Sustainability-related disclosures for Fonditalia Enhanced Yield Short Term

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

Date of Publication: 06 February 2024

Legal entity identifier 549300ECH184N78L5863

Summary	This Sub-fund promotes environmental or social characteristics. The Investment Manager identifies the sustainable investments according to SFDR on the basis of UN SDGs as described in more detail below in the section "Methodologies". No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund. The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-fund are: • the absence of investments in securities that are on the exclusion list as result of the application of the exclusion policy. The Investment Manager excludes investment in sectors which deems to be harmful from an SRI/ESG perspective or which do not follow good governance practices. The Sub-fund complies with an exclusions policy which refers to: i) the production, maintenance, sales and storage of weapons of mass destruction (WMD); and ii) the extractive activities, production and distribution of electricity connected with thermal coal, the energy source among fuels which represents the highest contributor in terms of carbon dioxide emissions; therefore, issuers deriving at least 25% of their revenues from these activities are excluded. The exclusion is extended to those issuers in breach of the Principles of the UN Global Compact which include principles relating to human rights, labour conditions, environmental issues and anti-corruption practices; • the ESG rating of the portfolio. To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by external ESG research providers. The assessment of the good governance practices is a central pillar of the investment process adoped by the Investment Manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. The good governance assessment takes into account sound management structures, employee relations, remuneration of staff and tax compliance. Compliance with issuers' good governance practices is ensured through the application of ESG and SRI exclusions criteria. The absence of criticality in these areas is considered as a minimum requirement that guarantees the good governance of an issuer for inclusion in the investible universe. For details on the ESG and SRI exclusion criteria please refers to the answer to the question "What investment strategy does this financial product follow?". The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy. In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1Aligned with E/S characteristics). The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to: • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
No sustainable investment objective	This Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investments.
Environmental or social characteristics of the financial product	The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager's ESG methodology are the following: • Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy); • Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations).

	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.
Investment strategy	The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy. The Investment Manager considers good corporate governance practices to be fundamental to the ongoing success and resilience of the businesses it invests in. The Investment Manager will ensure that issuers within the portfolio follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, and expects issuers to demonstrate 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. When available, the Investment Managersources data from external service providers to assess companies' governance and alignment with principles, standards or conventions. The Investment Manager has appointed an internal ESG Eligibility Committee to determine whether the financial product may proceed with an investment (or remain invested) in a company deemed to have severely breached, or to be at high risk of breaching, these principles, standards or conventions. Further details of the Investment Manager's policy to assess good governance practices of borrowers can be found in the section of the Responsible Investment Policy titled "Responsible Investment Governance and Resourcing at Muzinich".
Proportion of investments	In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1Aligned with E/S characteristics). The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to: • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
Monitoring of environmental or social characteristics	The Fund Managers will monitor the Fund's holdings and the environmental and social characteristics on a regular basis. The Investment Manager's risk team (the "Risk Team") is responsible for monitoring the ESG profile of each investee company. The Investment Manager's ESG Integration Group, risk and investment team members monitor the environmental or social characteristics of the Fund on a regular basis. • The Investment Manager's analysts regularly monitor company announcements, news flows and other third party information sources which may include signals on ESG risk management by companies they research. • Carbon footprint reports are produced on a monthly basis to monitor the Fund's carbon intensity target. • Company investment eligibility lists are produced on a quarterly basis and programmed into the Investment Manager's automated compliance systems to notify the risk team of any potential passive breaches of industry exclusion criteria. • Company conduct screens are run on a quarterly basis to identify potential controversies or governance failures of the Fund's holdings and potential investee companies. • The Investment Manager's Portfolio Risk Analytics Committee (PRAC) monitors compliance with the Fund Managers' ESG Policy. • The Investment Manager's ESG or sustainability risk scores for individual issuers are based on a combination of external ESG data which is updated on a refreshed on a monthly basis, and inputs from the Investment Manager's research team members as they update their research recommendations.
Methodologies	Issuer ESG scoring methodology The Investment Manager developed a proprietary ESG scoring system for issuers of debt securities. The Muzinich ESG score is a measure of an issuer's ESG management based on ESG metrics chosen by the Investment Manager's analysts and weighted depending on how material they are to each sector covered. These are combined with a measure of climate risk and normalised to a score between zero and five. The Investment Manager's analysts may, under certain circumstances, adjust this output to account for forward looking insights, or outcomes from recent engagements among other reasons. The Investment Manager sources available data points from two independent ESG data providers. The Investment Manager's analysts have selected and weighted ESG factors they consider to be most material to the sectors they cover. In the case of gaps in the information sourced from the Investment Manager's independent data providers, the analysts may identify and provide data points based on their own analysis. Analysts can then apply adjustments to incorporate further considerations such as related controversies, forward-looking insights and current events not captured by the underlying data. These scores are continuously monitored and updated for new information as analysts cycle through research on companies within their coverage. Independent ESG data provider methodologies Information produced by specialist ESG data providers is typically based on a combination of individual ESG metrics publicly reported by companies (e.g., greenhouse gas emissions) and modelling based on a range of factors and assumptions linked to, among other items, company size, industry and region of operation. The ESG score is a product of sector-level ESG risk exposure, consideration of unmanageable risks at sector-level, and company-level ESG risk management. Carbon intensity methodologies

