

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-related Disclosures in the Financial Services Sector (SFDR)

Article 3: Description of policies on integration of sustainability risks in the investment decision-making process

1167 Capital LLP (“1167”) specialises in the management of products which invest in global sovereign bond and currency markets. Its investment process is therefore focused on bringing together (i) fundamental economic analysis of emerging and developed markets sovereigns with (ii) an understanding of market conditions and prices.

The firm considers sustainability risks carefully in its investment process as an integral part of its fundamental economic analysis. In particular, the firm deems the analysis of environmental, social, and governance (ESG) factors to be an essential component of its investment process, because research shows environmental degradation, social conflict, and poor governance to be inconsistent with the kind of sustainable growth, sound public finances, and judicious macroeconomic policies which the firm’s investment process seeks to identify.

Article 4: Principal Adverse Sustainability Impacts

Sovereign bond investing is different from corporate bond or equity investing, in that (i) the identification of Principal Adverse Sustainability Impacts arising from specific sovereign bond or currency investments is typically not possible, and (ii) there is more limited scope for engagement with sovereign issuers.

Regarding (i), the proceeds of sovereign bond issues are almost always fungible across the whole range of public expenditures in a country, making the identification of specific impacts with specific bonds, let alone currency exposure, impossible. 1167 therefore takes a broader approach of considering the overall environmental, social, and governance conditions in a given sovereign in its investment decision-making.

Regarding (ii), 1167 takes every opportunity it can to explain its investment process and criteria to existing and prospective sovereign bond issuers, and deems this to be the most feasible and effective means of engagement to mitigate adverse sustainability impacts.

Whilst 1167 supports the objectives that underly the UK Stewardship Code 2020, it is not in a position to commit to the Code in its entirety.