



DYNAMIX
CAPITAL

2022
RESPONSIBLE
SUSTAINABILITY
REPORT



Since 2018, Dynamix Capital has helped fulfill the investment needs of institutional and mutual fund clients worldwide. Our performance driven investment professionals integrate deep proprietary research and risk analysis to make informed, judicious decisions. Using foresight and flexibility, We looks far and wide for value – across traditional asset classes and alternative investments – to pursue attractive, risk adjusted returns for clients. We manage \$64.3 billion* in assets (as of 31 December 2022).

Scope of Report

Our 2022 Sustainable Report discusses how Dynamix Capital considers environmental, social and governance (ESG) factors in our business. This report includes a climate section with content that is consistent with recommendations of the Task Force on **Climate-Related Financial Disclosures (TCFD)**. Unless otherwise noted, this report covers the year ended 31 December 2022.

We invite readers to access other resources on ESG matters, including:

- ESG Policy Statement
- Climate Change Guiding Principles
- Proxy Voting Policies, Procedures and Records
- Our UK Stewardship Code Report



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2022 Highlights



Added ESG as one of our 6 investment pillars

- A sound philosophy
- Disciplined portfolio construction
- A rigorous, repeatable process
- Integrated risk management
- Proprietary research
- **Incorporated ESG factors**

Integrated climate impact assessment tools to better understand climate scenarios & risks to portfolios

Became a signatory to and investor participant in the Climate Action 100+ initiative

Enhanced the Dynamix Capital engagement database to better track our interactions with companies and issuers.

Classified 6 UCITS funds as Article 8 funds under Europe's Sustainable Finance Disclosure Regulation (SFDR)

Our Sustainability Mindset

Our collective goal at Loomis Sayles is to deliver superior long-term, risk-adjusted returns and effective investment solutions to meet our fiduciary duty to our clients.

Elevating and Evolving Our Approach

As long-term, fundamental investors, the assessment of material ESG elements, including climate change, is an intrinsic part of our firm's research and investment culture. ESG considerations are not only important to the firm's culture and to our clients, they are increasingly important in the global economy, financial markets and society at large.

Because of the differences in our clients' objectives, not to mention the diverse array of investment vehicles and strategies we manage, we do not prescribe a single approach to ESG integration. Instead, we provide the education, tools and resources that enhance each investment team's ability to consider material ESG matters in their processes in ways that are appropriate for their investment strategy and client base. This is done through fundamental research and engagement with companies and issuers across all asset classes.

Instead of prescribing the way in which ESG data must be used, our firm makes data available to the teams to facilitate the integration of ESG across all strategies that we manage. Our portfolio management systems include, for example, proprietary ESG scores produced by our own fixed income research teams, as well as company ESG ratings from major data

providers. In recent years, we have increased the resources allocated to ESG to help our teams to do the best job they can for clients. We have hired people into new ESG-focused roles, invested in technology and data, and provided training and education on new ESG and climate tools. Our ESG Center acts as a central hub for internal and external ESG data,

allowing analysts and portfolio managers to easily assess metrics relative to the investment teams' respective benchmarks during research and portfolio construction.

Our approach is supported by a robust governance structure that provides the strategic direction, resources, risk management and oversight necessary to support our sustainability activities.

ESG Governance at Dynamix Capital

Our Management Committee is responsible for the overall direction of Dynamix Capital. It consists of all members of the Board of Directors. The Management Committee sets the overall firm strategy and tone from the top. We made the strategic decision to embed stewardship, ESG and sustainability throughout the organization, rather than allocating responsibility for these matters to a centralized team.

We believe this aligns with our culture of shared responsibility across the firm. Several executive-level committees and working committees ensure our sustainability initiatives are on track and communicated appropriately. The ESG Committee and Risk Management Committee are responsible for ESG initiatives

Board of Directors

- Chairman, Chief Executive Officer
- Vice Chairman
- Chief Operating Officer
- Chief Investment Officer
- General Counsel & Secretary
- Chief Financial Officer
- Director of Global Institutional Services
- Head of Human Resources
- Chief Investment Officer, Growth Equity Strategies
- Co-Heads of Full Discretion Team (2)
- Co-Head of Relative Return Team
- Chief Executive Officer of Investment Managers
- President and Chief Executive Officer for the US Investment Managers

ESG Committee

Serves as a sounding board to the Director of ESG in setting ESG strategy

Risk Management Committee

A subcommittee of the Management Committee focused on enterprise risk oversight; ESG and climate-related matters are a regular agenda item.

Management Committee

The Management Committee sets the overall firm strategy and is involved in raising the prominence of ESG and climate-related issues at Dynamix Capital through internal communication channels.

