



## **Orchard US Small Cap Value Fund**

Orchard Capital Management aims to promote environmental, social, and governance characteristics through its investment selection process as described in this document. The Orchard US Small Cap Value Fund is classified as an Article 8 Fund for the purposes of SFDR.

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## **A) Summary**

The Fund's Investment Manager has integrated the investment strategy and its ESG decision-making into its research process and considers ESG directly alongside other factors in its investment decision-making process.

The investment objective of the Fund is to seek long-term capital appreciation.

The Investment Manager of the Fund uses a fundamental bottom-up approach to construct the Fund's portfolio. The Investment Manager utilizes in-depth, fundamental research to identify small-cap companies based mostly in North America. The Investment Manager looks for companies with assets or income streams that are materially under-priced to our estimate of intrinsic value. The Investment Manager adheres to a disciplined and repeatable process of intrinsic value investing. To determine value, the Investment Manager applies a long-term perspective, looking out typically 3 to 7 years or more.

The Investment Manager implements the Fund's investment strategy on a continuous basis through their investment policy process and the assessment of sustainability indicators as further detailed below.

The Fund aims to promote environmental and social characteristics in accordance with Article 8 of SFDR through its investment selection process. The Investment Manager defines environmental and social characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact.

The Investment Manager promotes the following environmental and social factors when assessing sustainability risks and investment selection to promote environmental and/or social characteristics, including but not limited to:

**Environmental:** The Investment Manager weighs the current need for energy with the Fund's mandate for longer-term investments in a sustainable future. The Fund shall not invest in coal mining or coal power. Within the oil and gas industry, the Investment Manager recognises natural gas as a transitional energy source; after extensive due diligence, it will consider investments in cleaner oil opportunities. Pollution and waste, including both toxic emissions and operational waste as well as any activity that endangers clean water supplies, at either the company or supply chain levels can be disqualifying factors. The Investment Manager promotes clean tech and renewable energy; and supports limiting emissions and waste. The Investment Manager also invest in companies that support water infrastructure projects which provide clean water for the community.

**Social:** The Investment Manager promotes anti-corruption and anti-bribery, health and safety, child labor laws, labor relations and product safety.

The above is achieved by the identification of environmental, social, and governance indicators, that have a positive environmental and/or social impact, by the Investment Manager as part of its stock picking process through its proprietary research and analysis. In addition, the Investment Manager shall adhere to the exclusionary principles set out in the Supplement under the heading "Guidelines for the observation and exclusion of companies based on the application of ESG criteria" and as discussed further below.

The Investment Manager includes investments that comply with social and environmental safeguards outlined above. Investee companies are reviewed for their disclosure, controversies and specific characteristics and are assessed on an absolute and industry relative basis and then may also be



assessed for improvement opportunities. Investee companies that materially detract from society achieving its sustainable development goals on an absolute and relative basis are not typically considered suitable investments for the Fund and will not be included in the portfolio of the Fund. Portfolio companies may also be engaged by the Investment Manager to promote improvement in the above characteristics or in their disclosure of key characteristics.

The Investment Manager uses a range of both quantitative and qualitative sustainability indicators in order to determine the environmental and social impacts of each investment within the Fund.

The Investment Manager has integrated these indicators into its 1) research, 2) investment decision-making, 3) portfolio construction and 4) trading and compliance processes.

Each potential investment and every portfolio company is assessed for its sustainability impact and its holistic attractiveness on both an absolute and “versus peers and/or industry” basis. To that end, the Investment Manager gathers a variety of first and third party data on securities to measure their absolute and relative impact.

#### **B) No sustainable investment objective**

The Fund promotes Environmental/Social (E/S) characteristics, but does not have a sustainable investment objective or goal..

#### **C) Environmental or social characteristics of the financial product**

The Fund promotes environmental and social (E/S) characteristics and, while it does not have as its objective a sustainable investment, it has committed to promoting sustainable investments or improvement of sustainability characteristics of portfolio and target companies by supporting activity that increases factors with an environmental objective in economic activities that do not qualify as environmentally sustainable according to Regulation (EU) 2020/852 (the “EU Taxonomy”) and incorporates the “principle of no significant harm” with respect to those investments.

