

# General information on sustainability

Digital Funds - Digital Stars US Equities



LEI : 52990012JWSAECXC8156

## Summary

The purpose of this document is to explain the different sustainability approaches implemented by our management company. We explain in detail how we take into account environmental and social characteristics in our investment strategy. This is done in particular through normative exclusions (UNGC not compliant), sector exclusions (weapons, coal, tobacco, alcohol, etc.) and linked to ESG controversies. The extra-financial data providers used, for instance RepRisk, are detailed, as well as the different indicators used and the methodology.

## Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of sustainable investments with an environmental objective:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of sustainable investments with a social objective

It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 0% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but will not make any sustainable investments



## Environmental or social characteristics of the financial product

Business conduct risks related to human rights, labour, the environment and corruption can result in risks to a company's reputation and finances, and therefore in a risk for the final investor. Thus, we exclude companies with a high level of ESG controversy. We use the external RepRisk database for this purpose. RepRisk helps us reducing blind spots and shed light on the ESG and business conduct risks related to our investments.

Through this exclusion filter based on ESG controversies, normative considerations and certain sectors, the fund promotes environmental and social characteristics, such as: respect for human rights and labour rights, peace, prevention of environmental risks, prevention of impacts on biodiversity, reduction of carbon emissions related to the coal industry, public health.

While the Fund promotes environmental characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "sustainable investment" within the meaning of the SFDR or Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment ("Taxonomy Regulation").



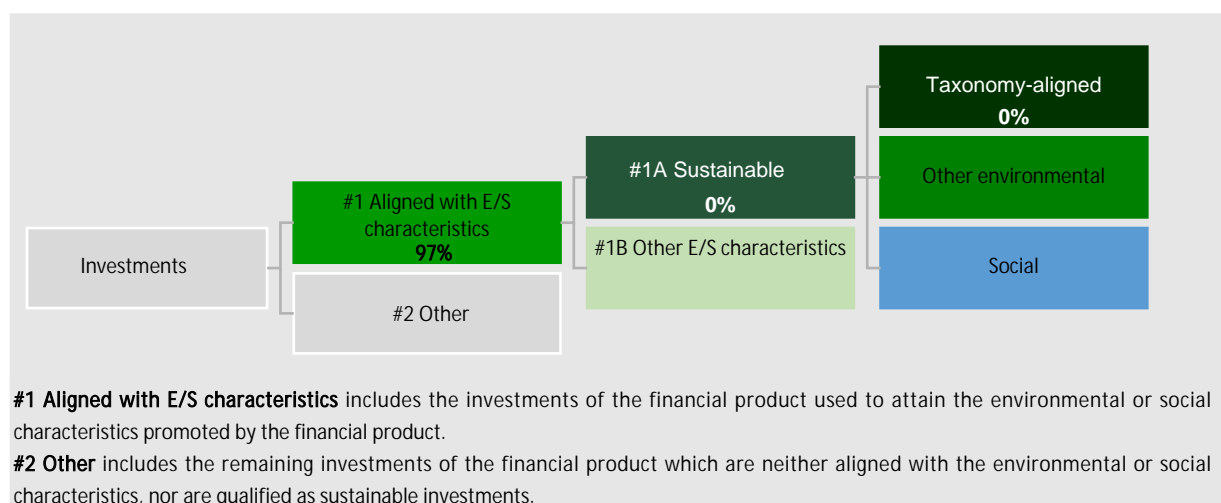
## Investment strategy

The objective of DIGITAL FUNDS Stars US Equities is to outperform the broad US markets, through the use of a model to identify the 'stars' performers. The fund will invest at least 80% in stocks from the United States of America followed by at least 3 analysts and whose capitalization exceeds 100 million USD. The fund will be invested across all market capitalization spectrum from small-cap to large-cap equities. The fund exposure to the stock market will remain between 80% and 100%. The fund will use a quantitative model using a development made on earnings revisions ("Revision Mark factor"). The Revision Mark factor is a concept to measure the strength and significance of the earnings revisions relative to the market. Other quantitative factors, like price momentum (statistical concept to measure the significance of a price movement relative to the market) or valuation ratios may also be applied to buy or sell stocks. The MSCI USA Net Return will serve as a reference benchmark solely for the calculation of performance fees. Due to the active nature of the management process and the full freedom of investment, the fund's performance profile may deviate significantly from that of the MSCI USA Net Return. There is no guarantee that the investment objective will be achieved or that there will be a return on investment. In addition, the fund has an investment policy that includes several exclusions criteria to meet the environmental and social characteristics promoted by the fund such as normative exclusions, exclusions concerning the coal, nuclear, non-conventional oil and gas, palm oil, GMO, pesticide sectors as well as the exclusion of companies with high environmental or social controversy indicators.



