



LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in & company's material ESG issues</p> <p><input checked="" type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in & company's material ESG issues</p> <p><input checked="" type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in & company's material ESG issues</p> <p><input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in & company's material ESG issues</p> <p><input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service providers</p>		

RI TRANSPARENCY REPORT

2014/15

Muzinich & Co

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Private							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Private	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Private	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	-	n/a	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓					✓
FI 19	Engagement with corporate issuers	-	n/a		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

Muzinich & Co

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 01.2

Additional information. [Optional]

Muzinich focuses on the credit-intensive management of US, European, Emerging Market and Global corporate credit, ranging in credit quality from high yield to investment grade. The Firm offers bond, senior loan, total return, short duration, global tactical, private debt and long-short strategies. This range of corporate credit investment strategies is designed to satisfy today's institutional requirements for performance, risk control, liquidity and transparency. Investment strategies target income generation and long term capital growth with limited volatility and can be tailored to meet specific-client investment objectives, risk guidelines, and legal constraints.

For example, Muzinich structures products across a wide variety of jurisdictions and in multiple currencies. The Firm creates portfolios with individualized ratings and duration guidelines, geographic mixes, concentrations, investment instruments and socially-responsible screens.

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

United States

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

1

2-5

6-10

>10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

110

OO 02.4	Additional information. [Optional]
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Muzinich& Co., Inc. was founded in New York by George Muzinich in 1988. The Firm started managing high yield corporate bond portfolios in September 1990. Since its beginning, the Firm has focused on a relationship-based institutional business that has stressed the importance of producing consistently attractive risk-adjusted returns from research-intensive investments in corporate credit.

In 1999 the Firm added a wholly owned London subsidiary, Muzinich& Co. Ltd., to oversee the European strategies among our client portfolios. Both the New York and London offices are staffed with portfolio management, research, trading, compliance, marketing/client service, and administrative professionals. Accounting and operations functions are domiciled primarily in the Firm's New York headquarters. In 2005, Muzinich added a Cologne office, in 2009, a Paris office, in 2013, a Zurich office, in 2014, a Milan office and in 2015, a Madrid office. The Cologne and Zurich offices primarily provide additional client servicing and marketing in Europe, while the Paris, Milan and Madrid offices house both investment and client relations professionals. In addition, Muzinich is currently preparing for the near-term opening of its Manchester office which will be staffed with both investment and client relations professionals.

OO 03	Mandatory	Descriptive	General
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OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.
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- Yes
- No

OO 03.3	Additional information. [Optional]
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Muzinich& Co., Inc., the parent company, is the signatory to the UN PRI. We think about global assets under management in one umbrella.

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1	Indicate the year end date for your reporting year.
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31/12/2014

OO 04.2	Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.
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	trillions	billions	millions	thousands	hundreds
Total AUM		24	553	609	896
Currency	USD				
Assets in USD		24	553	609	896

OO 04.5 Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income – corporate	99	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	1	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0

Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

- Publish our asset class mix as broad ranges
- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
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OO 11.1 Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Fixed income – corporate
- Private debt
- None of the above

OO 11.3 Additional information. [Optional]

Muzinich takes a risk-based approach to ESG evaluation. That is, across all of its strategies the Firm examines and weighs Environmental, Social and Governance challenges which can create undue risk to investor capital.

OO 12	Mandatory	Gateway	General
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OO 12.1 The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Fixed Income

- Fixed Income - Corporate

Closing module

Closing module

Muzinich & Co

Reported Information

Public version

Overarching Approach

PRI disclaimer

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

- Yes
 No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
 No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Muzinich has extensive experience investing in bonds issued by companies that, upon research, meet the Firm's criteria for offering compelling financial risk/reward characteristics, but which also meet certain minimum standards for environmental, social, and governance (ESG) policies. Muzinich factors ESG issues into the Firm's routine evaluation processes, avoiding companies Muzinich believes to pose outside ESG risks that can negatively impact the Firm's results as investors. Muzinich focuses on investing in companies it deems not only creditworthy, but that are also well-run with regard to their ESG exposures.

