

APS Ethical Cautious Fund

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Website disclosure in terms of Article 10(1) of Regulation (EU) 2019/2088 (“SFDR”) and Articles 25 to 36 of Commission Delegated Regulation (EU) 2022/2018 (“SFDR RTS”), for financial products that promote environmental and/or social characteristics referred to in Article 8(1) of SFDR

1st April 2026

A. Summary

No sustainable investment objective

The **APS Ethical Cautious Fund** (the “**Fund**”) promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund promotes the environmental and social (“E/S”) characteristics by having direct investment in investee companies or governments that adhere to the Fund’s Ethical Policy, selected through a selection process that combines (i) negative screening or exclusions of investee companies involved in certain industries as listed below, or governments from jurisdictions considered not satisfactory on civil and political rights, and (ii) ESG (positive) assessment consisting of maintaining a Minimum MSCI ESG rating for investee companies, or Minimum overall ESG score for governments.

Investment strategy

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

- **Direct investments:** The Fund applies negative screening to exclude issuers involved in Excluded Activities (e.g., coal, tobacco, military equipment, gambling, adult entertainment), UNGC/OECD violations, controversial weapons, or governments failing civil and political rights standards. In addition, ESG positive screening ensures that investments maintain a Minimum ESG Rating for investee companies and a Minimum overall ESG Score for government issuers. Good governance in investee companies is assessed through UNGC compliance and CTB exclusions.
- **Investments in other funds:** Eligible funds must fall under Article 8 or 9 SFDR, ensuring good governance.

These binding elements of the investment strategy are monitored throughout the Fund’s lifecycle to maintain alignment with the promoted E/S characteristics.

Proportion of investments

At least 80% of the Fund’s investments are expected to be aligned with the E/S characteristics. These include exposure to issues by investee companies and governments (including supranational), as well as investments in other funds if these fall under Article 8 or 9 of the SFDR. Up to 20% may consist of investments that do not meet the E/S characteristics promoted by the Fund. These may include cash and cash equivalents, as well as derivatives used for hedging purposes. The Fund does not intend to make any sustainable investments and therefore the proportion of sustainable investments is 0%.

Monitoring of environmental or social characteristics

The Fund measures attainment of its E/S characteristics by assessing exposure to Excluded Activities for investee companies, the portfolio’s weighted-average MSCI ESG Ratings and overall ESG score for investee companies and government issues, respectively, and exposure to non-Article 8 or 9 SFDR funds. The Investment Manager monitors these indicators throughout the Fund’s lifecycle to ensure ongoing alignment with the Fund’s stated objectives.

Methodologies

The Fund employs specific methodologies to ensure promoted E/S characteristics are met through quantitative indicators and monitoring processes. For direct investments, compliance is achieved via negative screening, excluding issuers non-compliant with the Fund’s Ethical Policy, and ESG positive screening, excluding issuers

below the Minimum ESG rating or overall ESG score threshold set by the Investment Manager. Investments in other funds are eligible only if compliance with Article 8 or 9 SFDR is demonstrated through pre-contractual disclosures and verified via annual reporting. These methodologies are applied systematically and reviewed periodically.

Data sourcing and processing

The Investment Manager relies exclusively on independently sourced ESG data from public and third-party providers, and does not itself generate internal ESG estimates. Where relevant ESG data is unavailable to ensure that issuer is compliant with the Ethical Policy, the said issuer is excluded from the eligible investment universe. This data is directly applied to implement the Fund's methodologies. For investments in other funds, eligibility under Article 8 or 9 SFDR is determined based on the pre-contractual disclosures of the respective fund or fund manager, with ongoing compliance verified through periodic reports, including annual disclosures, to ensure alignment with the relevant SFDR classification.

Limitations to methodologies and data

The Fund's methodology is inherently dependent on the availability and quality of ESG data. Reliance on external providers introduces limitations, including estimates, use of proxies, or assumptions where actual data is unavailable. The Investment Manager does not generate internal estimates of ESG data. Investments lacking sufficient ESG information are excluded from the eligible investment universe to ensure alignment with the promoted E/S characteristics. For investments in other funds, the Investment Manager relies on disclosures provided by target fund managers.

Due diligence

The Investment Manager implements multi-level controls to ensure compliance with the Fund's E/S characteristics. Ex-ante, new investments are verified against the latest eligible investment universe, and target funds are checked for Article 8 or 9 SFDR classification. Limits and guidelines linked to the Fund's strategy are integrated into the portfolio system. The eligible universe is reviewed on a periodic basis through the reapplication of the screening criteria and divestment of non-compliant issuers. Second-line controls include monthly post-NAV checks to ensure continued alignment with the eligible investment universe.