To respect the requirements of Article 8 of Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation” or the “SFDR”), the Fund promotes the following environmental and social characteristics (or “promotional characteristics”) as follows:

- EU Taxonomy Estimated DNSH Mitigation Level 1
- EU Taxonomy Estimated DNSH Adaptation Level 1
- EU Taxonomy Estimated DNSH Water Level 1
- EU Taxonomy Estimated DNSH Waste Level 1
- EU Taxonomy Estimated DNSH Pollution Level 1
- EU Taxonomy Estimated DNSH Biodiversity Level 1

The Investment Manager promotes the following environmental and social factors when assessing sustainability risks and investment selection to promote environmental and/or social characteristics, including but not limited to:



**Environmental:** The Investment Manager weighs the current need for energy with the Fund's mandate for longer-term investments in a sustainable future. The Fund shall not invest in coal mining or coal power. Within the oil and gas industry, the Investment Manager recognises natural gas as a transitional energy source; after extensive due diligence, it will consider investments in cleaner oil opportunities. Pollution and waste, including both toxic emissions and operational waste as well as any activity that endangers clean water supplies, at either the company or supply chain levels can be disqualifying factors. The Investment Manager promotes clean tech and renewable energy; and supports limiting emissions and waste. The Investment Manager also invest in companies that support water infrastructure projects which provide clean water for the community.

**Social:** The Investment Manager promotes anti-corruption and anti-bribery, health and safety, child labor laws, labor relations and product safety.

The above is achieved by the identification of environmental, social, and governance indicators, that have a positive environmental and/or social impact, by the Investment Manager as part of its stock picking process through its proprietary research and analysis. In addition, the Investment Manager shall adhere to the exclusionary principles set out in the Supplement under the heading "Guidelines for the observation and exclusion of companies based on the application of ESG criteria" and as discussed further below.

The Investment Manager only includes investments that comply with social and environmental safeguards outlined above. Investee companies that materially detract from society achieving its sustainable development goals are not considered suitable investments for the Fund and will not be included in the portfolio of the Fund.

## **D) Investment strategy**

### *Investment Strategy*

The Investment Manager of the Fund uses a fundamental bottom-up approach to construct the Fund's portfolio. While the Investment Manager is mindful of sector and industry weightings, the Fund does not have targeted industry exposures.

The Investment Manager utilizes in-depth, fundamental research that provides the Investment Manager with proprietary knowledge (uniquely developed knowledge) that it uses to invest in small-cap companies with value unrecognized by the market. The Investment Manager looks for companies with assets or income streams that are materially under-priced with defensible product niches, high returns on capital, secure capital structures, and effective leadership adept at building shareholder value. When evaluating a company, the Investment Manager considers what a private buyer or strategic investor might pay for the whole company.

The Investment Manager takes a longer-term view and commits to a relatively long holding period (and low turnover) of securities. Investments are made in businesses trading at substantial discounts to the Investment Manager's estimate of their intrinsic value.

The Investment Manager adheres to a disciplined and repeatable process of intrinsic value investing. To determine value, the Investment Manager applies a long-term perspective to in depth, bottom-up fundamental research. Its research team sources investment ideas from a variety of channels to produce an analyst's interest list. Such channels may include:

- Regularly analysing earnings and news across a range of industries;



- Quantitative screens which may relate to pricing or events that indicate a change in value of securities;
- Industry and other trade publications in the particular industry;
- Network of relationships of the Investment Manager;
- Third party research received by the Investment Manager from brokers;
- Review of investment activity of investors in the market through monitoring of quarterly portfolio filings of other investment managers that own the same or similar positions as the Investment Manager. Such activity may initiate the Investment Manager to initiate internal research on positions;
- Regulatory filings concerning a company; and
- Former holdings of investment positions of the Investment Manager and the management of former holdings of investment positions of the Investment Manager. These are holdings which were previously owned by the Investment Manager and which the Investment Manager disposed of when the positions were deemed to be at the height of their value. The Investment Manager may look to purchase such holdings if the price of such holdings drops.

After an initial review, the analysts develop preliminary estimates of intrinsic value, time-frame during which a clear catalyst should move the stock price towards its intrinsic value, and annualized expected return.

The research team of the Investment Manager reviews each security, which may include an assessment for the risk of loss of capital by reviewing fundamental risks, regulatory risks and leverage. At a portfolio level, the Investment Manager regularly measures aggregated fundamentals (e.g. debt ratios aggregated across holdings of the Investment Manager) and factor returns (i.e. returns and risk exposures attributable to common factors which may include size and quality of holdings) so as to understand the aggregate and portfolio level risks embedded in the portfolio. This provides an additional check and assessment by the Investment Manager that the risks in the portfolio are intentional and understood.

The Investment Manager may consider, among other factors, the following when considering securities:

1. Value;
2. Change in cash flow;
3. Other metrics which may include quality of earnings, debt levels, hidden and intangible assets, business and economic outlooks, management and operational performance;
4. Filings, or news events (that may signal a change in capital structure, profitability or value; and
5. Investor activity which may indicate a shift in growth or value investor bases.

#### *ESG – Sustainable investments*

The Fund aims to promote environmental, social, and governance characteristics through its investment selection process as described below.

