Responsible Investment Policy

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1. Introduction

Quantica is a systematic investment management firm specialized in capturing medium-to long-term relative trend inefficiencies in the most liquid futures markets globally. It is our objective to generate high-quality sustainable risk-adjusted returns. Quantica has been an engaged and responsible investor since inception in 2003. As an independent and employee-owned company, trust, responsibility and integrity are at the core of our business principles. We aim at conducting all our business activities in a responsible and ethical manner for the benefit of our investors, employees, shareholders, local community, and the industry.

2. Purpose & scope

The Policy describes the principles by which Quantica considers environmental, social and governance (ESG) risk factors as part of its investment processes and embraces its responsibilities as both an investment manager, and a corporation. It seeks to protect the company's investment products from material ESG risks, which might have a negative impact on performance and/or reputation. It applies not only to all investment products and assets managed by Quantica – subject to any product specific regulatory or client constraints – but also to all its employees. It aims to affirm Quantica's commitment to operate on the basis of sustainability principles that are embodied by all of the company's employees and that form an integral part of its corporate culture.

The United Nations Principles for Responsible Investments (UNPRI)

Quantica has been a signatory to the UNPRI since 2019. PRI is a member-led initiative aimed at promoting Responsible Investment across the investment industry and it encourages investors to use responsible investments to enhance returns and better manage risks. Its six principles are voluntary and aspirational, offering a menu of possible actions and providing direction for responsible investment efforts:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Quantica's Responsible Investment Policy is consistent with its commitments under this initiative.

3. Quantica's approach to Responsible Investment

3.1 Integration of ESG factors into the investment process: General principles and challenges

Quantica is committed to evaluate the relevance of and to incorporate environmental, social and governance (ESG) factors into our investment decision making process across all asset classes traded by Quantica to the extent this:

- supports our investors in meeting their own Responsible Investment objectives;
- does not compromise the portfolio's overall risk/return characteristics; and that this
- can be implemented in a fully systematic way and in line with our investment mandates.

The process for evaluating the inclusion of ESG factors is data-driven and subject to the same rigorous quantitative testing requirements that apply to any other of the firm's research projects. We acknowledge that the debate around Responsible Investment principles, as for instance promoted by the UNPRI, remains centered around traditional asset classes and the notion of active ownership and positive engagement with individual companies (which is the focus of two out of six UNPRI principles).
A consensus has yet to emerge on how ESG considerations may be factored into investment portfolios dealing with financial derivatives such as futures and forwards (which do not grant any voting rights into any private or public company), translating into leveraged long and short positions, notwithstanding their aggregation at portfolio level. Relying on our long-standing expertise in the field, we aim at contributing towards developing ESG standards that will shape the future of our industry.
Given Quantica's investment universe and approach, there is currently a very limited scope for explicitly integrating ESG risk considerations into the investment decision making process, and to engage into active ownership or stewardship activities.

3.2 A purely price-based investment process

Our investment process focuses exclusively on systematically identifying and taking advantage of absolute and relative medium- to long-term price inefficiencies between the most relevant futures markets globally, with the objective to generate sustainable long-term positive risk-adjusted returns for our clients. It is purely price-based because it seeks to capture the premium associated with a single risk factor: the market price risk.
Managing price risk through the robust identification of medium- to long-term price trends is what we believe to be our core competence and a valuable contribution to our clients' investment portfolios. We do not seek to capture any risk premia associated with other types of risk factors including environmental, social and governance risk factors. However, we do recognize that such other risk factors will, depending on the type of market, have a greater or lesser impact on the market price of risk, and will in some circumstances contribute to pricing inefficiencies between markets, which may be successfully captured by our investment process.

3.3 Stewardship and engagement

Quantica's investment universe is exclusively composed of the most liquid futures on equity indexes, sovereign bonds, short-term interest rates, currencies, including crypto currencies, and commodities. As a result, Quantica does not hold any single stock or corporate debt positions. Additionally, it does not engage in any physical delivery of any underlying.

More generally speaking, we acknowledge that trading in derivatives poses significant challenges in assessing and measuring adverse impacts. Despite being the owner of such derivatives instruments, we don't have a legal claim on its underlying securities. There is hence no opportunity for us to take any active ownership, to exercise voting rights or engage on sustainability-related matters in any of those underlying entities.

This is why, while being fully supportive of the second PRI principle, we do not consider activities related to engagement and active ownership to be within the scope of our activities.

3.4 A responsible market participant

Trading derivatives plays an essential role in today's market landscape. In our view, the concept of Responsible Investment goes beyond the incorporation of environmental, social and government factors into our investment process.