Engagement policies

Engagement is not part of the Fund's strategy due to its limited size and the Investment Manager's negligible influence on investee companies, with voting rights exercised in accordance with the Voting Strategy Policy. Instead, a pragmatic approach is adopted whereby divestment is used as the primary mechanism if an issuer no longer meets the Fund's E/S characteristics.

Reference benchmark

No reference benchmark was designated to attain the environmental or social characteristics promoted by the Fund.

B. No sustainable investment objective

The Fund promotes environmental and social characteristics but does not have sustainable investment as its objective.

C. Environmental or social characteristics of the financial product

The Fund promotes E/S characteristics through an investment strategy based on the application of a selection process.

The Fund is actively managed. 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.

For **direct investment**, 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).

See section G for further details on the process applied by the Investment Manager.

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

For **investment 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.

D. Investment strategy

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

To ensure that E/S characteristics are met throughout the lifecycle of the Fund, the following binding elements of the investment strategy are applied and monitored. See section G below.

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.

Good governance - 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.

Investment in other funds:

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

Good governance – 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.

E. Proportion of investments

The Fund may invest directly up to 100% of its total assets in investment grade bonds. It may invest up to 40% of total assets in high yield bonds and up to 40% 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 Fund's investments are expected to be aligned with the E/S characteristics. These include exposure to issues by investee companies and governments (including supranational), as well as investments in other funds if these fall under Article 8 or 9 of the SFDR. Up to 20% may consist of investments that do not meet the E/S characteristics promoted by the Fund. These may include cash and cash equivalents, as well as derivatives used for hedging purposes.

The Fund does not intend to make any sustainable investments and therefore the proportion of sustainable investments is 0%.

F. Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of the E/S characteristics promoted by the Fund:

1. Portfolio exposure to any Excluded Activity.
2. Weighted-average MSCI ESG Rating of portfolio holdings in investee companies and commentary rationale explaining any 'exception' below threshold.
3. Weighted-average Overall ESG Score of portfolio holdings in government investee companies and commentary rationale explaining any 'exception' below threshold.
4. Portfolio exposure to other funds not classified as Article 8 or 9 SFDR.

The Investment Manager monitors the sustainability indicators throughout the Fund's life cycle. Independent controls are carried out by the Investment Manager to ensure compliance with commitments. These indicators are embedded within the Investment Manager control framework, with responsibilities spread between the first-line of controls performed by the portfolio management team and the second-line of controls performed by the Risk and Compliance functions, who monitor compliance with E or S characteristics promoted by the Fund, while also assuring the quality of inputs through appropriate due diligence and data governance.

The portfolio management team will implement an exit strategy to divest from issuers that no longer comply with the Fund's Ethical Policy, or to divest from underlying funds if no longer meets the minimum SFDR classification criteria.

G. Methodologies

The Investment Manager employs specific methodologies to measure how the promoted E/S characteristics are met through quantitative indicators and systematic monitoring processes:

Direct Investment:

Investee companies

- The initial investment universe is defined.
- Issuers deriving **10% or more of their total revenue** (actual or estimated if data is unavailable) from any Excluded Activity are excluded. The Fund uses **MSCI Business Involvement Screening Research (BISR)**, **MSCI Weapons**, and **MSCI Fossil Fuels** to determine revenue exposure from excluded activities.
- Issuers involved in the production of **tobacco** or **controversial weapons** are excluded. MSCI BISR and MSCI Weapons are used to identify such involvement.

- Investee companies that have faced **very severe environmental controversies** are excluded. Companies with an **MSCI ESG Controversies Score of 0 (red flag)** are removed from the eligible universe.
- Issuers identified as non-compliant (“fail”) with **UNGC Principles** or **OECD Guidelines for Multinational Enterprises** are excluded, based on MSCI Controversies data and MSCI SFDR fail indicators.
- Remaining investee companies are rated using **MSCI ESG Ratings**, which assess their management of ESG risks and opportunities. Only companies with an **MSCI ESG Rating of BB or above** are included.
- The eligible investment universe, consisting of the remaining investee companies, is **reviewed periodically** to ensure continued compliance with the Fund’s E/S characteristics.

Governments

- Countries are initially screened using **Global Freedom Scores** to assess civil liberties and political rights. Countries without a Global Freedom Score are automatically excluded.
- Countries are then ranked based on civil and political rights as **‘Free’, ‘Partially Free’, or ‘Not Free’**. Only countries classified as **‘Free’** are eligible to proceed to ESG evaluation; all others are excluded.
- Eligible countries subsequently undergo a **quantitative ESG performance assessment**, using independent and recognized metrics. Each environmental, social and governance indicator is assigned a score.
- The three indicators are **aggregated with equal weight** to calculate the **ESG Overall Score (0–100)**.
- To be considered eligible, a country must have an **overall ESG score of at least 50.00**. Countries below this threshold are excluded.
- The **eligible investment universe** for government is also reviewed and **updated periodically** to ensure ongoing compliance with the Fund’s E/S characteristics.