ESG considerations are identified and implemented by the Fund's Investment Manager in partnership with an independent ESG research provider and in accordance with the advice of the Advisory and Marketing Support Agent, whose role is further detailed under "**Advisory and Marketing Support Agent**" below. ESG characteristics are defined as environmental, social or governance criteria that have a positive environmental and/or social impact. The strategy integrates ESG criteria as part of the Investment Manager's stock picking process through its proprietary research and analysis (in addition to the exclusionary principles set out below).

*Guidelines for the observation and exclusion of companies based on the application of ESG criteria:*



The Fund will seek to avoid investing in companies which themselves or through entities such companies control:

- (i) produce weapons that violate fundamental humanitarian principles through their normal use; or
- (ii) produce tobacco; or
- (iii) sell weapons or military materiel to states that are subject to investment restrictions on government bonds.

In addition, the Investment Manager, with respect to the Fund, follows the Norges Bank Investment Management ESG exclusion list of companies. Norges Bank decides on which companies are to be included in the exclusion list of companies or which companies to place on an observation list. Exclusions on the list as of 1 January 2015 are the decision of Norges Bank's

Executive Board. Exclusions previous to this date are decisions made by the Norwegian Ministry of Finance. The decisions are based on recommendations from the Council on Ethics appointed by the Norwegian Ministry of Finance. For the product-based coal criterion, decisions are based on recommendations from Norges Bank Investment Management. Securities will not be included in the Fund's portfolio if they are on the Norges Bank exclusion list of companies.

The Investment Manager has committed to review scoring of securities for ESG on a regular basis using the Bloomberg ESG analytics or a similar industry tool. Bloomberg ESG analytics is employed by the Investment Manager. The Investment Manager is a signatory of the UN Principles for Responsible Investment and follows its guidelines.

The Investment Manager assesses 'good governance practices' of investee companies as part of the Investment Manager's ESG due diligence process. Investee companies are assessed against a variety of factors and metrics, including sound management structures, compensation and incentive alignment. In addition, the Investment Manager will review the role of the board (taking into account structure, composition, tenure, and independence) and shareholder rights from sources including the investee company and Bloomberg governance. The Investment Manager actively engages with its investee companies on good governance practices during the due diligence process and on a continual basis upon inclusion in the Fund. ESG considerations are identified and implemented by the Fund's Investment Manager. The ICAV and Manager have appointed an Advisory and Marketing Support Agent which provides non-discretionary advice on certain ESG considerations to the Investment Manager to support the assessment of 'good governance' practices, such as:

- Environmental: The Investment Manager assesses how a company performs as a steward of nature.
- Social: The Investment Manager examines the strengths and weaknesses of how a company manages relationships with employees, suppliers, customers, and the communities where it operates.
- Governance: The Investment Manager evaluates a company's leadership, board of directors, executive pay, audits, tax compliance, internal controls, and shareholder rights.

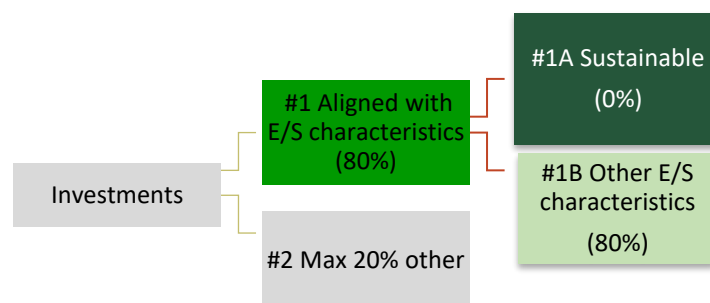
#### **E) Proportion of investments**

The Fund allocates at least 80% of its assets to equity and equity-like securities. These investments can be categorised as "#1 Aligned with E/S characteristics". The Fund does not commit to making sustainable investments. The remaining investments in the Fund can be categorised as "#2 Other".



Investments that might fall under "#2 Other" include equity positions (not aligned with E/S characteristics), cash positions or cash equivalents.

Please find below a Table explaining the asset allocation to the Fund:



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The investments underlying this Financial Product do not consider the EU criteria for environmentally sustainable economic activities aligned with EU Taxonomy. The minimum proportion of the Fund's investments that contribute to environmentally sustainable economic activities for the purposes of the EU Taxonomy will be **0%**.

## F) Monitoring of environmental or social characteristics

The Investment Manager uses a range of both quantitative and qualitative sustainability indicators in order to determine the environmental and social impacts of each investment within the Fund.

The Investment Manager has integrated these indicators into its 1) research, 2) investment decision-making, 3) portfolio construction and 4) trading and compliance processes.

Each potential investment and every portfolio company is assessed for its sustainability impact and its holistic attractiveness on both an absolute and "versus peers and/or industry" basis. To that end, the Investment Manager gathers a variety of first and third party data on securities to measure their absolute and relative impact. The sustainable indicators being considered by the Investment Manager are:

- GHG emissions
- Carbon footprint
- GHG Intensity
- Energy Consumption intensity





- Number of sites in environmentally sensitive areas
- Emissions to water
- Hazardous Waste
- UNGC Violations
- Anti-corruption and anti-bribery
- Health and safety
- Child labor laws

These sustainability indicators are used and fully integrated into the research process and are fully part of the investment process, sitting alongside the Investment Manager's other investment decision-making processes.