By engaging into public and regulated exchange-traded futures markets, we act as a risk transfer agent or "speculator" (a trader who does not hedge, but who trades with the objective of achieving profits through the successful anticipation of price movements[1]), taking on risks that other market participants are not willing to take.

Additionally, we seek to implement our investment program with the least possible impact on each of the markets in which we operate. While Quantica does seek to take advantage of medium- to long-term price trends, it does not want to be the source of such moves. While we do participate in volatile markets, we do not aim to affect market volatility or market prices by our activities, but we do actively manage risk in those markets to the benefit of our investors.

As a responsible market participant, Quantica has developed a suite of tools which allow it to systematically monitor the compliance of its investment accounts with any risk, exchange, and regulatory position limits supported by the generation of automated daily or on-demand reports. Additional automated processes, managed by the firm's Portfolio Implementation & Trading team, seek to systematically minimize the market impact of our trades and to make sure that none of Quantica's positions becomes an excessive share of a market's overall trading volume.

Complementarily, each constituent of Quantica's investment universe is subject to a set of strict minimum liquidity requirements in order to avoid becoming an excessive share of total available market volume and facilitating trade execution.

Quantica acts as a liquidity provider, adding to the capacity for other market participants and facilitating the price discovery process, thus eventually contributing towards well-functioning and more efficient financial markets, which are at the core of our economies.

3.5 Negative screening/filtering

Quantica's objective is to generate sustainable, high-quality, risk-adjusted returns, while taking into account, as far as possible, the specific constraints of its investors.

[1] https://www.cftc.gov/LearnAndProtect/EducationCenter/CFTCGlossary/glossary_s.html

Quantica recognizes that different investors may have different views about integrating ESG factors into their investment universes. We are committed to providing access to our flagship investment program (the QMF Program) through a wide array of investment solutions, from commingled funds to separately managed accounts. For instance, recognizing the trend amongst a certain category of investors towards excluding commodities from their investment universes, Quantica launched in 2018 the QMF Focus Fund, a replication of its flagship QMF Program, but without the possibility to invest into commodity related futures. Similarly, the firm's segregated managed accounts and dedicated fund share classes offer additional flexibility in accommodating specific ESG objectives and requirements, subject to certain operational and investment management constraints. To summarize, Quantica is fully committed to support its investors in their own ESG considerations and their implementation of specific PRIs.
Quantica does not express a view on negative filtering as we believe such approach to be subjective in nature. From a pure portfolio construction point of view, the exclusion - without replacement - of securities does reduce the breadth of available investment opportunities, the available liquidity pool, and may lead to a deterioration of the portfolio's diversification characteristics. In combination, these effects may ultimately lead to lower risk-adjusted returns in the long run. We do, however, monitor our investment universe on a regular basis to ensure consistency with our ESG criteria and PRIs.

Finally, as imposed by law, our organization's values and minimum standards of business practice based on international norms, Quantica will not invest into any instrument that is:

- on the Swiss SECO sanctions list
- on the European Commission list of high risk third countries or,
- on the US Treasury OFAC sanction list,
- involved in the design and production of cluster munitions and anti-personnel mines.

3.6 ESG equity index screening

As various ESG index screening and filtering methodologies have gained wider adoption amongst institutional investors to integrate ESG considerations into their investment processes, we have also started engaging with investors to gauge their interest in a potential use of liquidity- and ESG-optimized equity basket swaps as substitutes to traditional standardized futures contracts.
We also closely follow the development of a new generation of futures contracts launched by various European and US exchanges that are based on ESG equity indexes in the last two years. We started to systematically monitor the liquidity characteristics of such contracts against a wider universe of potential candidates. So far, unfortunately, all liquidity metrics for these ESG futures remain well below the minimum thresholds that would allow for an instrument to be potentially included into our universe. However, we will closely monitor the liquidity development in such ESG-related derivative markets and adjust our investment universe accordingly.

3.7 Climate related risks & opportunities

Several initiatives coordinated at international level are focusing more specifically on the identification of climate-related risks in the investment process and targeted low-carbon or climate-resilient investments. For instance, the Task force on Climate-related Financial Disclosures (TCFD) recommendations are designed to solicit consistent, decision-useful, forward-looking information on the material financial impacts of climate-related risks and opportunities, including those related to the global transition to a lower-carbon economy.

