Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Muzinich AAA CLO UCITS ETF **Legal entity identifier:** 98450002DC2C136BAD05

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental 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 ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☒ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes better environmental and/or social outcomes in areas such as climate change, human rights and labour relations issues, and business integrity issues (including corruption) by applying an industry exclusion list, certain environmental, social and governance scoring restrictions, and certain conduct-related criteria to avoid investing in companies which the Investment Manager considers to be fundamentally unsustainable.

Further information on the industry exclusions, ESG scoring limits and conduct related criteria is contained in the section below *"What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product"*.

The Fund also applies an ESG scoring methodology to reduce exposure to underlying issuers which the Investment Manager considers to manage ESG risks poorly. Moreover, the CLO managers are also required to follow good governance practices to ensure they invest in issuers which follow good governance practices.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

A reference index has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund. Asset allocation of the portfolio of the Fund is not constrained in relation to any financial index.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

To measure, monitor and ensure the attainment of the environmental and social characteristics promoted by the Fund, the Investment Manager will monitor the following indicators:

1. ESG research coverage of CLOs: The proportion of CLOs that have an ESG Score. The ESG Score is a numeric rating which ranges from 0 (worst) to 5 (best) of ESG management and is further described in the section titled *"What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"*. This is expected to be 90%*. A CLO is deemed to have an ESG Score if 60% or more of the CLO's underlying issuers have an ESG score.

2. ESG scores for CLOs: The proportion of CLO that have an ESG Score greater than 2.5 . This is expected to be 85%*.

3. Alignment of CLO's ESG policy with the Investment Manager's industry exclusion criteria. This is expected to be 100%*.

4. Alignment of CLO's ESG policy to the Investment Manager's conduct-based exclusion criteria, relating to the exclusion of companies which severely breach norms and/or international standards relating to respect for human rights, labour relations, protection from severe environmental harm, and fraud and/or gross corruption standards, alignment with which is expected to be 100%*.

*percentages are expressed as a proportion of the Fund's CLO investment.

Further information about how these indicators are used in the management of the Fund is available in the section titled *"What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"*.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

While the Fund promotes certain environmental and social characteristics, it has not committed to making sustainable investments.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable. The Investment Manager has not committed to making sustainable investments.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The Investment Manager does not currently take into account the indicators for adverse impacts on sustainability factors as set out in the regulatory technical standards which accompany SFDR ("**PAIs**"), but may decide to do so in the future.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Investment Manager has not committed to making sustainable investments, however it may decide to divest from certain CLOs and/or engage with relevant CLO managers to encourage them to divest from relevant underlying issuers that severely breach the OECD Guidelines or the UN Guiding Principles.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☐ Yes, ______

☒ No

What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund invests in investment grade instruments that are issued by CLOs managed by Developed Market CLO managers, predominantly those domiciled in Europe (including the United Kingdom) and the United States. The Fund will invest at least 80% of its CLO portfolio in CLO instruments which are AAA Rated. The Investment Manager may also invest up to 20% of its CLO portfolio in CLOs rated below AAA Rated, provided that such CLOs are rated investment grade. The Fund's investment portfolio will be diversified as to issuer, with no single CLO representing more than 10% of the Fund's Net Asset Value. The Fund may not invest more than 20% of the Fund's Net Asset Value in CLO Debt Securities issued by CLOs managed by a single CLO manager or its affiliates. For the avoidance of doubt, each CLO is a separate issuing body for the purpose of the UCITS Regulations. If the rating of a CLO in the portfolio is downgraded and such downgrade impacts the rating minimums referenced above, the Investment Manager will promptly take such action as is necessary, taking into account the best interests of unitholders, to adhere to the investment policies above.