Muzinich currently manages almost \$2 billion in accounts with specific SRI requirements tailored to meet the needs of individual clients. These range from conformity with simple name-by-name exclusion lists (since 2000) to Muzinich's corporate plus bond strategy which incorporates a full "best in class" ESG overlay in a UCITS IV compliant commingled Fund, Bondyield ESG.

Muzinich defines environmental exposures as a company's environmental impact, recognizing that damaging environmental practices can be not only harmful for people, but that liability for such impact can be costly to a company. Companies will be assessed both for their absolute environmental impact, as well as their relative impact versus other companies in the same industry.

Muzinich defines social exposure as a company's interaction with its stakeholders and with the overall community that supports its operations. Muzinich recognizes that different companies in different industries pose exposures that may be assessed in an industry-relevant framework.

Muzinich believes that governance exposure includes, but is not limited to, a company's ethical standards and transparency practices.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1 Indicate if your responsible investment policy is publicly available.

- Yes
 No

OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- Yes
- No

OA 02.5 Additional information. [Optional]

These policies are not posted to the Firm's website, however, ESG and related policies are available upon request to clients and other interested parties.

OA 03 **Mandatory** **Core Assessed** **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Screening/exclusion policy <input checked="" type="checkbox"/> Other, specify Avoiding cluster munitions UCITS funds <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2 Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Muzinich takes a risk-based approach to ESG evaluation. That is, across all of its strategies the Firm examines and weighs Environmental, Social and Governance challenges which can create undue risk to investor capital. For the Muzinich Bondyield ESG Fund specifically, the Firm requires that companies meet the standards of the UN Global Compact, and that they be strong ESG performers as rated by Sustainalytics. Sustainalytics, an external research provider, screens companies recommended for the portfolio for compliance with the standards of the UN Global Compact, and additionally for ESG leadership in their industries. Sustainalytics screens the Bondyield ESG portfolio quarterly, as well as other portfolios, but not the Firm's other fund portfolios which do not have explicit ESG guidelines. Muzinich also manages a number of customized separate account portfolios which meet ESG criteria or guidelines as customized for the client.

OA 04 **Mandatory** **Core Assessed** **General**

OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Muzinich has policies and procedures in place to help the Firm manage potential conflicts of interest. These policies include, but are not limited to, the selection of brokers. Muzinich is independent in this selection process without affiliations or soft dollar arrangements.

Muzinich executes trades for the Firm's Funds using independent third party broker/dealers.

Muzinich also has a trade allocation policy. Generally, purchases and sales are pre-allocated to accounts based on their individual mandate guidelines and on available cash according to a daily cash report prepared by the accounting department. Suggested allocation groups are pre-programmed into electronic trading systems, but portfolio managers must take responsibility for verifying the appropriateness of trades recommended for each account, given its individual guidelines and circumstances.

Additionally, Muzinich has a Code of Ethics that governs personal investment by individuals including pre-approval requirements, prohibited trades and reporting obligations. Muzinich enforces a strict ethical culture that helps align the interests of Muzinich and its investors.

No

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
 - Biannually
 - Annually
 - Every two years or less
 - It is not reviewed
- No

OA 05.4	Additional information. [Optional]
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In 2014, Muzinich continued to work with Sustainalytics, an independent ESG adviser. We continue to develop our relationship with Sustainalytics as partners, in order to be engaged earlier in the research process, with greater access to Sustainalytics research. We have also put a new agreement in place to increase coverage of names that the Bondyield ESG Fund invests in, however, which are not yet within the Sustainalytics universe.

Internally, Muzinich has also become more active in its consideration of ESG investing. We have now begun to formally incorporate positive and negative ESG attributes in our credit review process and write-ups, which ultimately drives credit selection across our portfolios.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.
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Muzinich focuses on investing in companies it deems not only creditworthy, but that are also well-run with regard to their ESG exposures. All of Muzinich's investment professionals are dedicated to analysing ESG factors as all research analysts and portfolio managers incorporate ESG issues into the Firm's routine evaluation processes, avoiding companies Muzinich believes to pose outside ESG risks that can negatively impact the Firm's results as investors.

