

GuardCap Global Equity Fund

Task Force on Climate-Related Financial Disclosures (TCFD)-aligned Product Report

Reporting Period	Holdings Date	Assets Under Management (USD millions)
1 January 2023-31 December 2023	31 December 2023	3,519.5

This report is designed to provide investors with transparency into the portfolio’s climate-related risks and opportunities according to the Financial Conduct Authority (FCA) Environmental, Social and Governance (ESG) Sourcebook and the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations.

Unless otherwise disclosed, the GuardCap Global Equity Fund’s (“the Fund’s”) approach to the consideration of climate-related risks and opportunities is consistent with the information published in GuardCap Asset Management Limited’s (“GuardCap’s”) entity-level TCFD report.

This report includes carbon emissions metrics and forward-looking climate risk metrics, which are designed to provide investors with information that can help understand the portfolio’s potential performance in the future and in different climate-related scenarios, as required by the FCA and TCFD Recommendations.

To understand more about how GuardCap considers climate-related risks and opportunities in the assets we manage on behalf of our clients, please refer to [GuardCap’s entity-level TCFD report](#).

Backward-Looking Metrics

We use a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute carbon emissions metrics as well as intensity-based carbon emissions indicators that enable comparisons across different issuers, portfolios, and transition scenarios.

The key backward-looking metrics used in our reporting are set out in the following table covering the year to 31 December 2023. Although recognising there are limitations in the metrics and tools used (primarily data availability and scope of coverage), we currently rely on Scope 1 and 2 Greenhouse Gas (GHG) emissions to inform our investment analysis.

Whilst we monitor Scope 3 emissions, limitations relating to this data are heightened with data quality and disclosure of this category remaining poor, therefore making it less reliable for investment analysis.

	Emission Scopes	Portfolio	Data Coverage*	Benchmark**	Data Coverage*
Financed carbon emissions (tons CO2e/USD millions invested)	Scope 1 and 2	5.5	100.0%	42.2	99.8%
	Scope 3 – Upstream	47.4	100.0%	93.3	99.7%
	Scope 3 - Downstream	25.1	100.0%	228.5	99.7%
Total financed carbon emissions (tons CO2e)	Scope 1 and 2	19,498.1	100.0%	148,526.4	99.8%
	Scope 3 – Upstream	166,670.4	100.0%	328,325.9	99.7%
	Scope 3 - Downstream	88,178.3	100.0%	804,093.9	99.7%
Financed carbon intensity (tCO2e/USD millions, sales)	Scope 1 and 2	28.0	100.0%	116.7	99.8%
	Scope 3 – Upstream	239.7	100.0%	257.8	99.7%
	Scope 3 - Downstream	126.8	100.0%	631.3	99.7%
Weighted Average Carbon Intensity (WACI) (tCO2e/USD millions, sales)	Scope 1 and 2	20.9	100.0%	105.6	99.9%
	Scope 3 – Upstream	231.1	100.0%	251.4	99.7%
	Scope 3 - Downstream	152.1	100.0%	452.8	99.7%

As at 31 December 2023. Source: MSCI ESG Research.

97.9% of Scope 1 and Scope 2 emissions data provided for the Fund is reported vs 2.1% estimated. 96.5% of Scope 1 and Scope 2 emissions data provided for the benchmark is reported vs 3.5% estimated. When reported data is not available, Scope 1 and Scope 2 emissions are estimated using MSCI's estimation model which is mapped to the data quality score defined by the Partnership of Carbon Accounting Financials (PCAF). All Scope 3 emissions used in this report are estimated by MSCI's estimation model, due to un-usability (inconsistency, volatility) of the reported Scope 3.

The portfolio's ownership share is calculated based on enterprise value including cash for the financed carbon emissions, total financed carbon emissions, and financed carbon intensity metrics.

*Proportion of in-scope AUM and AUA (USD 3,519.5 million) or proportion of benchmark companies covered.

**Benchmark is the MSCI World Index.

Financed carbon emissions and total financed carbon emissions enable us to identify the climate impact across all our investments and to understand the absolute emissions of the portfolio.

Financed carbon intensity enables us to identify the carbon efficiency of our investments in terms of emissions per unit of output.

WACI enables us to identify our exposure to carbon-intensive companies.

Please refer to the Glossary section within this document for an explanation of the key terms used.

Forward-looking metrics

In addition to backward-looking data, which indicates a point-in-time emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and sensitivity to climate-related risks.

