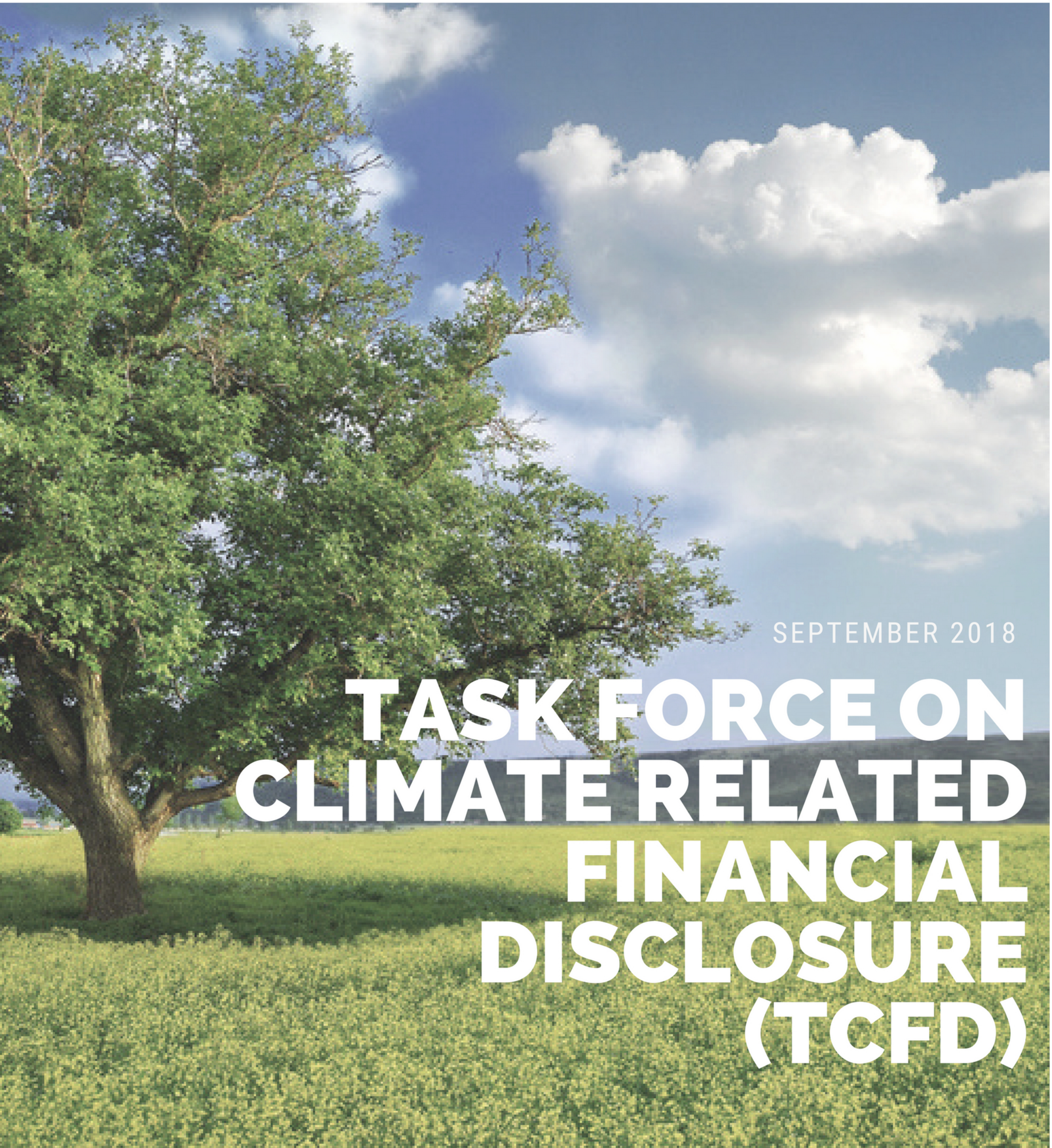
AlphaFixe Capital



SEPTEMBER 2018

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (TCFD)

"Climate change has a material impact on natural and human systems. In today's economy, companies are becoming increasingly exposed to risks emanating from extreme weather events and transitioning to a low carbon economy. To assess these material risks, investors need information on how companies are dealing with climate-related issues. Therefore, AlphaFixe Capital is proud to support the TCFD in the implementation of a voluntary and consistent mechanism for climate-related financial risk disclosures."

– Stéphane Corriveau

President, Managing Director, AlphaFixe Capital

CONTEXT

As a portfolio manager, AlphaFixe Capital's sustainability is based on our clients / partners trust. Therefore, the following discussion on climate-related financial risks is made within the portfolio management context, namely, risks faced by companies in which we invest.

At AlphaFixe Capital, we strongly believe that companies who manage environmental, social and governance (ESG) risks well are better positioned overall to manage financial risks. That's why ESG integration has always been an integral part of our credit analysis process.

Also, we pay particular attention to climate-related risks, which are listed at the top of the World Economic Forum's Global Risk Report 2018 in terms of occurrence and impact.

TCFD RECOMMENDATIONS

In June 2017, the TCFD released its final recommendations to increase transparency on climate-related risks and make markets more efficient. In order to comply with these recommendations, AlphaFixe developed an approach to governance, strategy, risk management and to select measurement metrics.

1. Governance

Responsible investment activities, including climate-related risk integration into our investment process, are overseen by AlphaFixe Capital's President. In addition, all Directors, Managers as well as the Chief Compliance Officer ensure its implementation.

2. Strategy

Risks related to climate change are likely to have a material impact on the profitability of the companies in which we invest. Therefore, it is important for us to identify vulnerable sectors as well as companies which do not consider these risks in their business model. For example, these analyses help us identify companies which might be caught with stranded assets in the long run or whose cash flows may be impacted by a regulatory change. On the same basis, as an investment opportunity, it is also possible to identify business' which apply best practices when it comes to management of climate-related risks, such as some green bond issuers.

In order to assess the resilience of our portfolios against climate risks, we will proceed with a scenario analysis. To determine the companies' positioning, their energy consumption, carbon footprint and reduction target will be compared to the International Energy Agency's (IEA) outlook.

3. Risk Management

Risk identification is done through fundamental analysis on sectors and companies. Comparing public or modeled data on carbon intensity as well as reduction targets allows for a relative analysis on different sectors and the companies which compose them. This data is used to create performance indicators that are then integrated into AlphaFixe's Credit Quality Rating (CQ). This process determines whether the risk premium associated with an issuer is adequate relative to their peers.

At the portfolio level, these risks are managed in comparison to the benchmark. Once again, when it comes to portfolio construction, sector and company allocation is made in part by taking into account climate-related risks.

4. Metrics

On a quarterly basis, each client / partner receives the carbon footprint and carbon intensity for their mandates as well as for their respective benchmark.

Also, clients / partners who have invested in the green bond fund will receive the potentially avoided emissions (PAE), among other key performance indicators measuring the environmental impact. If they have more than one mandate managed by AlphaFixe Capital, they will receive the total carbon footprint and intensity of their investments.

The carbon footprint calculation includes scope 1 and 2 emissions[1].

Traditional management and green bonds

- Carbon footprint : tCO_2eq[2]
- Carbon intensity : $tCO_2eq/\$M$

Green Bonds (environmental impact of projects compared to the baseline scenario)

- PAE : tCO_2eq
- PAE (intensity) : $tCO_2eq/\$M$

[1]Scope 1 (direct) emissions are those related to the company's activities, while scope 2 (indirect) emissions are related to its energy consumption.

[2]Greenhouse gas emissions are expressed in tons of CO2 equivalent.