For **supranational** issuers to be eligible for investment:

- the scope and purpose of the supranational issuer does not conflict with the objectives of the Fund’s Ethical Policy, and
- The majority of its members, measured by percentage shareholding, meet the eligibility criteria applied to government issuers, as outlined above.

Other investment funds:

The classification of a target fund under Article 8 or Article 9 of the SFDR is determined on the basis of the pre-contractual disclosures issued by the respective fund or its manager. Continued access to the target fund’s periodic disclosures, including annual reports, enables the Fund to verify that such target funds continue to meet the criteria for their Article 8 or Article 9 classification under the SFDR on an ongoing basis.

H. Data sources and processing

Direct investment:

All data used is **independently sourced** from ESG data providers, including public data providers and third-party data vendors as detailed below.

- **MSCI ESG Research products** are used to perform the screening process for investee companies through **Moody’s Investors Service, Inc.** and **Moody’s Analytics, Inc.**,
- Freedom House (www.freedomhouse.org) supplies data on government (and supranational) issuers for negative screening. For positive evaluation, data is obtained from:
 - Environmental Performance Index (www.epi.yale.edu) for environmental analysis,
 - Human Development Index (www.hdr.undp.org) for social analysis, and
 - Worldwide Governance Indicators (www.govindicators.org) for governance analysis.

The ESG data mentioned above is used directly to apply the methodologies described in Section G.

The Investment Manager does not generate internal estimates of ESG data. Where data is unavailable, the issuer is excluded from the **eligible investment universe**.

Investment in other funds:

The classification of the target fund under Article 8 or 9 of the SFDR is determined based on the pre-contractual disclosures made by the respective fund or fund manager. Ongoing compliance with this classification is monitored through the review of the target fund's periodic disclosures, including its annual reports.

I. Limitations to methodologies and data

The limitations of the methodology are intrinsically linked to the use of data, including data related to ESG.

The main limitations are:

- The availability of data to conduct the screening process and ESG assessment.
- The reliance on external data providers or sources.
- Periodic updates to methodologies to reflect improvements in ESG data availability, regulatory developments, or changes in market standards.

This impacts the methodology applied in that:

- While a thorough assessment is applied when selecting the data providers, there can be no guarantee that ESG data provided by the third parties is complete and accurate.
- The ESG data provider may rely on estimates, assumptions or proxy indicators when actual data is not available. This introduces a degree of uncertainty to the assessment performed by the Investment Manager.
- Where an issuer is not covered by relevant ESG data providers or data source, or where sufficient information is unavailable, such investments will be automatically excluded from the selection process.

Investment in other funds:

The Investment Manager relies on disclosures/information provided by the target fund or its manager, including the classification of the target fund under Article 8 or Article 9 of the SFDR.

J. Due diligence

The Investment Manager applies several levels of controls to ensure that E/S characteristics promoted are complied with:

- Ex-ante: The Investment Manager checks that any new investment is in the latest eligible investment universe. For other funds, the Investment Manager is to verify that the target fund is in scope of Article 8 or 9 of the SFDR. This comes in addition to the investment analysis performed on the issuer and instruments.
- Ex-ante and ex-post: Investment limits, warnings, and guidelines linked to the investment strategy and eligible investment universe are integrated into the portfolio management system and configured by the Investment Manager's Risk and Compliance functions. Furthermore, a second level of control is performed by the Investment Manager. The Risk and Compliance functions perform post-NAV checks to ensure holdings remain aligned with the eligible investment universe and that investments in funds continue to comply with Article 8 or 9 of SFDR. These controls are performed at least monthly.
- Ex-post: The eligible investment universe is reviewed periodically - at least semi-annually for corporate issuers and annually for government issuers. The Investment Manager re-applies the screening process to capture any changes and implements an appropriate divestment strategy where an issuer is no longer included in the latest eligible investment universe.

K. Engagement policies

Engagement is not part of the investment strategy given the size of the Fund. The Investment Manager has negligible influence on the investment behaviour of investee companies. The Investment Manager does not exert any further influence on the investee companies beyond the allocation of the invested amount through its investment decisions, and any voting rights attached to the Fund's holdings are exercised according to the Voting Strategy Policy adopted by the Investment Manager. Instead, the Investment Manager adopted a pragmatic approach. Where an issuer is identified as no longer meeting the ethical criteria, divestment is

considered the primary and most effective mechanism to maintain alignment with the Fund's promoted environmental and social characteristics.

L. Designated reference benchmark

No reference benchmark has been designated to attain the environmental or social characteristics promoted by this Fund.