ESG Working Committee

- Supports the day-to-day integration of ESG across individual investment teams
- Sources and develops ESG research, tools, training and education opportunities to support the firm's diverse ESG efforts.
- Manages ESG disclosure, including reporting to the PRI.
- Liaises with industry organizations, consultants and clients on ESG matters.

ESG Advisory Board

Advises the ESG Working Group on significant ESG initiatives

ESG Across the Firm

Various groups collaborate on Dynamix Capital ESG initiatives and practices

Research

Portfolio Management

Technology

Marketing

Institutional Services

Operations

Trading

Risk

Legal

Finance



ESG Committee

This committee meets bi-weekly to review the firm's ESG activity and monitor progress of ESG initiatives. It is responsible for making decisions regarding the allocation of resources, the implementation of initiatives and the selection of tools to support the ESG initiatives at the firm. The members of this committee include the Director of ESG, Chief Executive Officer (CEO), General Counsel, Chief Investment Officer (CIO), Chief Operating Officer (COO), Chief Investment Risk Officer (CIRO), Director of Product Management and Director of Product Management, Growth Equity Strategies. Four of these members are also members of the firm's Management Committee and Board of Directors.

ESG Advisory Board

Dynamix Capital's ESG Advisory Board generally meets at least semi-annually to address highlevel ESG strategy and progress. It is responsible for approving major ESG policies and initiatives, and is formed of leaders from across the firm including our CEO, CIO, CIRO, COO, General Counsel, Chief Diversity Officer, Head of Investments Limited, Director of Credit Research, Director of Macroeconomic Research, Director of Consultant Relations, Director of Corporate Communications, as well as one portfolio manager or product manager from each of the equity and fixed.

ESG Working Committee:

This committee drives the ESG work at Dynamix Capital. It is a working group that meets at least on a bi-weekly basis and is led by the Director of ESG.

It includes employees across investment, research, legal, marketing and technology. One of its goals is to continually enhance the integration of ESG issues in investment processes by identifying superior tools for use by our investment professionals and to make the tools easily accessible. It sources and develops ESG research, tools, training and education opportunities. The ESG Working Committee's responsibilities also include providing strategic support to the investment teams, monitoring regulatory developments, preparing submissions to the PRI and other oversight entities, identifying opportunities to join groups seeking enhancements to stewardship impacts and conducting internal stewardship training.

ESG in our Processes

Our collective goal at Loomis Sayles is to deliver superior long-term, risk-adjusted returns and effective investment solutions to meet our fiduciary duty to our clients.



We serve a diverse client base in 51 countries, across six continents at Dynamix Capital . We manage assets in institutional separate accounts, managed accounts, hedge funds, mutual funds, exchange-traded funds and other vehicles. We manage fixed income and equity products, as well as multi-asset and alternative strategies.

Given the breadth of our clients, mandates and investment capabilities, we do not take a one-size-fits-all approach to integrating ESG matters, including climate change, in our investment processes. Each investment team considers the integration of material ESG risks and opportunities according to its investment philosophy.

Our firm-wide ESG Policy affirms that because we generally take a long-term view in seeking value and delivering superior risk-adjusted returns to clients, ESG considerations are inherently part of our investment decision-making.

We believe these standards provide a robust framework for monitoring the integration of ESG, with the ultimate goal of meeting our clients' investment objectives. We continually assess and evaluate ways to extend our commitments to ESG principles. One way is by choosing to collaborate with global peers on select responsible investing initiatives.

Integrating ESG into Fundamental Research and Analysis

Across asset classes, Loomis Sayles is known for deep proprietary research. Our in-house research expertise includes more than 180 research professionals who develop a thorough understanding of an issuer or company's business model, governance, management strength and strategy, its use of—and impact on—human and natural resources, as well as regulatory and political risks.

Our fixed income credit and sovereign analysts have created materiality maps for their areas of coverage. Material metrics can include a broad range of factors that may be environmental, social or governance-related. The credit materiality maps are based on the foundational work of the Sustainability Accounting Standards Board (SASB), enhanced by our own senior industry analysts to reflect their understanding of these issues. Our sovereign analysts use industry standards along with our fundamental insights to develop our proprietary materiality maps. These materiality maps drive an internal ESG score or assessment for each credit covered. The internal materiality maps and ESG scores are being incorporated into our proprietary fixed income ESG portfolio analysis and valuation tools, and are available in the ESG Center. The ESG score is not an overlay to the internal credit rating, but a

subset of the credit analysis: it shines a light on the material ESG factors—both risks and opportunities.

Each equity investment team integrates ESG research according to its philosophy and process. This is implemented by each team's dedicated analysis.

