internal resources for idea generation, including: Company trips; Corporate meetings (700+ / year); Internal sector research; Active engagement; Quantitative analyses and screening provided by our Quantitative Research Group, not only contributing to additional risk controls, but also for idea generation; Collaboration with other additional equity research teams. We also use external sources to supplement research, such as Industry experts/consultants; Regulatory filings; Sell-side broker research: sell-side research is leveraged on to get market and industry information.