The Investment Manager shall adhere to the exclusionary principles set out in the Supplement under the heading "Guidelines for the observation and exclusion of companies based on the application of ESG criteria". While many factors may be considered in the assessment of any investment, the Fund will seek to avoid investing in companies which themselves or through entities such companies control: (i) produce weapons that violate fundamental humanitarian principles through their normal use; or (ii) produce tobacco; or (iii) sell weapons or military materiel to states that are subject to investment restrictions on government bonds.

In addition, the Investment Manager, with respect to the Fund, follows the Norges Bank Investment Management ESG exclusion list of companies and from time to time, may add companies not on that list if where the Investment Manager deems them to be substantially similar to companies falling upon that list. The Norges Bank exclusion list is being monitored on an on-going basis by the Investment Manager using its internal compliance systems, in consultation with the Advisory and Marketing Support Agent, which provides advice to the Investment Manager regarding companies to exclude using ESG criteria in accordance with the guidelines for the observation and exclusion of companies as set out above.

The investment manager a signatory to the UN Principles for Responsible Investment and utilises the principles set out by the UN Principles for Responsible Investment as a guiding framework.

## **G) Methodologies**

The Investment Manager has committed to review scoring of securities for ESG on a regular basis using the Bloomberg ESG analytics or a similar industry tool. Bloomberg ESG analytics is employed by the Investment Manager. The Investment Manager is a signatory of the UN Principles for Responsible Investment and follows its guidelines.

The Funds approach is to monitor each investment or prospective investment and compare it to its Industry average. The Investment Manager periodically sources data from the constituents of the universe of the Russell 2000 Value index or other broad market small cap index to score each company within the index along the same factors as our own portfolio companies. Once scored, we aggregate the constituents by sector, industry group and industry where we can compare the averages to our owned portfolio holdings. For our portfolio companies, where there is missing data, the Investment Manager will reach out the companies to obtain more data via an outreach program. Where there is an opportunity to supplement data directly from companies or from other sources, we will integrate those scores into our portfolio companies with 3<sup>rd</sup> party data.





To respect the requirements of Article 8 of Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation” or the “SFDR”), the Fund promotes the following environmental and social characteristics (or “promotional characteristics”) as follows:

- EU Taxonomy Estimated DNSH Mitigation Level 1
- EU Taxonomy Estimated DNSH Adaptation Level 1
- EU Taxonomy Estimated DNSH Water Level 1
- EU Taxonomy Estimated DNSH Waste Level 1
- EU Taxonomy Estimated DNSH Pollution Level 1
- EU Taxonomy Estimated DNSH Biodiversity Level 1

These scores are derived from underlying data and use the Investment manager uses customization and supplementation of Bloomberg’s scoring model. Bloomberg gathers data from companies required to report and gathers and estimates scores based upon company’s not required to report.

Companies which are subject to EU Corporate Sustainability Reporting Directive (CSRD) / NFRD corporate disclosure requirements will be required to report Taxonomy Eligibility from 1st January 2022 and Taxonomy Alignment from 1st January 2023. Bloomberg has already created a number of fields which are ready to capture this data as companies begin reporting. At present, however, reported Taxonomy data is voluntary and therefore limited.

Companies which are not subject to EU CSRD / NFRD corporate disclosure requirements will not be required to report Taxonomy Eligibility or Alignment. For these companies, Bloomberg has created estimations for each Taxonomy “step,” which will help determine if a company has Taxonomy-aligned revenues.

Bloomberg tests a company based on the economic activity in which they report revenue, using the underlying environmental data they report. If a company does not report enough information to test, Bloomberg returns N.A.; if a company provides enough data to test and fails, Bloomberg returns a zero value.

When a company is missing data or if the data is incorrect or stale, the Investment Manager determines whether it may through research and/or similar process determine an estimable score. If it can or if there is a data or timing issues, the Investment Manager will Supplement the data to the third party data.

The DNSH Level 1 Scores evaluate general, entity level criteria of DNSH to the specific environmental objective and as such will be calculated on all companies for which Bloomberg and the Investment Manager collect ESG data, i.e., BESGPRO Index. Level 1 provides an estimated pass rate for DNSH applied across the six environmental objectives of the EU Taxonomy, using a combination of the company’s policies, processes and quantitative measures that utilize the best publicly available information and, to the extent feasible, match the requirements of the Taxonomy Regulation. The DNSH Level 1 Final Score represents the percentage of the underlying tests passed, where 100% indicates that all tests mapped by Bloomberg to specified data fields were passed.

