



| LEA 02 | Disclosures Monetary | Reason for interaction | Principle PRI 1,2,3 |
|--|--|---|---------------------------|
| Individual/ internal staff engagements | <p><input checked="" type="checkbox"/> To support investment decisionmaking in & company's material ESG areas</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency or identify the need for additional or more comprehensive disclosures</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 decisionmaking in & company's material ESG areas</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency or identify the need for additional or more comprehensive disclosures</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 decisionmaking in & company's material ESG areas</p> <p><input type="checkbox"/> To enhance corporate transparency or identify the need for additional or more comprehensive disclosures</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 decisionmaking in & company's material ESG areas</p> <p><input type="checkbox"/> To enhance corporate transparency or identify the need for additional or more comprehensive disclosures</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service providers</p> | | |

RI TRANSPARENCY REPORT

2013/14

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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 | ✓ | n/a | | | | | | | ✓ |
| 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 | ✓ | Private | | | | | | | ✓ |
| 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 | ✓ | Private | | | | | | | ✓ |
| 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 | ✓ | Private | | | | | | | ✓ |
| FI 03 | Description of ESG incorporation | ✓ | Private | ✓ | | | | | | |
| 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 | ✓ | Private | ✓ | | | | | | |
| 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 | ✓ | Private | | ✓ | | | | | |
| FI 20 | Engagement with government issuers | 🔒 | n/a | | ✓ | | | | | |

Muzinich & Co

Reported Information

Public version

Organisational Overview

PRI disclaimer

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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 only services

OO 01.2 Additional information. [Optional]

Muzinich focuses on the credit-intensive management of U.S., 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. Each investment strategy targets 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, hedged to mitigate currency risk. The Firm creates portfolios with individualized ratings and duration guidelines, geographic mixes, and socially-responsible screens.

All of the Firm's investment strategies are also available as managed (separate) accounts. Additionally, Muzinich regularly customizes separate account management for clients seeking higher position concentration, specialized ratings, currencies, or geographic mixes, investment instruments, or other unique factors.

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 |
|--|-----|

85

| | |
|----------------|------------------------------------|
| OO 02.4 | Additional information. [Optional] |
|----------------|------------------------------------|

Muzinich & Co., Inc. was founded in New York by George Muzinich in 1988. In 1999 the Firm added a wholly owned London subsidiary, Muzinich & Co. Ltd., to oversee the European strategies among its client portfolios. Both the New York and London offices are fully 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 and in 2014, a Milan office. The first three of these offices were established to provide additional client servicing and marketing in Europe, while Milan will house both investment and client relations professionals. Muzinich & Co. (Ireland) Limited, a wholly owned subsidiary located in Dublin, is the subsidiary management company for Muzinich's European commingled Funds.

| | | | |
|--------------|------------------|--------------------|----------------|
| OO 03 | Mandatory | Descriptive | General |
|--------------|------------------|--------------------|----------------|

| | |
|----------------|---|
| OO 03.1 | Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right. |
|----------------|---|

- Yes
- No

| | |
|----------------|------------------------------------|
| OO 03.3 | Additional information. [Optional] |
|----------------|------------------------------------|

Muzinich & Co., Inc., the parent company, is the signatory to the UN PRI.

| | | | |
|--------------|------------------|------------------------|----------------|
| OO 04 | Mandatory | Gateway/Peering | General |
|--------------|------------------|------------------------|----------------|

OO 04.1 | Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 | Indicate your total AUM at the end of your reporting year.

| | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM | | 26 | 702 | 251 | 782 |
| Currency | USD | | | | |
| Assets in USD | | 26 | 702 | 251 | 782 |

OO 04.3 | 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 |
|-------|-----------|---------|---------|
|-------|-----------|---------|---------|

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 |
|-------|-----------|---------|---------|
|-------|-----------|---------|---------|

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, 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. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

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

RI implementation directly or via service providers

Fixed Income - Corporate

Closing module

Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Muzinich & Co

Reported Information

Public version

Overarching Approach

PRI disclaimer

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Responsible investment policy

| | | | |
|-------|-----------|-----------------------|---------|
| OA 01 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|

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 more than \$1 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 will 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 |
|-------|-----------|---------------|-------|

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 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 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 ensure the Firm manages potential conflicts of interest. These policies include, but are not limited to, the selection of brokers. Muzinich is completely independent in this selection process without affiliations or soft dollar arrangements.

Muzinich only 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 each trade for each recommended 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 ensure an alignment of interest between the Firm 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]

Muzinich has set as a goal for the coming year an increase in the attractiveness of our Muzinich Bondyield ESG Fund to a wider range of investors including those who are not necessarily ESG focused. Concrete steps which came out of our most recent review included, for example, the decision to lower fees on this Fund to a more institutionally attractive level and to increase our interaction and cooperation with our external ESG research advisor, Sustainalytics. We will be focusing more prominently on this strategy with investors.

Governance and human resources

| | | | |
|-------|-----------|-----------------------|---------|
| OA 08 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|

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.

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
- 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

Muzinich does not employ internal dedicated responsible investment staff, as 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.

The role of the Investment Committee is to review decisions daily 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 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

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

Yes

OA 10.2

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

- 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
- Principles for Responsible Investment

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

- Basic
- Moderate
- Advanced

- 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

No

| | | | |
|-------|-----------|---------------|-------|
| OA 11 | Mandatory | Core Assessed | PRI 4 |
|-------|-----------|---------------|-------|

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

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.

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.

ESG incorporation in actively managed fixed income

Fixed Income - Corporate

Implementation processes

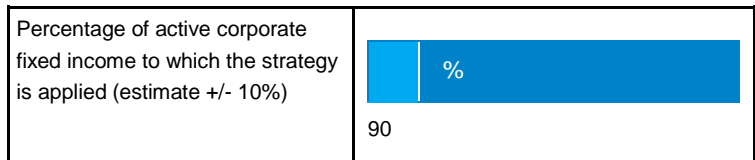
| | | | |
|-------|-----------|-----------------------|-------|
| FI 04 | Mandatory | Gateway/Core Assessed | PRI 1 |
|-------|-----------|-----------------------|-------|

FI 04.1

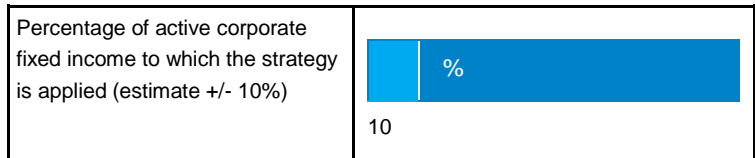
Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

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



- 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 Bondyield ESG 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, 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

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

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 will 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 Bondyield ESG 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

| | |
|----------------|---|
| 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. |
|----------------|---|

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 |
|--------------|------------------|----------------------|--------------|

| | |
|----------------|---|
| 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

| | | | |
|---|--|--|--|
| (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 18.3 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 18.4 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