The Fund's exclusion criteria and ESG due diligence (using the ESG score methodology) are binding elements of the investment strategy and therefore have the potential to reduce the scope of investment opportunities following application of these processes.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Investment Manager commits to the following binding criteria of the investment strategy to attain the environmental or social characteristics promoted by the Fund. The first two criteria relate to the Investment Managers proprietary CLO ESG scoring methodology (the "**ESG Score**"). The ESG Score of a CLO is calculated by applying a weighted average to the ESG scores of underlying issuers. The Investment Manager sources raw environmental, social and governance data on individual loan issuers from an independent ESG data provider and applies proprietary weighting based on its perception of the materiality of environmental, social and governance factors at a sector level to derive the ESG score of the underlying loans of a CLO. The ESG Score is a numeric rating which ranges from 0 (worst) to 5 (best) of ESG management. A CLO owned by the Fund will be deemed to have an ESG Score if and only if at least 60% of the relevant CLO's portfolio comprises instruments that have been assigned an ESG score.

1) **ESG Score coverage:** The Fund constructs a portfolio in which at least 90% of the Fund's CLO investments have an ESG Score.

2) **ESG scores for CLOs:** The Fund constructs a portfolio in which at least 85% of the Fund's CLO investment has an ESG score of greater than 2.5 out of 5.

3) **Industry and conduct exclusion criteria:** The Investment Manager will only invest in CLOs whose CLO managers have policies and/or procedures that align with the Investment Manager's exclusion policies relating to underlying issuers that:

   i. are involved in the end manufacture of controversial weapons or the manufacture of core essential components intended to be used in controversial weapons;

   ii. are involved in the manufacture of tobacco products;

   iii. are involved in the mining or extraction of thermal coal and/or the production of energy from thermal coal; or

   iv. have breached, or appear to be at severe risk of breaching, certain recognised norms and/or international standards relating to respect for human rights, labour relations, protection from severe environmental harm, and fraud and/or gross corruption standards.

   Should the Investment Manager become aware of a breach of these policies and/or procedures by relevant CLO managers, it will seek to divest from the CLO within a reasonable timeframe deemed to be not more than two months, provided that doing so is in the best interests of Shareholders.

   In the case of primary issuances (i.e. when the Fund subscribes to CLO instruments at issue rather than buying on the secondary market), the Investment Manager will engage with the managers of prospective CLO to require them to apply these exclusion policies and/or procedures.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The Fund does not have a committed minimum rate to reduce the scope of investments although the Investment Manager recognizes that the binding elements of the investment strategy may reduce the scope of available investment opportunities.

What is the policy to assess good governance practices of the investee companies?

Investee companies in respect of the Fund are the underlying issuers of the loans and/or bonds that comprise the CLOs that the Fund invests in. As described above, governance data on individual loan issuers from an independent ESG data provider forms part of the composition of the ESG Score which results in governance practices being assessed to form part of the ESG Score. In addition, the Investment Manager will conduct due diligence on CLO managers to ensure they invest in issuers which follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. Specifically, the Investment Manager expects CLO managers to assess a borrower's good governance practices through their alignment with international frameworks such as the International Corporate Governance Network Principles, the UN Global Compact Principles, and national governance standards. The Investment Manager will seek to assess overall governance practices of underlying issuers within individual CLOs by applying its ESG scoring methodology. The Investment Manager may divest from CLOs where it is clear that underlying issuers do not follow good governance practices.

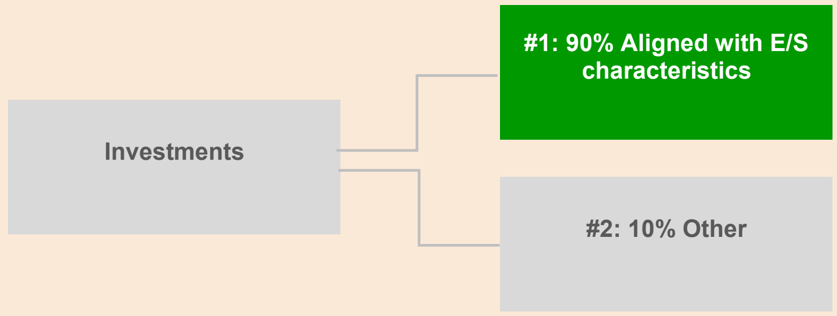
Further details of the Investment Manager' policy to assess good governance practices of borrowers can be found in the Fund's Responsible Investment Policy (a copy of which can be accessed at: https://www.muzinich.com/about/responsible-investing).