	As with ESG data, the Investment Manager's external data provider carbon metrics are a function of information published by companies and modelled emissions data which takes contextual factors into consideration. While the Fund Managers monitor a variety of carbon metrics including absolute carbon emissions, carbon intensity relative to company revenues and climate risk scores, the binding metric for the Fund is produced by comparing the weighted average carbon intensity ("WACI") of the Fund to its reference benchmark. The WACI metric is an estimation of the tons of Scope 1 and 2 carbon dioxide2 (or carbon dioxide equivalents) per units of currency invested (e.g., EUR 1 million). The WACI is calculated by multiplying the portfolio's holding weights by their carbon intensity and combining them.This methodology allows the Investment Manager to compare different portfolios and benchmarks. Industry exclusions methodology The Investment Manager assesses potential portfolio assets to determine whether they derive revenues from involvement in excluded sectors or industries (as listed above in section 4 (investment strategy) – "Binding elements – industry and conduct-based exclusions"). Information for this assessment is typically gained directly from potential investee companies, private equity firms which may be the beneficial owners of those companies, or from public sources. Companies with revenues exceeding revenue thresholds of involvement in excluded sectors will not be eligible for investment. Corporate conduct and controversy screening methodology Information on controversial conduct and poor governance practices is gathered from monitoring news sources, issuer announcements or indirectly from the Investment Manager's external ESG data providers. The Investment Manager considers controversy scores provided by independent ESG data providers which are rated from 1 to 5 where 5 represents an event which has a severe impact, and 1 represents a low impact on the environment or society. The Investment Manager also considers data on whether an issuers conduct is aligned with internationally recognized norms, standards or principles relating to respect for human rights, labor relations, protection from severe environmental harm, and fraud and/or gross corruption standards, is assessed by the Investment Manager's analysts, by independent ESG data providers, and by the Investment Manager's ESG Eligibility Committee. Further details of the ESG scoring methodology, industry exclusions methodology and corporate conduct and controversy screening methodology is available in the Responsible Investment Policy (a copy of which is available here: https://static.muzinich.com/docs/Muzinich-Responsible-Investment-Policy.pdf).
Data sources and processing	The process of gathering and processing ESG data is specialized and resource intensive. The Investment Manager's analysts collect financial and non-financial information as part of their research process. The Investment Manager has also partnered with independent ESG data providers to source ESG data including raw ESG metrics; ESG scores andrankings; data on involvement in controversial products, incidents or business conduct; greenhouse gas emissions data; climate risk data; and data required for regulatory disclosures. The Investment Manager may also source data fromgovernment and non-governmental organisations, academic sources and other publicly available sources. The Investment Manager integrates directly and indirectly sourced ESG data into the Investment Manager's trading, research and reporting systems to support the implementation of the Responsible Investment Policy. Procedures for monitoring, executing and reporting on the Responsible Investment Policy is increasingly automated by the Fund Managers' IT systems and is overseen by relevant teams. The Fund Managers note that a significant proportion of such data is modelled or estimated due to factors including gaps in corporate reporting and the need to extrapolate certain data points in order to generate more forward-looking metrics. The Fund Managers recognise the need to decrease the use of estimated data and will frequently engage both data providers and issuers to improve the quality of ESG data. As the use of such data will vary on a case-by-case basis, it is not possible to provide a proportion of estimated data. The Fund Managers are committed to reviewing their data sources at least every two years to ensure the Investment Manager is able to source appropriate data in a cost effective manner. Decisions on data providers are reviewed by the Investment Manager's ESG Advisory Group and ultimately approved by the Fund Managers' board of directors. Among the considerations for ESG data providers are the quality of the data in terms of accuracy, timeliness, coverage and the additional insight they bring, the efficiency with which they can process data and the general user-friendliness of the data platforms.
Limitations to methodologies and data	The Fund Managers understand that considerations relating to sustainability can be highly complex, subjective, and reliant on imperfect information provided by issuers and third-party data providers. While the Fund Managers do not believe this is a reason to disregard such information, they recognise the need to constantly monitor and improve its methodologies, procedures and data sources to ensure the Fund Managers' approach to sustainable investment is robust. The Fund Managers consider that some of the limitations to its methodologies and sources of data include the following: • Gaps in corporate sustainability reporting can lead to imperfect ESG research coverage. • Complex corporate structures can lead to mapping of ESG data points to the wrong entity. • The delay in corporate ESG disclosures means that ESG data is inherently backwards looking. • The complexity and interconnectedness of ESG factors means that reduction of multiple underlying ESG indicators into a small number of metrics rarely provides a complete picture of sustainability risks. • Models created to estimate ESG information are reliant on a variety of assumptions which may prove to be incorrect. These limitations do not affect how the environmental and social characteristics promoted by the product are met. The Fund Managers are mindful of the need to engage issuers and ESG data providers to enhance the provision of timely, robust and comparable ESG data. The Fund Managers also seek to educate the Investment Manager's research team on the materiality of certain ESG factors and understanding of ESG best practice