The model has been built from a company-level disclosure mapped across thirty-five data fields aligned to the following principles and guidelines:

- International Bill of Human Rights
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- ILO 8 Fundamental Principles



- OECD Guidelines for Multinational Enterprises

The MSS model provides a score per company, based on a set of minimum mandatory requirements, or a larger set of optional requirements.

#### **H) Data sources and processing**

The Fund uses third-party ESG systems that collect data from an external provider Bloomberg ESG data and internal research. When data sources are not available the Fund will use best judgement to find scoring data and report. The data is compared to industry and sector averages to assess each company's ESG score at a more granular level. The Investment Manager periodically sources data from the constituents of the universe of the Russell 2000 Value index or other broad market small cap index to score each company within the index along the same factors as our own portfolio companies. Once scored, we aggregate the constituents by sector, industry group and industry where we can compare the averages to our owned portfolio holdings.

The Investment Manager estimates the following data for companies where those data are unavailable. This is calculated on the basis of their industry and region.

#### **I) Limitations to methodologies and data**

The Fund's sustainability risk may differ from the sustainability risk of the Index. This may occur for several reasons:

- The universe of US small capitalization investments for the strategy does not have a historically high contribution of data on ESG and the scale of some of those companies has limited their ability or appetite to undertake the investment in ESG
- Third party scoring of many US small capitalization stock is also less broad-based or robust. While some factors may be scored, others are not. This can impose both holes and noise in aggregate scoring for companies and even for some industries.
- The Fund's strategy will deviate from industry averages and will hold relatively concentrated positions in some securities. Like other financial factors, this may cause the fund to deviate from the universe or industry score.
- The Fund invests in companies that may be new or in spin-outs or restructurings. These companies (or both the parent and spin-out in some cases) may be sufficiently different so as to deserve different scoring. In some cases, that scoring may disappear or 3<sup>rd</sup> party's may fail to score a company, for some time or permanently.

The Investment Manager has taken several measures to mitigate and better inform itself in the face of the above and other limitations:

- Granular scoring – Aggregate scoring has proven highly variable in the universe. As such, we have invested in factor level scoring to see more detail on ESG scores and to determine the source of the variance (fundamental, reporting, partial reporting....)
- Company level index scoring – rather than take industry published averages, we have gathered the underlying data to better score our companies



- Research and peer analysis – in the case of missing data or spin-outs the Investment Manager may be able to better estimate ESG factors based on sector level data or from peers that are better fits (in the case of some spin-outs for example). In other cases, parent level scoring may suffice for some time and can be gathered for the missing data.

In each case, we employ a customized approach to a highly varied data problem.

#### **J) Due diligence**

Provide details of ESG Due Diligence carried out (suggest where applicable this is included in the Investment Due Diligence Policy going forward)

Some sample language below:

- The Fund monitors third-party ESG ratings for each security upon consideration for investment and at each decision point (additions, subtractions) and annually.
- The Investment Manager develops internal ESG ratings for each investment and has created a dashboard for research on portfolio companies, new companies and peers that is now available to all members of the research team and the portfolio committee. These scores are also reviewed periodically as the bulk of new data is currently updated annually by our universe.
- The Investment Manager monitors controversies for all investee companies.
- The exclusions noted previously are reviewed upon security process and the review process prevents investment in such companies
- The Investment Manager considers existing and emerging ESG risks as part of its investment research process and has integrated ESG issues into its research committee and investment decision-making process in the same process as its investment activity.....

#### **K) Engagement policies**

The Investment Manager treats engagement with our companies as one of many options in our investment management process. We regularly speak with or listen to company management in conference calls, direct calls, meetings, emails, and other venues, which is consistent with our concentrated, research-driven focus. In addition to buy and sell decisions, we may choose to share our opinions with management on a variety of subject matter, including ESG issues. Those communications and actions include formal shareholder activities (proxies and annual meetings), direct communication with management, formal communication with management and ESG-or other specific campaigns. We detail several of the specific active and ongoing efforts below.

The Investment Manager reviews the proxies of each portfolio company and will review governance and other issues at least annually. Governance, compensation, ESG and other matters are also reviewed as part of our initial and ongoing investment research. As each of these issues is very company specific, we review each issue and each company in the context of the company, its industry and its situation. When we see an issue with a company the Investment manager will vote the proxy accordingly and frequently will vote in conflict with management if we view a policy to be not in the



best interests of shareholders or if it is not in alignment with the principles of our ESG approach or if it would violate any of our specific ESG restrictions. In addition, because our universe does not report ESG factors as regularly or as consistently as other market caps and/or markets, we have consistently used engagement with companies as a method to advocate for greater reporting and transparency. To that end, we supplemented our company-specific outreach with a broad campaign to our portfolio companies where we are distributing ESG and ESG disclosure scoring and inviting them to improve and to engage with us as we advocate for improvement. This will be an ongoing process after being initiated with a broad universe and portfolio / company analysis and initial outreach in the 4th quarter of 2022.