In 2014, due to the Firm's increased focus on ESG issues, an investment analyst was assigned to the role of ESG coordinator for the investment team. The Firm also created an ESG Working Group, comprised of representatives from the risk, client servicing, portfolio management, and trading teams, to help coordinate ESG policy and risk programming.

Please note that as bondholders, the investment team's main recourse to address ESG issues is to avoid investment in companies that are poorly rated on ESG factors. While Muzinich believes in the importance of ESG factors and their impact on a company's risk and performance, Muzinich is not a true "activist" manager for most holdings. The Firm does not generally base its investment decisions on changing a company's ESG behavior; although Muzinich will have discussions with company management where the Firm can raise concerns about ESG issues, or bring awareness to a company about better reporting and showcasing their ESG accomplishments.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
CAO, CCO, COO
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
- Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

1

OA 08.3

Additional information. [Optional]

Muzinich's research analysts and portfolio managers factor ESG issues into the Firm's routine evaluation processes, avoiding companies the Firm believes to pose outside ESG risks that can negatively impact its results as investors. Muzinich focuses on investing in companies it deems not only creditworthy, but that are also well-run with regard to their ESG exposures. In 2014, the Firm's assigned an investment analyst to the role of ESG coordinator for the investment team. This is a newly created, dedicated role. Muzinich also formed an internal ESG Working Group, comprised of representatives from the risk, client servicing, portfolio management, and trading teams, to help coordinate ESG policy and risk programming.

The role of the Investment Committee is to review decisions and assess each portfolio manager on the value of his/her contribution to overall client performance. It is important to note that the Investment Committee is not a body for making individual investment decisions. Portfolio managers receive company and industry specific analytics they use as inputs in the portfolio design process from Muzinich's team of seasoned analysts, each of whom specializes in following all of the companies-of any rating-in one or more industries for which they have responsibility. ESG factors are incorporated into the analysts' research as a routine part of the investment process. Additionally, as Muzinich manages a number of client portfolios with customized ESG investment criteria, Muzinich portfolio managers are responsible for observing and implementing ESG guidelines. They are supported in this by the work of Muzinich's Portfolio Risk Analytics Group, which programs compliance systems with ESG constraints specific to each individual account where required.

The external service provider referred to above is Sustainalytics. In addition to the risk-based ESG analysis performed by Muzinich analysts as part of the investment process, bonds recommended for inclusion in the Muzinich Bondyield ESG Fund and additionally separate accounts are also reviewed by Sustainalytics, which serves as Muzinich's external ESG Adviser for this Fund specifically. Sustainalytics, a global leader in ESG research, tests companies for the Bondyield ESG portfolio for compliance with the principles of the UN Global Compact and rank companies against each other across a wide range of ESG metrics.

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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- Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

OA 11.3

Additional information. [Optional]

As Muzinich focuses on fixed income investing, one of the challenges of integrating ESG factors is the lack of ability to influence company management through proxy voting. As bondholders, Muzinich's main recourse to address ESG issues is to avoid investment in companies that are poorly rated on ESG factors. While Muzinich believes in the importance of ESG factors and their impact on a company's risk and performance, Muzinich is not a true "activist" manager for most holdings. The Firm does not generally base its investment decisions on changing a company's ESG behavior; although Muzinich will have discussions with company management where the Firm can raise concerns about ESG issues, or bring awareness to a company about better reporting and showcasing their ESG accomplishments.