While we have assessed the portfolio-level results from MSCI's Climate Value at Risk (CVaR) and Implied Temperature Rise (ITR) metrics, these metrics do not at present directly inform our investment decision making. We have chosen to include these forward-looking metrics for the sole purpose of transparency. Furthermore, their inclusion in this report does not indicate or represent a 'high' or 'concentrated' exposure to carbon intensive sectors as suggested by FCA guidance.

Climate Scenario Analysis

For our climate scenario analysis, we have used MSCI's CVaR metric to calculate the potential change in the financial value of our AUM. CVaR is a downside risk indicator that determines the potential maximum drawdown that an asset could experience under a specific climate scenario.

CVaR is calculated by modelling the future costs and revenue for issuers due to policy risk, technology opportunities, and physical risks and opportunities under each scenario. Financial modelling is then used to derive valuation impacts over time, which can be assessed at an aggregate level, or based on transition or physical risks and opportunities.

The following table provides the CVaR for the Fund and its benchmark:

	Disorderly Divergent Net Zero 1.5°C		Delayed 2°C		National Defined Contribution (NDC) 3°C		Current Policies 3°C	
	Portfolio	Bench- Mark	Portfolio	Bench- mark	Portfolio	Bench- mark	Portfolio	Bench- mark
Policy Climate Var (Scope 1,2,3)*	-2.2%	-13.3%	-0.7%	-7.2%	-0.1%	-2.3%	0.0%	0.0%
Technology Opportunities Climate VaR**	0.2%	2.1%	0.0%	0.6%	0.0%	0.2%	0.0%	0.0%
Physical Climate VaR Average***	-1.5%	-2.7%	-2.0%	-3.7%	-2.6%	-5.1%	-3.1%	-6.3%
Aggregated Climate VaR	-3.6%	-13.9%	-2.7%	-10.3%	-2.7%	-7.1%	-3.1%	-6.3%

As at 31 December 2023. Source: MSCI ESG Research. ©2023 MSCI Inc. All rights reserved. Please refer to the disclaimer at the end of this document. Benchmark is the MSCI World Index.

*Portfolio coverage is 100%. Benchmark coverage is 98.3%

**Portfolio coverage is 92.7%. Benchmark coverage is 93.5%

***Portfolio coverage is 100%. Benchmark coverage is 98.0%

Across all four scenarios, the aggregated CVaR is less than -3.6% vs an aggregated CVaR for the benchmark of less than -13.9%. Transition risk, as expected, would be the highest in a divergent disorderly scenario or delayed scenario and negligible in a NDC or current policies scenario. Physical risk would be the highest in a NDC or current policies scenario. Overall, there is minimal variance in the aggregated results which indicates a high level of resiliency of the Fund. This is likely due to the composition of the portfolio. As at 31 December 2023, the Fund had no direct exposure to the energy, mining, commodity chemicals and heavy industry sectors – where transition risks such as stranded assets, regulatory policy risk, and reputational risk are higher relative to other sectors. The portfolio's sensitivity to physical risk is also similarly muted as the companies the Fund invests in are not asset intensive, with the highest physical risk for the portfolio being coastal flooding.

For more details, please refer to the Metrics and Targets section of GuardCap's entity-level TCFD report.

Temperature Alignment

The ITR metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement – which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. The portfolio-level ITR uses an aggregated budget approach: it compares the sum of “owned” projected GHG emissions against the sum of “owned” carbon budgets for the underlying fund holdings. The portfolio’s total estimated carbon budget over- /undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

For more details on how the ITR is calculated, please refer to the Glossary section of this document and to GuardCap’s entity-level TCFD report.

As at 31 December 2023, the Fund was aligned with 1.5°C*.



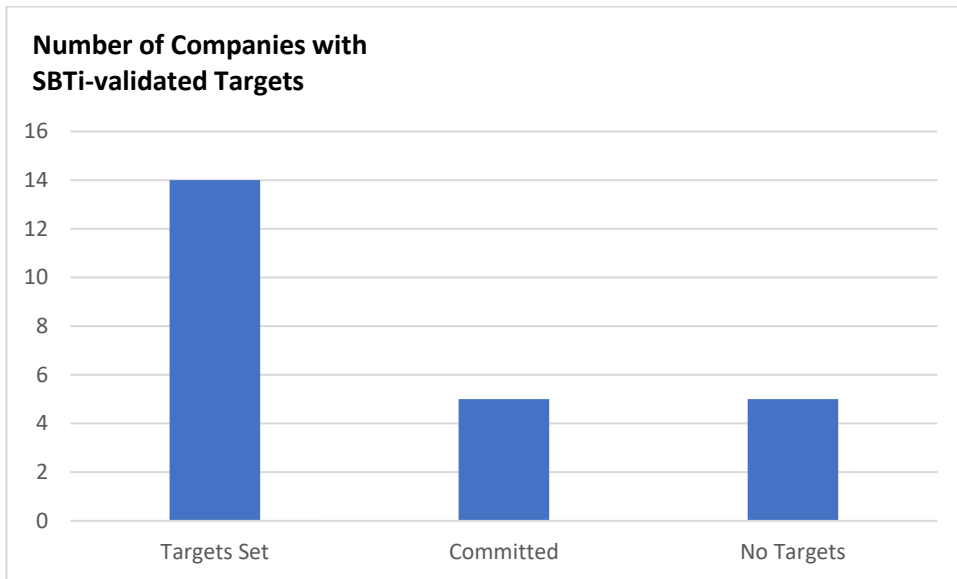
*As at 31 December 2023. Benchmark is the MSCI World Index. Source: MSCI ESG Research. ©2023 MSCI Inc. All rights reserved. Please refer to the disclaimer at the end of this document.

The data shows that 96% of companies within the portfolio (vs. 68.6% for the benchmark) align with the goal of limiting temperature increase to below 2°C, and that 76% of companies within the portfolio (vs. 39.1% for the benchmark) align with the goal of limiting temperature increase to below 1.5°C.

Another metric we look at to assess a company’s temperature alignment is its progress towards setting science-based targets validated by the Science-Based Targets Initiative (SBTi). Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

Whilst we recognise this is a simplistic measure, we believe it provides an indication into a company’s climate strategy and is the first step in our progress towards developing a framework for assessing corporate transition plans.

The following chart provides a breakdown of the number of companies within the Fund that have set or committed to setting targets validated by the SBTi:



As at 31 December 2023. Source: SBTi website.

The numbers show that as at 31 December 2023, more than 75% of the companies in the portfolio had set or committed to setting science-based targets validated by the SBTi.

Appendix A

Data Source, Type and Quality

Carbon emissions data is purchased from MSCI® ESG Research. Carbon emissions are classified as scope 1, 2 or 3 as per the GHG Protocol. This data is collected by MSCI® once per year from the most recently available sources, including annual reports, corporate sustainability reports or websites. Carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) and/or government databases is also used, when reported data is not available through direct corporate disclosure. When companies do not disclose emissions data, estimations are used and based on MSCI® ESG Research methodologies. For estimation of scope 1 and 2 emissions this includes the following distinct modules: production model, company-specific intensity model, and industry segment-specific intensity model. In this report, carbon emissions data is categorised as reported, estimated or not available, based on the above description.

Calculation Time Period

All climate metrics are calculated as at 31 December 2023, with holdings data, financial data, emissions-related data and other climate-related data current as at this date, unless otherwise indicated. Discrepancies and lags in data may exist due to a temporal mismatch between when data is reported by issuers and when it is available by third-party vendors. As both issuers and vendors update most metrics on an annual basis, this may result in temporal discrepancies. For example: carbon emissions data for calendar year 2023 is not yet available, as at 31 December 2023 due to the reporting time lag for issuers. As carbon emissions data is generally reported by companies on an annual basis and collected by the third-party vendor on a rolling annual basis, carbon emissions data may reflect emissions from previous years (for example, 2021, 2020 or 2019).

Financed emissions and carbon intensity values for corporate equity may use financial values (for example, sales) that reflect a time period earlier than 31 December 2022. Due to the rolling annual disclosure of carbon emissions data by issuers, it can be challenging to align the date of emissions data with reported financial data. All carbon emissions intensity values for corporate equity and fixed income are sourced directly from MSCI® ESG Research and use the emissions and financial values provided by the vendor. As such, metrics may not be an exact reflection of financial values as at 31 December 2023.

Data Coverage

For climate metrics disclosed in this report, the climate-related data coverage for each metric is provided. Data coverage is the percentage of the portfolio for which there is climate data. For carbon emissions data, the breakdown of the percentage of reported versus estimated data is also provided for greater transparency. Variations in data coverage by metric may be due to the coverage universe for that metric available from third-party vendors or other data sources. We have chosen to publish data coverage values and normalize climate-related metrics, to provide transparency and as this is the approach increasingly recommended by regulators.