**L) Designated reference benchmark for product that promote environmental or social characteristics website section**

An index has not been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.

**M) Sustainability Risk**

Pursuant to the SFDR, the Manager in respect of the Fund is required to disclose the manner in which sustainability risks are integrated into the investment decision of the Funds and the results of the assessment of the likely impacts of sustainability risks on the returns of the Funds.

Such risks are principally linked to climate-related events resulting from climate change (the so-called physical risks) or to the society's response to climate change (the so-called transition risks), which may result in unanticipated losses that could affect the Funds' investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into sustainability risks.

The Investment Manager integrates sustainability risks into its investment decision making and risk monitoring of the Fund to the extent that they represent potential or actual material risks and/or opportunities to maximising the long-term risk-adjusted returns. The Investment Manager's assessment is that integration of sustainability risks should help mitigate the potential material negative impact of such risks on the returns of the Fund, although there can be no assurance that all such risks will be mitigated.

**N) No consideration of adverse impacts on sustainability factors**

Orchard Capital Management does not currently consider the adverse impacts of its investment decisions on sustainability factors, within the meaning of Article 4(1)(a) of the SFDR. Principal Adverse Impacts (PAI) data is often not readily available and is difficult to collect, especially across U.S. based companies. Orchard Capital Managements position on this matter will be reviewed at least annually, and Orchard Capital Management will continue to research and develop procedures which will enable us, over time, to gather more granular data on the impacts of investment decisions on sustainability factors.



## O) Remuneration policy

The remuneration policies and practices of Orchard Capital Management are aligned with the ESMA guidelines and SFDR (where appropriate). The remuneration of identified staff is aligned with the management of short and long-term risks, including sustainability risks in accordance with SFDR.

## A) Annex IV – Periodic Disclosure

### Sustainable Finance Disclosure Regulations ("SFDR") and Taxonomy Regulations

#### ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** Orchard US Small Cap Value Fund  
549300JWA1NJDGWP0E37

**Legal entity identifier:**

#### Environmental and/or social characteristics

##### Did this financial product have a sustainable investment objective?



Yes



It made **sustainable investments with an environmental objective:** \_\_\_\_%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made **sustainable investments with a social objective:** \_\_\_\_%



No



It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_\_% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promoted E/S characteristics, but **did not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.





## To what extent were the environmental and/or social characteristics promoted by this financial product met?

Orchard Capital Management LLC promoted environmental and social characteristics in accordance with Article 8 of SFDR through its investment selection process. The Investment Manager defines environmental and social characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact. In 2022 the fund began a ESG Outreach Campaign with all investments held in fund to discuss their ESG scores. Meetings with executives have been conducted with a focus on disclosure and improvement of ESG scoring. Orchard collaborated with Bloomberg (ESG Data Provider) to advocate for additional scoring and reporting to expand reach and influence.

### *How did the sustainability indicators perform?*

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

While the industries and the portfolio is mostly scored, reporting remains fragmented. Less than 9% of the 33 Environmental measures in the 36 stock portfolio are reported. We have taken a more narrow view as a result and are using taxonomy where we can find data. We feel more data points will be available as ESG is rolled out more broadly in the US.

The sustainability indicators we were able to find consistency are listed below and in the below dashboard.

DNSH Mitigation which provides an estimated pass rate for Do No Significant Harm (DNSH) to the climate change mitigation environmental objective of the EU Taxonomy, using a combination of the company's policies, processes and quantitative measures that match the requirements of the regulation.

DNSH Adaptation which provides the estimated pass rate for DNSH to the climate change adaptation environmental objective of the EU Taxonomy, using a combination of the company's policies, processes and quantitative measures that match the requirements.

DNSH Water provides the estimated pass rate for DNSH to protection of water and marine resources environmental objective of the EU Taxonomy, using a combination of the company's policies, processes and quantitative measures that match the regulation.

DNSH Waste provides the estimated pass rate for DNSH to the circular economy environmental objective of the EU taxonomy, using a combination of the company's policies, processes and quantitative measures that match the regulation.

DNSH Biodiversity provides the estimated pass rate for the DNSH to the protection and restoration of biodiversity and ecosystems environmental objective and ecosystems environmental objective of the EU Taxonomy, using a combination of the company's policies, processes and quantitative measures that match the regulation.

DNSH Circular economy provides the estimated pass rate for DNSH to the circular economy environmental objective of the EU Taxonomy, using a combination of the company's policies, processes and quantitative measures that match the regulation.





The Average DNSH score is the average of the six Taxonomy Scores. The Taxonomy Scores are the weighted averages of the portfolio verse the US Small Cap Value Index Bloomberg Industry Group averages.