What is the asset allocation planned for this financial product?

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The proportion of investments used to meet the environmental and social characteristics of the Fund will, in principle, comprise 90% of the positions within the Fund. Notwithstanding, the Investment Manager anticipates certain “Other” investments such as cash or cash equivalent holdings, money market instruments and certain hedging instruments including derivatives to which the environmental and social characteristics of the product cannot be reasonably applied.

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product*?**

The Fund does not use derivatives to attain the environmental or social characteristics promoted by the Fund. The Fund will use derivatives for hedging and efficient portfolio management purposes only.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not currently commit to invest in sustainable investments. It is nevertheless possible that the Fund may incidentally make sustainable investments which contribute to climate change mitigation, and which are considered aligned with the EU Taxonomy. However, there is no minimum extent to which sustainable investments with an environmental objective will be aligned with the EU Taxonomy. Details of the investments made by the Fund (and their extent of Taxonomy-alignment, if any) will be included in its annual report.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

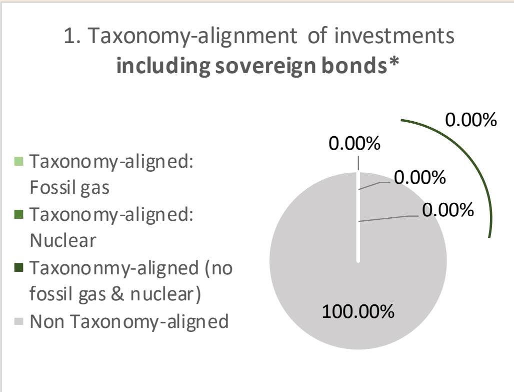
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

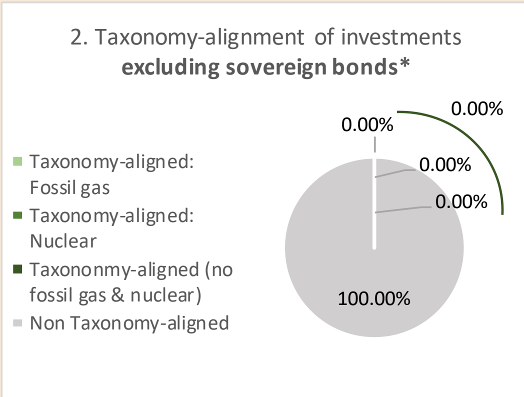
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





****For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

What is the minimum share of investments in transitional and enabling activities?

There is no minimum share of investments in transitional and enabling activities. Details of the investments made by the Fund (and the extent of investments in transitional and enabling activities, if any) will be included in its annual report.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund has not committed to making sustainable investments with an environmental objective that are not aligned with the EU Taxonomy and therefore the minimum share of such investments is 0%.

What is the minimum share of socially sustainable investments?

The Fund has not committed to making socially sustainable investments and therefore the minimum share of such investments is 0%.

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[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The investments included under "#2 Other" represent cash and cash equivalents, money market instruments, other open-ended collective investment schemes and certain hedging instruments including derivatives. The Investment Manager believes that these holdings do not relate directly to the management of sustainability risks and/or principal adverse sustainability impacts. The Investment Manager does not believe therefore that it would be possible to make a reasonable determination on considerations relating to minimum environmental or social safeguards, in part due to the lack of relevant data relating to such instruments.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No – the Fund does not have a specific index designated as a reference benchmark.

Where can I find more product specific information online?

More product-specific information can be found on the website: *https://www.muzinich.com/about/responsible-investing*

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.