

Environmental, Social and Corporate Governance (ESG) Policy

ESG investment philosophy

Bentham Asset Management is a specialist global credit investment manager. Our investment management philosophy is based on a strong credit culture and a systematic investment process, focused on preservation of principal and protection against downside risk.

We believe environmental, social, and governance (ESG) issues are an important consideration in the credit research process. ESG analysis can assist in the identification of risks which can significantly impact creditworthiness. Consideration of ESG issues alongside financial measures therefore provides a more complete view of the risk / return characteristics of potential investments.

ESG analysis is incorporated into our credit research process and is consistent with our active approach to investing. In this regard, we believe disciplined application of ESG contributes to management of investment risks and long-term value preservation.

Application of ESG to Bentham fixed income products

Bentham Asset Management provides a diversified exposure to global fixed income and credit markets through its specialised funds. These funds provide exposure to domestic and global credit markets, including Senior Secured Loans, High Yield Bonds, Bank Capital Securities and Asset Backed Securities.

ESG issues can affect the risk characteristics of credit markets in multiple ways depending on industry and / or individual company. For example, ESG issues may be more prominent in sectors with a significant carbon footprint, resource extraction industries, and heavy manufacturing industries. ESG factors may also affect industry structure and competitive position, for example, the global transition of electricity production from fossil fuel generation to new energy technologies.

ESG integration approach

Our goal is to fully integrate ESG into the credit research process.

Our credit team review information on ESG factors relevant to issuers through the fundamental credit analysis process. Potentially material ESG issues are identified initially through application of the Bentham ESG risk framework, which sets out ESG risk factors on an industry basis. Where deemed material to credit pricing/default risk, ESG factors are assessed in greater detail as part of the bottom-up credit risk analysis process. This entails assessment of ESG factors in conjunction with qualitative risk information, top-down sector selection and financial risk metrics. Our approach anchors ESG analysis in fundamental investment decision processes.

The Bentham ESG risk framework will be reviewed and updated periodically to ensure it reflects evolving ESG issues relevant to fixed income investing.

In addition, our credit team is provided with regular training to ensure they are across ESG developments and emerging ESG themes. Bentham engages external experts to provide training on ESG.

Sub-Advisers

Bentham will use the policy and ESG risk framework to evaluate Sub-adviser ESG integration.

Credit Suisse (CIG), our sub-adviser for the Bentham Syndicated Loan Fund and the Bentham High Yield Fund, employs an integrated approach in relation to ESG. CIG analysts evaluate ESG risks in each credit memo based on internal training provided by Credit Suisse in combination with sector expertise.

In 2014, Credit Suisse signed up to the UN's Principles for Responsible Investment – a voluntary, investor-led framework that helps signatories to better understand the implications of sustainability and incorporate environmental, social and governance information into investment decisions. As a signatory to the PRI, Credit Suisse commits to acting in the best long-term interest of clients by incorporating ESG criteria into the investment process and decisions.

ESG oversight

Bentham Asset Management is committed to ongoing improvement in ESG analysis. This ESG policy reflects our current approach to ESG integration in our investment process. We expect this policy will be updated over time to reflect our evolving understanding of ESG, as well as any changes to our fixed income investment product offerings and business structure.

We have established an internal group responsible for oversight and implementation of this policy. Members of this group serve as internal leaders for our ESG integration activities, and a focus point for ensuring experience gained through implementation of ESG risk analysis is incorporated into any updates of ESG risk frameworks and application guidance.

The Bentham ESG Policy has been developed under advice from Regnan, a specialist provider of environmental, social and corporate governance research and advisory services.

Bentham is a signatory to the Principles for Responsible Investment (PRI).