There are many positions held over the period that have negative ESG performance relative to the fund's benchmark industry group averages. All companies are contacted as part Orchard's ESG Outreach Campaign where the analysts will speak directly to company executives on their scoring. Negative scoring is not a fundamental reason for disinvestment.

**Portfolio EU Scoring Dashboard**  
 Orchard US Small Cap Value Fund Scoring vs Bloomberg Industry Group

	Relative Versus Industry in Russell 2000 Value (Relative Score color vs Holdings)							
Relative: vs Industry	EU Taxonomy: DO No Harm Scoring							
	Average DNSH	Mitigation	Adaptation	Water	Waste	Biodiversity	Polution	
	+4.8	+8.3	+4.1	+6.5	+4.2	+5.5	+0.3	
AMERIS BANCORP	-16.4	-11.3	-4.4	-14.0	-31.1	-17.0	-20.5	
ARCOSA INC	-9.9	-14.1	-11.7	-9.1	-6.8	-10.9	-6.8	
ARCBEST CORP	16.0	37.2	17.0	18.7	19.9	-3.1	6.3	
ARDELYX INC	3.4	1.4	-0.2	3.2	6.3	3.8	5.8	
AXOS FINANCIAL INC	4.4	-0.2	9.9	2.7	6.4	3.0	4.5	
PATHWARD FINANCIAL INC	-16.4	-11.3	-4.4	-14.0	-31.1	-17.0	-20.5	
CENTRAL GARDEN & PET CO	2.8	-3.7	-2.4	2.8	4.2	3.3	12.5	
CENTURY CASINOS INC	0.7	-1.9	-3.7	-0.7	6.5	-2.6	6.5	
CRITEO SA-SPON ADR	23.4	73.3	28.6	0.0	17.5	16.0	5.0	
DIGITALBRIDGE GROUP INC	-21.0	-16.2	-15.6	-19.7	-34.1	-20.0	-20.5	
ENHABIT INC	2.1	-9.2	-3.4	-5.9	12.5	15.3	2.9	
ENCOMPASS HEALTH CORP	2.1	-9.2	-3.4	-5.9	12.5	15.3	2.9	
ENOVA INTERNATIONAL INC	-2.5	-6.1	-7.9	-2.1	-0.8	-0.4	2.1	
89BIO INC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FRANKLIN BSP REALTY TRUST IN	-0.2	-6.1	6.4	-2.1	-0.8	-0.4	2.1	
FIRST FOUNDATION INC	2.0	-0.2	-4.4	2.7	6.4	3.0	4.5	
FTAI INFRASTRUCTURE INC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FTAI AVIATION LTD	33.3	47.2	32.1	47.9	14.2	51.6	7.1	
GREENLIGHT CAPITAL RE LTD-A	12.0	14.4	3.2	15.4	15.3	20.0	3.7	
HERON THERAPEUTICS INC	3.4	1.4	-0.2	3.2	6.3	3.8	5.8	
IDT CORP-CLASS B	-0.2	-5.1	-1.3	-3.0	3.4	0.0	4.5	
LIONS GATE ENTERTAINMENT-A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
MUELLER WATER PRODUCTS INC-A	31.4	51.2	9.5	47.2	29.2	44.4	6.9	
NI HOLDINGS INC	-0.4	3.3	-11.1	-1.2	2.8	0.0	3.7	
OMNIAB INC	0.1	-5.6	-2.0	1.8	4.0	-2.9	5.4	
REVOLVE GROUP INC	13.9	6.3	6.1	11.9	26.8	14.3	17.9	
SHYFT GROUP INC/THE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
STANDARD MOTOR PRODS	15.9	25.0	32.1	35.4	9.4	0.0	-6.3	
SOLARIS OILFIELD INFRAST-A	-28.3	-29.2	-22.6	-8.8	-39.5	-41.1	-28.9	
SUMMIT MATERIALS INC -CL A	13.7	22.2	0.0	25.0	12.5	10.0	12.5	
BANCORP INC/THE	4.4	-0.2	9.9	2.7	6.4	3.0	4.5	
TRINITY INDUSTRIES INC	22.3	35.2	38.1	11.1	20.8	20.0	8.3	
TRIMAS CORP	6.9	-11.1	10.2	11.9	19.6	14.3	-3.6	
VERSABANK	23.1	45.7	34.3	15.0	11.9	12.0	19.5	
VIASAT INC	22.2	30.1	-4.2	21.5	34.9	39.2	11.5	
GARRETT MOTION INC	-3.8	13.9	-25.0	35.4	-15.6	0.0	-31.3	





- **...and compared to previous periods?**

Not Applicable, this is the first year of reporting.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Not Applicable

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not Applicable

*How were the indicators for adverse impacts on sustainability factors taken into account?*

Not Applicable

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**How did this financial product consider principal adverse impacts on sustainability factors?**