We are convinced that climate-related risks and ongoing global efforts to address climate change will lead to significant economic transformations that will change the supply and demand of many goods, services and commodities. New trends will emerge out of this transformational process, driving up liquidity of certain markets, while other markets will see their liquidity deteriorate as the world shifts away from them. Such process will inevitably be accompanied by strong price trends and significant volatility, reflecting the shift in expectations about the future and its related uncertainties. These dynamics will naturally lead Quantica to revisit its investment universe, taking into account the latest liquidity developments in global futures markets. Any market within the Program's strategic asset allocation that is fulfilling the firm's strict minimum liquidity thresholds may become eligible for inclusion in its investment universe, subject to operational and regulatory constraints. Conversely, any market seeing its liquidity dropping consistently below the same minimum liquidity thresholds will be removed from Quantica's investment universe. This process ensures that Quantica is always participating in the most liquid and most relevant regulated exchange traded futures markets globally, in order to efficiently capture the price risk premium associated with a given market. As such, Quantica we will be actively participating in the transition towards a low-carbon economy, by actively providing liquidity, facilitating the price formation process in markets that will be at the core of this transition. At the same time, it will naturally withdraw from markets that are no longer popular with investors and that have seen their liquidity deteriorate as a result.

3.8 Crypto-currencies

Quantica believes that crypto-currencies, as a nascent asset class with a very limited track-record, offer significant long-term opportunities for those willing to accept the associated risks that naturally come with this type of investment.

From a Responsible Investment perspective, crypto-currencies have so far attracted significant criticism, in part because of their high energy consumption and associated carbon footprint from their mining activity. This is because the two first dominant crypto-currencies in history, Bitcoin and Ethereum, were founded on a proof-of-work mechanism to validate transactions, a process that heavily relies on the computing power from a network of computers. But different consensus mechanisms on different blockchains have different environmental impacts and the industry itself is gradually moving from the originally energy-intensive proof-of-work to a proof-of-stake transaction validation framework. According to an analysis published by the Ethereum Foundation in 2021, proof-of-stake validation on the Ethereum blockchain could be up to 99.9% more efficient than proof-of-work. Newer protocols, such as Cardano, Solana, Algorand, and many others, validate their transactions through a proof-of-stake mechanism, offering a much "cleaner" investment alternative. Additionally, Ethereum is expected to migrate to proof-of-stake during the course of 2022. With crypto-currencies gaining further adoption in the future, we believe that their environmental footprint will further decrease, driven by a combination of investor demand, competition and regulation.

Beyond their environmental impact, due to their very short history of existence, the social and governance aspects of crypto-currencies are more difficult to assess. However, in the long-run, crypto-currencies may for instance open doors for greater financial inclusion, the ability to transact without intermediaries and lead to a more operationally- and cost-effective financial industry. In short, they can be a force for innovation and economic progress. But as with every new technology, its societal impact will only become clearer gradually over time. Quantica believes that any future success and further broad-based adoption of the technology will be conditional on the development and adoption of a comprehensive regulatory and legal framework that protects investors and institutions in the space while at the same time encouraging innovation.

From a governance perspective, unlike corporate assets, most blockchain technologies are aiming to be decentralized by design. This means that no single decision-making body oversees a blockchain's strategy and direction. The absence of a traditional governance structure does not, however, mean the absence of governance. Decentralized blockchain technologies are supported and promoted by informal and dynamic communities of software developers, crypto-currency miners and other actors.

The long-term implications of the development of blockchain and crypto-currency technologies are impossible to assess today. We believe that, given its size, such innovation should not be ignored, and at least understood. As the asset class develops, a consensus for ESG standards will naturally develop and only technologies that meet those standards will prevail.

In 2022, crypto-currencies remain widely unregulated instruments compared to traditional assets, and Quantica takes extra care when:

- selecting the counterparties it works with
- selecting the digital assets it invests into.

Quantica does only engage in a business relationship with counterparties that maintain programs and controls reasonably designed to comply with applicable anti-money laundering (AML), combating the financing of terrorism (CFT) rules, and sanctions laws and regulations. In recent years, many crypto-currency service providers have taken significant steps to implement compliance safeguards such as AML and CFT frameworks even in advance of formal regulatory requirements being imposed on them. According to a report published in 2022 by Elliptic, a blockchain analytics firm, illicit activity (e.g., dark markets, ransomware, frauds) constituted less than 1% of all the bitcoin transactions.

Additionally, Quantica may only invest into digital assets that are custodied by the third-party custodian(s) it has opted to work with, subject to the requirements listed above.