	among corporates. To consolidate the backward-looking nature of ESG data with the need to consider long-term sustainability concerns, the Investment Manager may use scenario analysis to plot a range of possible outcomes.
Due diligence	The Fund Managers' due diligence procedures encompass the following: Initial due diligence: • Exclusions screening: The Investment Manager will screen investments for compliance with the industry exclusions criteria (as described above in section (investment strategy): "Binding elements – industry and conduct-based exclusions" and in section 7 (methodologies): "Industry exclusions methodology" and "Corporate conduct and controversy screening methodology"). • Consideration of sustainability risks: The Investment Manager integrates ESG into its investment decision-making process to identify sustainability risks. The analysts are not required to consider a prescriptive or exhaustive list of ESG factors when conducting ESG analysis or creating ESG scores. Instead, they aim to identify the issues which they consider to be most material depending on an individual company's regional, sectoral, jurisdictional, social and environmental context. There are, however, certain ESG factors which may exacerbate the potential for a sustainability risk to materialise. These factors may be specific to certain industries or applicable to several sectors. • ESG scoring: The Investment Manager will score investments in accordance with its proprietary listed securities ESG Scorecard (as described above in section 7 (methodologies): "ESG scoring methodology"). • Carbon intensity: The Investment Manager will analyse the carbon intensity of the Fund's underlying investments prior to investment to determine alignment with the Fund's WACI target and any such investments with a high carbon intensity will be flagged for further consideration. Further details of the due diligence procedures outlined above can be found in the Responsible Investment Policies which are available on the Fund Managers' Responsible Investing web page https://www.muzinich.com/about/responsible-investing Ongoing due diligence: As described above in section 6 (monitoring of environmental and social characteristics), the Fund Managers, supported by the Investment Manager's ESG Integration group and risk teams, are responsible for ongoing due diligence of the Fund's holdings. The Fund Managers believe their approach to ESG due diligence is robust and can be evidenced by the low rate of breaches of the Responsible Investment Policy across the Fund Managers' range of funds.
Engagement policies	With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers' behaviors towards specific sustainability issues, according to the times and methods formalized in its "Engagement Policy" and in the "Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management". In this case, the Company informs the issuer about the identified criticalities, directing its decisions towards their immediate reduction. If these actions are not addressed in an effective and timely manner by the issuer, the Company evaluates to initiate specific reduction or disposal initiatives, even of a progressive nature, of the investment in these issuers. The initiatives carried out and the decisions taken regarding these activities are reported and formalized in order to guarantee a thorough traceability of the decision-making processes and outcomes
Designated reference benchmark	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund .