

APS Ethical Balanced Fund

LEI: 213800IUTO8UP7AD5123

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

1st April 2026

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:** ___%

- 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 ___% 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**

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.



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

The Fund promotes the environmental and social (“E/S”) characteristics through an investment strategy based on the application of a selection process.

For **direct investments**, the Investment Manager selects financial instruments issued by investee companies or governments from the eligible investment universe. This universe is determined in accordance with the Fund’s Ethical Policy, which establishes the criteria and process for selecting eligible issuers, as described below. Where the Fund invests in other funds, such funds must meet the minimum classification criteria set by the Fund.

To ensure that E/S characteristics are met throughout the lifecycle of the Fund, the screening process applied and monitored on an ongoing basis:

1) Negative screening – The Fund will not invest in investee companies involved in certain excluded industries or in government-issued instruments from jurisdictions that do not meet minimum civil and political rights standards.

2) ESG Positive screening – The Fund promotes investments that maintain a Minimum ESG Rating (for investee companies) or Minimum Overall ESG score (for governments).

The Ethical Policy is available at www.apsbank.com.mt/ethical-balanced-fund/.

The Investment Manager will, after undertaking this analysis, take steps to either include or exclude governments or investee companies from the eligible investment universe which is updated at least on an annual basis. Further monitoring continues to be made on a periodic basis, to confirm that the governments and corporations in the universe continue to adhere to the above criteria.

The Fund may also invest in **other funds**. To ensure that E/S characteristics are met throughout the lifecycle of the Fund, the screening process applied and monitored on an ongoing basis by the Investment Manager is to ensure that the underlying fund falls under Article 8 or 9 of the SFDR.

The Fund is actively managed by the Investment Manager. No reference benchmark is used for the purposes of attaining the E/S characteristics.

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

Direct Investment:

1) Negative screening - In applying negative screening (or exclusions), issuers of securities in which the Fund may invest within the initial investment universe will not be considered for investment if they match one or more of the following criteria:

Investee Companies

- Investee companies that derive more than 10% of their revenue from coal mining; tobacco distribution; military equipment and firearms; life-termination services or products; human embryonic stem cell research; gambling operations and products; alcohol production and distribution; or pornography and adult entertainment (“**Excluded Activity**”)
- Investee companies in violations of the UN Global Compact (“**UNGC**”) principles or Organisation for Economic Cooperation and Development (“**OECD**”) Guidelines for Multinational Enterprises
- Investee companies that have any ties with controversial weapons
- Investee companies that have any involvement in the cultivation or production of tobacco.

Governments

- Issuers from jurisdictions that do not pass the screening assessment in terms of civil and political rights.

2) ESG Positive Screening – The Fund promotes investments that maintain a minimum ESG Rating for investee companies or overall ESG Score for governments. Accordingly, within the initial investment universe - and after the negative screening process described above - issuers will be analysed and ranked by the Investment Manager according to their ESG Rating for investee companies, and the overall ESG Score for government, assigned to it by the external ESG data provider.

Investment in other funds:

The Fund may have exposure to other funds which fall under Article 8 or 9 of the SFDR.

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

- **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?**

Not applicable. The Fund does not have a sustainable investment objective and does not make 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?**

This question and related questions below are not applicable, as the Fund does not have a sustainable investment objective.

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

Not applicable.

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

Not applicable.

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.

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.



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

- Yes
- No

The Investment Manager does not consider the PAIs as part of its investment decisions on sustainability factors, within the meaning of Article 4(1)(a) of SFDR, for the time being. The position of the investment on this matter will be reviewed on an ongoing basis.



What investment strategy does this financial product follow?

The Fund aims to maximise total return while minimising volatility and maintaining liquidity through an actively managed, diversified portfolio of securities issued government and investee companies, and may also invest in other funds.

Securities may be denominated in any currency provided that the Fund is to maintain at least 50% of its total asset value in euro.

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

The Fund may be fully invested in investment grade bonds and may invest up to 50% of its assets in high yield bonds, or other bond-related securities. The Fund may also invest up to 80% of its assets in equities, equity-related securities or in other funds whose main exposure is in equities.

The Fund may use exchange-traded or OTC derivatives for efficient portfolio management.

The Fund is actively managed and does not follow any index or benchmark.

Further information on the Fund's investment policy can be found in the Investment Objective and Policy section of the Offering Supplement.

● ***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 binding elements to the investment strategy consists of the following elements:

Direct Investment:

Investee Companies

- The Fund must adhere to the Ethical Policy.
- The Fund will not invest in securities issued by investee companies:
 - deriving significant revenue (>10%) from Excluded Activity
 - in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
 - that have any ties with controversial weapons
 - that have any involvement in the cultivation or production of tobacco.
- After the negative screening, only corporates with an MSCI ESG Rating of BB or higher are eligible for investment.

Governments

- The Fund must adhere to the Ethical Policy.
- The Fund will not invest in securities issued by governments which do not pass the (negative) screening tests on its civil and political rights.
- After the negative screening, only government issues by countries having an overall ESG score of at least 50 are eligible for investment.

The eligible universe of investee companies and countries is periodically reviewed.

The Investment Manager is to implement a strategy to divest within a reasonable timeframe, from issuers that no longer meet the Fund's Ethical Policy, or from underlying funds if no longer meets the minimum SFDR classification criteria.

Investment in other funds:

The Fund may invest in other funds if these fall under Article 8 or 9 of the SFDR.

● ***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 commit to a minimum rate to reduce the scope of investments prior to the application of the investment strategy.