Additionally, Muzinich regularly acts as a partner in helping our clients implement their ESG goals throughout their fixed income portfolios. Sometimes, we have been able to lead the way in this regard. In a prime example, Muzinich based the investment program and guidelines of the Muzinich Bondyield ESG Fund on the highly successful investment track record we had developed managing a non-ESG public mutual fund for our client. After the creation of Muzinich Bondyield ESG, the client was encouraged to turn their own fund into an ESG compliant fund based on our example, and accordingly also decided to hire the external ESG advisor that Muzinich had hired. The client now believes that their ESG approach is helping to distinguish their already-award winning track record in the marketplace and further sell the fund Muzinich manages for them.

Innovation**OA 18****Voluntary****Descriptive****General****OA 18.1**

Indicate whether any specific features of your approach to responsible investment are particularly innovative.

Yes

OA 18.2

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

In 2014, Muzinich has continued to discuss with clients an initiative the Firm has undertaken to help companies improve the ESG information they provide the marketplace and that has had some impact. In the Firm's Bondyield ESG portfolio in particular, a small minority, less than 10% of the portfolio, can be used for investments for which we believe companies have good ESG practices in place, or practices which could be appropriately improved, with the encouragement of interested investors. These companies all operate within the conditions of the UN Global Compact, according to Sustainalytics, but may not produce enough material or the right disclosure to receive a meaningful or attractive ESG grade. In those cases, we explain to C-suite level company managers about the disclosures that could be important and helpful for their business. It can take time to see our suggestions implemented, but it is exciting when they are adopted.

Additionally, in 2014, we saw a notable increase in the issuance of Green Bonds, with a total issuance of approximately \$36.6 billion through the year. The proceeds of these bonds are ring-fenced for environmentally-friendly purposes and clean energy projects. The Firm's Bondyield ESG Fund has taken a particular interest in these bonds, whose purposes are aligned with its ESG mandate, and has invested in several Green Bond issuers.

Finally, our renegotiated contract with our ESG provider, Sustainalytics, ensures that a growing number of high yield companies and private companies that have not typically been covered by ESG research are going to be covered. We have agreed to Muzinich's ability to recommend companies for coverage each year.

No

Muzinich & Co

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate
Primary market (new issues)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

FI 02.3	Additional information. [Optional]
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Muzinich emphasizes bottom-up research, conducted by analysts who are experienced specialists in the industries they cover, to identify liquid, high yielding corporate cash-pay bonds, senior loans, and floating rate notes which are (1) expected to meet their debt servicing obligations and (2) are trading "cheaply" given the strength of their operations and balance sheets. Investment professionals model both new credit issues and issues available in the secondary market, looking for companies likely to generate free cash flow necessary for debt repayment and which are run by management teams least likely to act contrary to our clients' interests as bondholders. Investment ideas result from attractive relative risk/reward characteristics Muzinich finds in the markets each day.

ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
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FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.
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	Fixed Income - Corporate
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Muzinich has extensive experience investing in bonds issued by companies that, upon research, meet the Firm's criteria for offering compelling financial risk/reward characteristics, but which also meet certain minimum standards for environmental, social, and governance (ESG) policies. Muzinich factors ESG issues into the Firm's routine evaluation processes, avoiding companies Muzinich believes to pose outside ESG risks that can negatively impact the Firm's results as investors. Muzinich focuses on investing in companies it deems not only creditworthy, but that are also well-run with regard to their ESG exposures.

Muzinich defines environmental exposures as a company's environmental impact, recognizing that damaging environmental practices can be not only harmful for people, but that liability for such impact can be costly to a company. Companies will be assessed both for their absolute environmental impact, as well as their relative impact versus other companies in the same industry.

Muzinich defines social exposure as a company's interaction with its stakeholders and with the overall community that supports its operations. Muzinich recognizes that different companies in different industries pose exposures that may be assessed in an industry-relevant framework.

Muzinich believes that governance exposure includes, but is not limited to, a company's ethical standards and transparency practices.

Fixed Income - Corporate


Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
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FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.
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ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	 100
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- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed fixed income - corporate

100%

FI 04.2 Describe your primary reasons for choosing a particular incorporation strategy.