## Proportion of investments

- #1 Aligned with E/S characteristics: 97%
- #1A Sustainable: 0%
- Taxonomy aligned : 0%
- Other environmental: 0%
- Social: 0%
- #1B Other E/S characteristics: 97%
- #2 Other: 3%



## Monitoring of environmental or social characteristics

RepRisk Index (RRI): The RRI is a proprietary algorithm developed by RepRisk that dynamically captures and quantifies reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company or other entity. It allows the comparison of a company's exposure with that of its peers and helps track the risk trend over time. In essence, the RRI facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company. The RRI ranges from zero (lowest) to 100 (highest): 0-24 means low risk exposure, 25-49 means medium risk exposure, 50-59 means high risk exposure, 60-74 means very high risk exposure, and 75-100 means extremely high risk exposure.

RRI E, RRI S: derived from RRI. They respectively quantify reputational risk of a company regarding environmental issues and social issues. They are also ranking from zero (lowest) to 100 (highest).

Peak RRI: derived from RRI, it is the maximum value, between 0-100, reached by the RRI over the past two years.

The investment team monitors these indicators daily for all stocks in the portfolios. Moreover, several monitoring tools have been put in place to implement the ESG policy. These tools have been integrated into the daily pre-trade risk control and are applied to all investments in the portfolios.



## Methodologies

The RRI (RepRisk Index) is a proprietary algorithm developed by RepRisk that dynamically captures and quantifies reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company or other entity. It allows the comparison of a company's exposure with that of its peers and helps track the risk trend over time. In essence, the RRI facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company.

The RRI ranges from zero (lowest) to 100 (highest): 0-24 means low risk exposure, 25-49 means medium risk exposure, 50-59 means high risk exposure, 60-74 means very high risk exposure, and 75-100 means extremely high risk exposure.

We use the RRI and several metrics derived from it:

- (Current) RRI: current level of RRI
- Peak RRI: highest level of the RRI over the last two years – a proxy for overall ESG-related reputational risk exposure.
- RRI Trend: change of the RRI within the past 30 days
- E, S and G contribution to RRI: The RRI is a sum of an environmental, a social, and a governance component.

RepRisk also provides the UNGC Violator Flag, which signals when a company doesn't respect the UN Global Compact principles.



## Data sources and processing

### RepRisk

RepRisk is our main ESG data provider. It offers a solution which enable to monitor controversies.

Business conduct risks related to human rights, labor, the environment, and corruption can translate into reputational, compliance, and financial risks for a company. How a company manages such issues is recognized as a long-term value driver and is directly linked to their operational excellence and social license to operate. RepRisk helps us reducing blind spots and shed light on the ESG and business conduct risks related to our investments.

We chose a 'controversies' approach because it is the most suitable and appropriate method for our quantitative stock selection process.

### Norges Bank Exclusion list

We also follow the exclusion recommendations from Norges Bank. We exclude the companies appearing on this list. Norges Bank recommends not to be invested in companies that contribute to violations of fundamental ethical norms, manufacture certain types of weapon, base their operations on coal, or produce tobacco.

### FactSet

In FactSet we use mainly the GICS classification system (managed by MSCI and S&P) and FactSet RBICS (Revenue breakdown). They allow us to assess the involvement of companies in the production of tobacco, coal, war material, nuclear energy, adult entertainment (pornography) and gambling (casinos, lotteries).

### Global Coal Exit List (GCEL)

Global Coal Exit List (GCEL) The GCEL database (<https://coalexit.org/>) is monitored to exclude coal-related companies.



## Limitations to methodologies and data

Norges Bank exclusion list and Global Coal exit list can vary from one day to another, we cannot guarantee that our exclusion filters are based on the last one.

A stock could be not covered by RepRisk, in this case the management company considers the RepRisk index as being 0 and ask RepRisk to start the coverage of the stock.

There can be a delay of few days between when a controversy happened and when it is considered by RepRisk.



## Due diligence

RepRisk controversies, sector and norm based filters are part of our systematic investment process. To be integrated in the fund, a stock should pass these filters. The Risk management team also controls on a daily basis, pre trade and post trade that the every stocks in the portfolio respects the criterias defined by the ESG policy.



## Policy of engagement

Not applicable