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

For investee companies, the assessment of good governance practices is applied through the negative screening of investee companies that do not violate UNGC principles are considered to exhibit good governance.

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

For investments in other funds, the good governance principle is satisfied if the underlying funds fall under Article 8 or 9 of the SFDR. Article 8 of the SFDR requires that investee companies follow good governance practices, while Article 9 of the SFDR mandates adherence to good governance as part of the definition of sustainable investment.

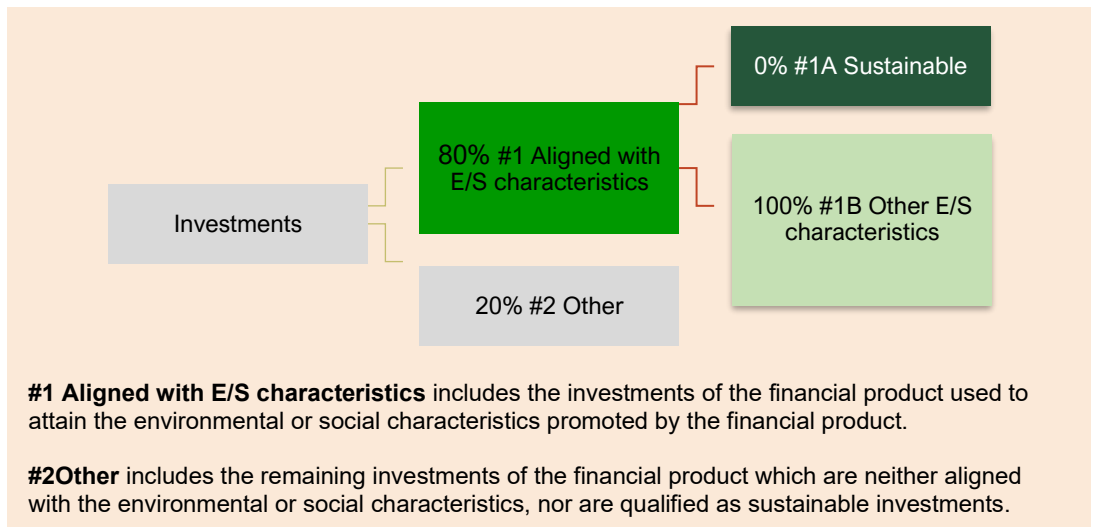


What is the asset allocation planned for this financial product?

The Fund may invest directly up to 100% of its total assets in investment grade bonds. It may invest up to 50% of total assets in high yield bonds and up to 80% of total assets in equities. A moving cash balance and the use of financial derivative instruments with the purpose of hedging are also part of the planned asset allocation.

At least 80% of the investments is expected to be aligned with the E/S characteristics (#1). These include exposure to issues by corporates and governments (including supranational) related securities. The Fund may also invest in other funds. The maximum percentage of the investments aligned with other (#2) is 20%. Other (#2) includes the cash and financial derivatives. The Fund does not intend to invest in sustainable investments, resulting in 0% of sustainable investments and 100% investments in other E/S characteristics (#1B).

See the flow chart below for a graphical representation.



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

The Fund does not use derivatives for the attainment of its environmental or social characteristics rather for hedging purposes.



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

Investments in environmentally sustainable economic activities (i.e. taxonomy aligned investments) shall be 0%.

Asset Allocation describes the share of investments in specific assets

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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 corresponding to the best performance.

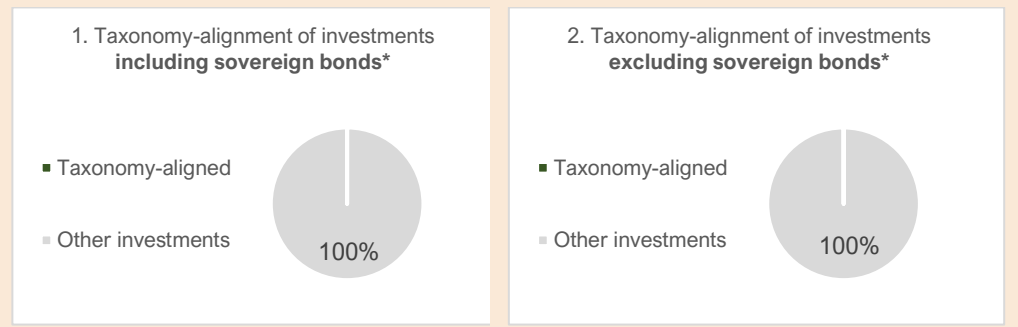
● **Does the financial product invest in fossil gas and/ or nuclear energy related activities that comply with the EU Taxonomy¹?**

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?**

The minimum share of investments of the Fund in transitional activities is 0%.
The minimum share of investments of the Fund in enabling activities is 0%.

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



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

The Fund has no minimum share of investments aligned with the EU Taxonomy, i.e. 0% minimum target.



What is the minimum share of socially sustainable investments?

The Fund has no minimum share of investments in socially sustainable investments, i.e. 0% minimum target.



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

Cash and derivatives can be held for a maximum of 20%. Due to the nature of the characteristics of the instruments, no minimum environmental or social safeguards are

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.

applicable. The derivatives are not used to achieve the E/S characteristics of the Fund but used for hedging purposes.



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 specific index is designated as a reference benchmark to determine whether the Fund is aligned with environmental and social characteristics promoted.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***
Not applicable.
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
Not applicable.
- ***How does the designated index differ from a relevant broad market index?***
Not applicable.
- ***Where can the methodology used for the calculation of the designated index be found?***
Not applicable.

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



Where can I find more product specific information online?

More information can be found at www.apsbank.com/ethical-balanced-fund/.