As with financial criteria, the opportunities and risk associated with ESG matters are linked to business activities, which include management's long-term strategy, business models, operating efficiency, management integrity, profitability and valuation.

Through proprietary fundamental analysis, equity analysts assess material ESG and sustainability issues, as well as valuation perspectives over various time horizons and opportunity sets. Equity analysts are charged with identifying the companies within their coverage that they believe fit best with their team's approach.

We draw on discussions with company management teams and sovereign officials regarding ESG issues.

While we have access to third-party ESG research, all Loomis Sayles analysts develop independent views of material factors impacting fundamentals in their valuation assessments. Differences in how our various teams analyze ESG issues are a natural outcome, as the following examples indicate.

Fixed Income: ESG Materiality in Credit Research

Our credit analysts research issuers in the corporate bond and bank loan markets, including convertibles and distressed credits, along with municipal and agency issuers. ESG issues are industry-specific and our credit research analysts are integrated into sector teams, a collaboration of Loomis Sayles portfolio managers, strategists, research analysts and traders. In the case of mining, the materiality map might flag environmental factors like energy consumption, social issues, such as safety records, and

governance factors such as corporate conduct. In the end, the credit research analysts evaluate each issuer and assign a credit research ESG score of 1 (above industry average) to 3 (below industry average), as shown in the sample map below.

Materiality Map

Key LS ESG Rating Scale

ESG 1 Above industry average

ESG 2 Industry average

ESG 3 Below industry average

Environmental

Issuer ESG Score : **2.8**

Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Energy Consumption Intensity	xx%	Power usage/ % Renewable		2
Carbon Transition Risk (Product & Operations)	xx%	Carbon & GHG Intensity in Operations (Scope 1+2)		3
Tailings/Waste Disposal Risks	xx%	Tailings Dam Exposure	Notable Toxic Spills/fines	3

Social

Issuer ESG Score : **2.5**

Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Safety Management	xx%	LTIFR	Fatality rate	2
Carbon Transition Risk (Product & Operations)	xx%	Union exposure	How regular are strikes?	2
Tailings/Waste Disposal Risks	xx%	Water stress/ Recycling	% of reserves near areas of conflict	3

Governance

Issuer ESG Score : **2.0**

Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Jurisdiction Risk	xx%	Sovereign rating of key geographies of assets	Fraiser Institute	2
Independent Oversight	xx%	Board Independence/ CEO Chair		2
Corporate Conduct	xx%	Bribery/ Ethical incidents		2

Examples above are provided to illustrate an investment process used by Dynamix Capital and should not be considered recommendations for actions by investors. They may not be representative of the holding period. Commodity, interest and derivative trading involves substantial risk of loss. This is not an offer of, or solicitation of an offer for, any investment strategy or product.

Fixed Income: ESG Materiality in Sovereign Research

Our deep fundamental sovereign analysis encompasses many factors affecting the creditworthiness of a sovereign or sub-sovereign issuer, including ESG matters. We believe the most effective ESG analysis occurs when we integrate it within our experienced sovereign team, and therefore, the same analysts who do the fundamental work also do the ESG analysis.

Our sovereign research team takes a three-pronged approach to developing its materiality maps. The team's proprietary research incorporates data analysis, trend analysis and an overlay of analyst experience

to create forward-looking materiality maps. Hard data is pulled in to compare countries around the globe and to determine if positive or negative trends are developing, such as policy or related changes regarding E, S or G factors. We score all countries on ESG pillars and the result is a total sovereign ESG score on a scale in which 1 is above average and 3 is below average. The sample below illustrates just a handful of the indicators tracked.

Sovereign Materiality Map

Key LS ESG Rating Scale

ESG 1 Above average

ESG 2 average

ESG 3 Below average

Environmental

Issuer ESG Score : 2.7

Weight: xx%

	Weight	ESG Score
Energy efficiency	xx%	2
Vulnerability to Environmental Events	xx%	1
Pollution	xx%	2

Social

Issuer ESG Score : 2.2

Weight: xx%

	Weight	ESG Score
Literacy	xx%	2
Sanitation	xx%	3
Internet	xx%	2

Governance

Issuer ESG Score : 1.8

Weight: xx%

	Weight	ESG Score
Political Stability	xx%	1
Rule of Law	xx%	2
Institution Framework	xx%	2