Glossary

Carbon Intensive Sector: The TCFD acknowledges that some industries are more likely to be financially impacted by climate change due to their exposure to transition and physical risks associated with their operations and products. The following sectors have been classified as “carbon intensive” in the TCFD guidance: Energy (oil and gas, coal, electric utilities), Transportation (air freight, passenger air transportation, maritime transportation, rail transportation, trucking services, automobiles and components), Materials and Buildings (metals and mining, chemicals, construction materials, capital goods, real estate management and development) and Agriculture, Food and Forest Products (beverages, agriculture, packaged food and meats, paper and forest products).

Climate Value at Risk (CVaR): CVaR is designed to provide a forward-looking valuation assessment of a company or portfolio taking into account the climate-related risks and opportunities faced under different climate scenarios. Climate Value at Risk is comprised of transition impacts through policy risk and technological opportunities, and physical risks.

Disorderly Scenario: Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.

Enterprise Value including Cash (EVIC): EVIC is an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to EV. The underlying data used for EVIC calculation is sourced from a company's accounting year-end annual filings. EVIC is updated and reflected once a year as the data is sourced annually.

Financed Carbon Emissions: Measures the carbon emissions, for which an investor is responsible, per USD million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation).

Financed Carbon Intensity: Allocated emissions per allocated sales. Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalisation).

Greenhouse Gas (GHG) Emissions: A gas that absorbs and emits radiation in the atmosphere, contributing to the greenhouse effect. These gases trap heat close to the surface of the earth and are a key cause of climate change.

Hot House World Scenario: Hot House World scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise.

Implied Temperature Rise (ITR): The ITR metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement -which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

National Defined Contributions (NDCs): The NDCs are commitments that countries make to reduce their greenhouse gas emissions as part of climate change mitigation. These commitments include the necessary policies and measures for achieving the global targets set out in the Paris Agreement.

Net Zero: Net zero emissions is achieved when the amount of emitted greenhouse gases are balanced by the equivalent of emissions removed.

Network for Greening the Financial System (NGFS): The NGFS is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy.

Orderly Scenario: Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.

Paris Agreement: The Paris Agreement is a legally binding international treaty on climate change which was adopted at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016. Its overarching goal is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.

Partnership for Carbon Accounting Financials (PCAF): The PCAF is an industry-led initiative. Responding to industry demand for a global, standardized GHG accounting and reporting approach, PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry, focusing on measuring and reporting financed emissions. Published in November 2020, the standard provides detailed methodological guidance to measure and disclose GHG emissions associated with six asset classes: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, and motor vehicle loans.

Physical Risk: Physical risks from climate change can be separated into acute risks from natural disasters such as floods, tropical cyclones and wildfires, and chronic risks, which are related to long-term shifts in the climate, such as changes in rainfall patterns, rising sea levels or extreme heat.

Regulatory Risk: The transition to a low-carbon economy will be accompanied by extensive regulatory and policy changes across the globe. The climate change policies that countries enact to decarbonize will generate direct impacts for companies, for example through increased pricing of greenhouse gas emissions, shifts in consumer behaviour and preferences and transition to lower emissions technologies. Most countries pledged a Nationally Determined Contribution (NDC) as part of the Paris Agreement, which sets out their plans for this transition and their approach to decarbonisation.

Science-Based Targets initiative (SBTi): The SBTi defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies’ targets in line with its criteria.

Scope 1 Emissions: Direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles.

Scope 2 Emissions: Indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam.

Scope 3 Emissions: All other indirect greenhouse gas emissions that occur in the value chain of an organisation, excluding Scope 2 emissions. This includes emissions from transportation of goods and services, use of sold products and services, and other upstream and downstream activities in the value chain.

tCO₂e: Tonnes of carbon dioxide equivalent. A unit of measurement that is used to standardise the climate effects of various greenhouse gases on the basis of their global warming potential.

Technology Opportunities: The transition to a low carbon economy may provide opportunities for companies that are well positioned to benefit from a change in consumer behaviour and preferences, favourable policies and shift towards efficient, low carbon technologies.

Transition Risks and Opportunities: Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to companies.

Too Little, Too Late Scenario: Too Little, Too Late scenarios reflect delays and international divergences in climate policy ambition that imply elevated transition risks in some countries and high physical risks in all countries due to the overall ineffectiveness of the transition.

Total Financed Carbon Emissions: Allocated emissions to all financiers (EVIC). Measures the total carbon emissions for which an investor is responsible by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation).

Weighted Average Carbon Intensity (WACI): Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon Intensity (emissions/sales).

Disclosures

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