Based on the definitions provided for this section of the questionnaire, we have responded with both 'screening' and 'integrated'. Muzinich takes a risk-based approach to ESG evaluation. That is, across all of its strategies the Firm examines and weighs Environmental, Social and Governance challenges which can create undue risk to investor capital. Where there are specific positive or negative ESG issues related to a specific company, the pros and cons are documented in the Credit Reports produced by the Firm's investment team. This would encompass the 'screening' element.

For the Muzinich Bondyield ESG Fund specifically, the Firm uses an 'integrated' approach, as defined in this section. This Fund requires that companies selected for inclusion meet the standards of the UN Global Compact, and that they be strong ESG performers as rated by Sustainalytics. Sustainalytics, a third party research provider, screens companies recommended for the portfolio for compliance with the standards of the UN Global Compact, and for ESG leadership in their industries. Sustainalytics screens the Bondyield ESG portfolio quarterly, as well as some other separately managed strategies, but not the Firm's other fund portfolios which do not have explicit ESG guidelines.

FI 04.3 If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

Please see above.

(A) Implementation: Screening

FI 06	Mandatory	Descriptive	PRI 1
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FI 06.1 Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

	Description
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Muzinich factors ESG issues into the Firm's routine evaluation processes, avoiding companies Muzinich believes to pose outside ESG risks that can negatively impact the Firm's results as investors. Muzinich focuses on investing in companies it deems not only creditworthy, but that are also well-run with regard to their ESG exposures.

Muzinich defines environmental exposures as a company's environmental impact, recognizing that damaging environmental practices can be not only harmful for people, but that liability for such impact can be costly to a company. Companies will be assessed both for their absolute environmental impact, as well as their relative impact versus other companies in the same industry.

Muzinich defines social exposure as a company's interaction with its stakeholders and with the overall community that supports its operations. Muzinich recognizes that different companies in different industries pose exposures that may be assessed in an industry-relevant framework.

Muzinich believes that governance exposure includes, but is not limited to, a company's ethical standards and transparency practices.

For a wide range of portfolios managed by Muzinich, companies that produce cluster munitions or their parts are excluded. In addition, Muzinich screens on the basis of product exclusions according to customized instructions for various clients in their individual accounts.

- Positive/best-in-class screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

For the Muzinich Bondyield ESG Fund specifically, the Firm requires that companies meet the standards of the UN Global Compact, and that they be strong ESG performers as rated by Sustainalytics. Sustainalytics, an external research provider, screens companies recommended for the portfolio for compliance with the standards of the UN Global Compact, and for ESG leadership in their industries. Sustainalytics screens the Bondyield ESG portfolio quarterly, but not the Firm's other fund portfolios which do not have explicit ESG guidelines. Muzinich manages a second portfolio in addition where the client has now adopted similar standards after Muzinich's example.

Norms-based screening

Screened by

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

For Bondyield ESG and certain separate accounts, companies must comply with the normal practices and standards set in the UN Global Compact.

Description

For Bondyield ESG and certain separate accounts, companies must comply with the normal practices and standards set in the UN Global Compact.

FI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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Firm-wide, ESG screening is a part of the investment team's routine screening process. Sustainalytics screens the Bondyield ESG portfolio quarterly, but not the Firm's other fund portfolios which do not have explicit ESG guidelines.

FI 07	Mandatory	Core Assessed	PRI 1
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FI 07.1

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

FI 07.2

Additional information. [Optional]

Please note that in 2014, Muzinich created an ESG Working Group; which is comprised of members of Muzinich's credit analysis and portfolio management team, as well as risk management professionals in Europe and the US. The Group's aim is to ensure consistent implementation of the ESG investment process.

(C) Implementation: Integration of ESG factors

FI 11

Mandatory

Core Assessed

PRI 1

FI 11.1

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

- We disclose it publicly
- We disclose it to clients/beneficiaries only

FI 18.5

Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

FI 18.6

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

Information is reported at the client's or interested party's request or interest.

- We do not proactively disclose it to the public and/or clients/beneficiaries