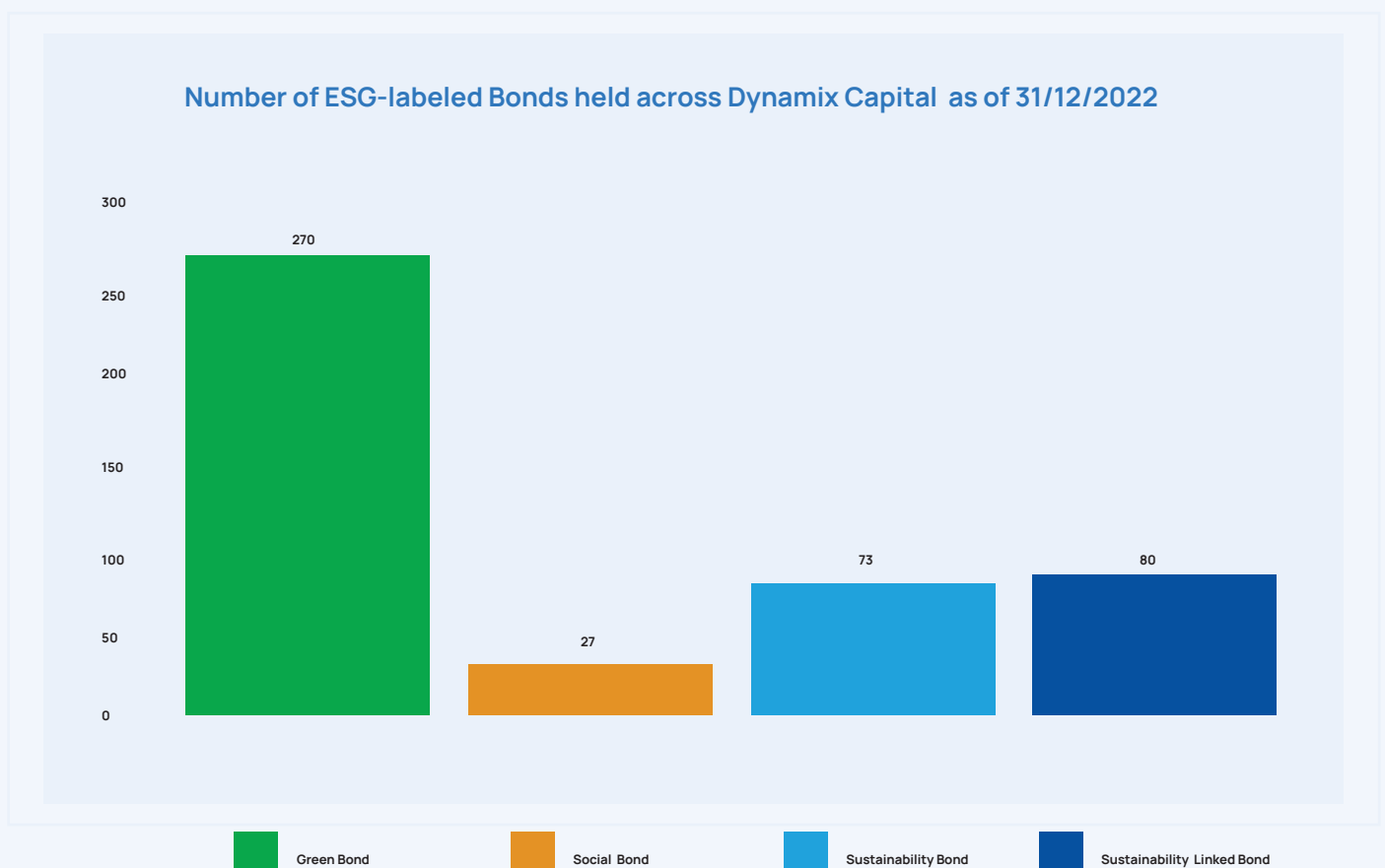
Total 2.2

Green, Social and Sustainable Bonds

Over the past decade, the universe of green, social, sustainable and sustainability-linked bond issuance has expanded across nearly all regions, sectors and issuer types. Growing interest in ESG-focused investments has caused demand for such bonds, particularly green bonds, to outpace supply. Lack of consensus about labeling, certification and terminology highlights the need for investors to focus on the characteristics of each bond and its issuer, particularly since the financial and risk/return characteristics of green bonds and their conventional counterparts are similar.

As a result of our analysts' fundamental research of issuers, we realize that bonds without the green label may in fact be just as "green" as labeled bonds. For example, a rail project that boosts mass transit use may create an environmental benefit even if the issuer does not refer to it as a green bond or seek third-party certification. Furthermore, investing in unlabeled bonds issued by an organization that has become a leader in supporting sustainability can be an effective way for investors to make an impact, even without the green bond moniker.

Our teams have invested in green bonds for a long time, in limited fashion, based on when valuations are supportive. We also hold social, sustainable and sustainability-linked bonds in various portfolios.



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