Quantica verifies on a continuous basis that its third-party custodian(s) analyze each eligible asset for various compliance risks (such as OFAC risks), association with illicit activity, surveillance capacity, and also the potential regulatory structure that may apply, such as the US FinCEN and Bank Secrecy Act ("BSA") regulations and produce a comprehensive blockchain security assessment for each eligible asset.

Finally, as the crypto-currency asset class comes with a range of specific risk factors and remains subject to strict investment restrictions for a majority of institutional investors, Quantica follows a strict policy of not mixing crypto-currencies with other traditional asset-classes within its commingled funds offering. Consequently, exposure to crypto-currencies is currently only offered through an independent comingled investment fund or a managed account setup.

3.9 Sustainable Finance Disclosure Regulation ("SFDR") statement

Quantica does not currently consider the Principal Adverse Impacts (PAIs) of its investment process on “sustainability factors” as defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainable Finance Disclosure Regulation ("SFDR"). Quantica’s flagship QMF Program therefore falls under Article 6 of SFDR. Sustainability factors are listed as environmental, social, and employee matters, as well as matters relating to human rights, anti-corruption, and anti-bribery.
Based on our assessment, none of the instruments traded by Quantica have any Principal Adverse Impacts (PAI) on such factors. Consequently, such sustainability risks are also not directly taken into account in Quantica’s remuneration policy.

4. Our approach to Corporate Social Responsibility

While the scope for incorporating ESG considerations into Quantica’s investment process is limited, we fully embrace our responsibility as a corporation to operate based on sustainability principles that are embodied by all our employees and that form an integral part of our corporate culture. At corporate level, we seek to:

- maintain a culture of responsible leadership,
- meet the highest standards in terms of transparency and fairness for our investors,
- continuously integrate sustainability principles into our operational activities,
- proactively reduce our environmental footprint, and
- play an active role in society beyond our direct business activities.

4.1. Independent and employee-owned

As an independent and employee-owned company, responsibility and integrity is at the heart of everything we do. All members of the Investment and Executive Management Committees are shareholders of the company. Additionally, the firm, current principals and employees and their families have substantial investments in the Quantica investment products. Successful team members, who have been with Quantica for a minimum number of years, are further incentivized by becoming eligible to become shareholders of the company. This fosters an alignment of interests between the company and its leadership.

4.2. Transparency, fairness, acting in the best interest of our clients

We strive to offer investment solutions that offer maximum transparency, liquidity and capacity while avoiding unnecessary complexity in terms of modelling and the use of financial derivatives. Additionally, we are firmly committed to treating all our investors on an equal footing by ensuring that all investment exposures are always fairly allocated between all accounts with minimal tracking errors.
As part of its position as a fiduciary for its clients, Quantica takes all reasonable steps to identify actual or potential conflicts of interest and to minimize the possibility of such conflicts giving rise to a material risk of damage to the interests of our clients.
The company’s Code of Ethics establishes standards that promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships,
- full, fair, accurate, timely, and understandable disclosure in the filings in regulatory filings and public communications made by the company,
- compliance with all applicable governmental laws, rules, and regulations,
- prompt internal reporting of violations of this Code, and
- accountability for adherence to this Code.

4.3. Corporate sustainability initiatives

In addition to the ESG considerations applied to our investment process we have introduced initiatives on the organization level which are widely accepted and embraced by employees of Quantica. In fact, most of the components of our firm-wide sustainability approaches are initiated and driven by feedback from employees across all business areas and seniority levels. As we ultimately aim at becoming a carbon-neutral company, we seek to use natural resources as efficiently as possible across our operations. Specifically, we:

- Encourage employees to utilize public transportation and bicycles to commute to work. Every year we participate in a "bike to work" month event,
- avoid CO2 emissions from business travel by using videoconferencing tools or environmentally friendly means of transportation,
- have a comprehensive waste management and recycling system in place,
- have shifted from single-use plastics to reusable containers,
- reduce energy consumption in our offices through motion-sensor lamps and use of LED wherever possible (In 2018 we setup an office in a state-of-the-art "green building" in Zurich with integrated energy efficiency measures and heating/cooling systems).

4.4. Reducing our environmental footprint

Quantica is committed to promote the transition towards a low-carbon economy. We aim at performing in the near future a full carbon footprint analysis of all our business operations in partnership with a competent authority. As a consensus has yet to be established on how to evaluate the carbon footprint of a portfolio of financial derivatives, our efforts are restricted to evaluating and minimizing the environmental impact of Quantica as a company. In combination with this analysis, we seek to develop a set of internal environmental KPIs to support our ambition to become a 100% climate neutral company in the near future. These metrics will allow the specification of refined targets to further reduce and optimize the company's carbon footprint, and the calculation of a corresponding offsetting budget that may be allocated through different channels. Any such targets will be subject to the Board's approval and oversight.