Not Applicable





## What were the top investments of this financial product?

For Period of January 1, 2022 to December 31, 2022

Largest Investments	Sector	% Assets	Country
BANCORP INC/THE	Financials	7.8	US
US DOLLAR	Not Classified	7.2	US
AXOS FINANCIAL INC	Financials	5.4	France
PATHWARD FINANCIAL INC	Financials	4.2	US
CRITEO SA-SPON ADR	Communication Services	3.9	US
AMERIS BANCORP	Financials	3.9	US
ENOVA INTERNATIONAL INC	Financials	3.6	US
TRIMAS CORP	Materials	3.5	US
GREENLIGHT CAPITAL RE LTD-A	Financials	3.2	US
SUMMIT MATERIALS INC -CL A	Materials	3.1	US
DIGITALBRIDGE GROUP INC	Real Estate	3.0	US
ARCOSA INC	Industrials	3.0	US
TRINITY INDUSTRIES INC	Industrials	2.9	US
CENTURY CASINOS INC	Consumer Discretionary	2.8	US
FIRST FOUNDATION INC	Financials	2.6	US

## What was the proportion of sustainability-related investments?

Not Applicable

## What was the asset allocation?

The Fund allocated 93% of its assets to equity and equity-like securities. These investments are categorized as "#1 Aligned with E/S characteristics". The Fund does not commit to making sustainable investments. The remaining investments in the Fund can be categorized as "#2 Other" at 7% which is an investment in cash and/or cash equivalents.

## In which economic sectors were the investments made?

2022 quarterly averages of GICS Sectors as of December 31, 2022

GICS Sector	2022 Quarterly Average
Communication Services	8.98%
Consumer Discretionary	7.24%
Consumer Staples	3.03%
Energy	2.54%
Financials	33.63%



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

### Enabling activities

directly enable other activities to make a substantial contribution to an environmental objective.

### Transitional activities

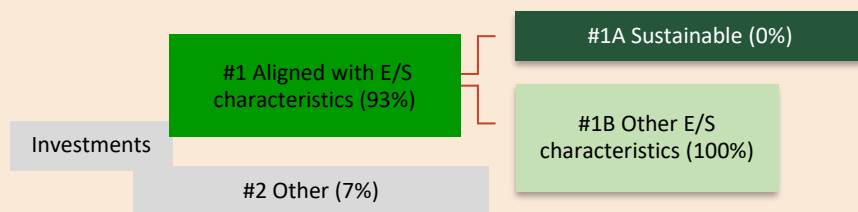
are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### Asset allocation

describes the share of investments in specific assets.

Health Care	8.53%
Industrials	16.78%
Information Technology	1.82%
Materials	7.37%
Real Estate	3.09%
Cash and Cash Equivalents	6.98%

*[Include only relevant boxes, remove irrelevant ones for the financial product]*



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.



**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

0%

☐ **Did the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

☐

Yes

☐

In fossil gas

☐

In nuclear energy

☒

No



**Orchard US Small Cap Value Fund**

- As of December 31, 2022, the fund did invest in companies that have activities in fossil gas with measured fossil fuel operations revenue which equated to a weighted average of 3% of the portfolio. The portfolio did not have exposure to nuclear energy related activities. The Investment Manager has not calculated the degree to which these activities comply with the EU Taxonomy.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

0%

**What was the share of socially sustainable investments?**

0%



**What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

The fund holds cash as part of its liquidity management and does not measure the environmental or social safeguards on these investments. Under #2 Other, the Fund kept 7% of its Net Asset Value in cash and cash equivalents. All remaining securities went through the Investment Committee's selection and ESG process.



**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

In 2022 the fund began a ESG Outreach Campaign with all investments held in fund to discuss their ESG scores. Orchard collaborated with Bloomberg (fund's ESG Data Provider) to advocate for additional scoring and reporting to expand reach and influence.



Meetings with our investment executives have been conducted with a focus on disclosure and improvement of ESG scoring. The company will receive an ESG summary page, and we discuss their scores and look to improve scores where appropriate and advocate for more disclosure of data points.

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

**How did this financial product perform compared to the reference benchmark?**

There was no reference benchmark designated for the financial product.

● **How does the reference benchmark differ from a broad market index?**

Not Applicable

● **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

Not Applicable

● **How did this financial product perform compared with the reference benchmark?**

There was no reference benchmark designated for the financial product





● ***How did this financial product perform compared with the broad market index?***

The Institutional Share Class fund returned -21.71% net of all fees for 2022 compared to the US Small Cap Value Index with a gross return of -14.48%. The Retail Class net of all fees returned -22.19% for 2022.

Ending 12/31/2022	1-Yr
Institutional Share Class-Net	-21.71%
Retail Share Class-Net	-22.19%
US Small Cap Value Index	-14.48%