4.5. Social & environmental engagement

Quantica is committed to partner up with local organizations to support social and environmental causes. Quantica's ESG committee evaluates and recommends charitable organizations and initiatives on an ongoing basis to the company's Executive Management Committee, which sets a given amount aside to be distributed during the year.

5. Responsibilities

5.1 Overall responsibility

It is the responsibility of the CEO to define, implement and regularly review, in agreement with the company's Board of Directors, the company's Responsible Investment strategy and objectives.

Any changes to the Responsible Investment strategy are to be reflected in this policy and are subject to approval by the Board of Directors. Board oversight is key to ensuring ESG topics are embedded across the Firm's broader strategy. Quantica's Board regularly discusses and monitors the company's ESG objectives, and how they are aligned with Quantica's overall business and risk strategy.

5.2 ESG risks and Internal Control System (ICS)

Quantica's Executive Management Committee is responsible for taking appropriate measures to implement and operate an effective Internal Control System (ICS) under the direct supervision of its Board. Under the ICS, it is the responsibility of Quantica's Chief Risk Officer to identify any financial, operational, regulatory or compliance-related risks, describing their likelihood of occurrence and impact in a timely manner and to assess them regularly. The CRO performs at least on an annual basis a general review of all known risks to the company and its investment products. Environmental, including climate-related risks, social and governance related risks are an integral part of the company's ICS. Any further details related to the ICS can be found in the firm's Policy on the Internal Control System and Risk Management.

5.3 ESG Committee

The CEO has appointed an ESG Committee, that is responsible for the implementation and monitoring of this Policy and achieving its annual objectives. It coordinates and leads over all Responsible Investment initiatives at investment management and corporate level in full compliance with this Policy. Meetings are held every two months or ad-hoc, if necessary, and are documented.

The ESG Committee is composed of team members from all business areas and seniority levels to ensure that all organizational perspectives including research, operations & trading, investor perspective and their feedbacks are considered when implementing the policy. It may provide the Investment Committee (IC) with recommendations regarding changes in the investment universe or investment process based on ESG and Responsible Investment considerations. The IC remains ultimately responsible for any amendment to the investment universe and process.

5.4 Internal & external reporting

The ESG Committee reports to the Executive Management Committee at least twice a year on its activities, progress made on the implementation of objectives, new industry developments, client-specific requests, and constraints.

Additionally, the Committee seeks to keep company staff updated on the most relevant sustainability topics by providing regular updates. It maintains a summary presentation of the company's Responsible Investment strategy, outlining its main objectives and implementation

directions, including past, current and futures initiatives. It also reports on the activities and progress made on ESG & sustainability integration as part of the annual UNPRI reporting cycle.
Finally, the Committee is assisted by the company's business development unit which – on a regular basis – provides a summary of all relevant ESG related investor conversations and requests which may potentially impact the firm's approach to responsible investing.

5.5 Accountability

All ESG Committee members are evaluated annually based on their contribution to the objectives defined in this policy, both at investment management and corporate level.
Investor feedback is the single most important KPI that we use to assess our progress achieved on the further integration of sustainability factors in our investment process and operational activities. In particular, the ESG Committee is evaluated on its ability to develop tailor-made solutions, allowing existing and potential investors to integrate Quantica's strategies into their respective portfolios in strict compliance with their own ESG and Responsible Investment policies and associated sustainability constraints.
The ESG Committee's annual objectives are further broken down at individual member level. As a company, we aim at formulating clearly defined, quantifiable objectives that can be achieved within the scope of the company's resources and within a reasonable time frame. Such objectives form an integral part of each member's annual performance assessment. Thus, any material contribution to the achievement of these objectives is taken into account when considering variable compensation.

6. Continuously improving

As we are driven by continuously improving and challenging our fully systematic investment process, we are similarly committed to continuously improve and challenge our responsible investing principles. We actively engage with clients, peers and relevant industry bodies (such as PRI, SBAI and AIMA) to embrace and promote best practices, innovations, and developments for the benefit of all our stakeholders.
This policy is reviewed by the CEO and the ESG Committee if deemed necessary, but at least on an annual basis.

7. Entry into force

This Directive shall enter into force on 10 May 2021 in accordance with the resolution of the Board of Directors.

For the Board of Directors

Revised Version October 2021, approved by BoD Resolution of 25 November 2021
Revised Version August 2022, approved by BoD Resolution of 25 August 2022