

INTRODUCTION

At the beginning of 2020, we reflected on the diverse and collaborative culture we have developed over the prior 18 years, with the goal of identifying the strengths we want to continue to develop and the ways in which we can continue improving over the coming years. We began by outlining our vision in an ESG policy that covers both our practices as a firm and our investment philosophy. The next step, which was the primary objective for 2021, was putting that policy into practice. This annual report is designed to provide an overview of the progress we have made in implementing our ESG policy, both at the firm level and from an investment perspective, over the course of 2021. We are proud of the progress we have made and welcome the opportunity to provide more details on a call or in person to those interested in learning more about our efforts.

As a brief review of the cultural foundation on which our ESG policy was built, ABS prides itself on being a majority employee-owned business with a longtime emphasis on diversity and inclusion. Of our 35 employees today, 21 are equity partners, creating a strong alignment of interests between our firm, our employees, and our investors in the long-term success of our business and our products. Further, as a global investment firm, we believe that having a diverse set of experiences, opinions, and viewpoints is a necessity for our investment success. Our employees comprise 13 different nationalities and speak 15 different languages. But perhaps most importantly, we believe our combination of inclusion and diversity is a key component of how we operate: 10 of our 21 equity partners are women or minorities.

Investment Expertise

18 Avg years industry experience

12 Avg years ABS tenure

Diversity

13 Nationalities

15 Languages spoken

Ownership

21 Equity Holders

10 Women/minority partners

FIRM UPDATES

To spearhead our ESG & Diversity efforts we created an internal ESG and Diversity committee at the beginning of 2021. The committee is composed of 6 members spanning a wide range of backgrounds and experience levels, with representation from the Investment Due Diligence, Operational Due Diligence, Operations, and Business Development teams. The committee was tasked with the development and implementation of the firm-level ESG and Diversity initiatives highlighted in this report: becoming a carbon neutral organization, establishing a local volunteering program, introducing a donation matching program, and adopting a formal Diversity & Inclusion policy.

Carbon Neutrality

After working to reduce our carbon footprint in 2020, we decided to go further by calculating and offsetting all our remaining carbon emissions in 2021. We used the carbon calculation tools provided by the Carbon Fund¹ to quantify our emissions. As a small financial services firm our primary carbon emission sources are business travel, employee commuting, and office building emissions. Given that most of these activities were depressed in 2021 due to the ongoing COVID19 pandemic, we calculated our footprint based on our 2019 emissions. To further err on the side of conservatism, we multiplied the 2019 total by 1.25x to arrive at our final carbon offset amount.

Once calculated, we partnered with Carbon Footprint² to identify three projects to offset our carbon emissions. In addition to vetting and monitoring each of the projects offered through their service, Carbon Footprint also makes sure the projects align with multiple UN Sustainable Development Goals. Details on the three projects we selected are provided below³.

¹ <https://carbonfund.org>

² <https://www.carbonfootprint.com>

³ <https://www.carbonfootprint.com/carbonoffsetprojects.html>



Breathing Space Improved Cookstoves (India)

India's domestic sector is one of its largest primary energy consumers, and 75% of the energy requirements are met by fuel-wood and agricultural waste. Cooking alone is responsible for 90% of household energy consumption, and demand is increasing annually at a rate of 8.1%. According to the World Health Organization Comparative Risk Study, approximately 400,000 women and children die every year in India due to exposure to smoke from household use of solid fuels. By replacing traditional stoves, the Breathing Space Program contributes towards solving the indoor air pollution problem by deploying cleaner and greener cooking stoves in addition to reducing Greenhouse Gas (GHG) emissions.

Improved Cook Stoves (ICS) are designed to achieve reduction in fuel consumption and improvement in levels of indoor air pollution.



Kenya Reforestation

Kenya's Kikuyu escarpment forest, a region known for its natural beauty and biodiversity that stands as the gateway to the Great Rift Valley, has been the victim of years of environmental degradation. Importantly, the region is also the source of water and thus livelihood to the neighboring communities.

In just a few years, wanton and deliberate destruction of the escarpment environment through charcoal burning, logging, ring-barking, and overgrazing has depleted the forest vegetation cover. This has in turn resulted in the drying of springs, rivers, and streams, and caused soil erosion, emigration of wildlife/birds, scorching sun, human-wildlife conflict, and the scarring of once a beautiful scenic landscape.

This project aims to plant 100,000's of indigenous trees on the worst degraded areas.



Larimar Wind Farm Project (Dominican Republic)

The Larimar Wind Farm project involves the construction and operation of two wind farms located in Enriquillo Region of the Dominican Republic. The two projects total 29 wind turbines and a total installed capacity of 97.8 MW.

The project owner, EGE Haina, has invested more than \$5 million in social development projects that benefit 12 communities around their wind farms. The contributions include the rehabilitation and interconnection of the electric transmission networks in this area of the country; the construction, improvement, and equipment for educational, sporting, cultural and sanitary facilities; and the construction and renovation of roads.



Local Volunteering

In September, we held our first ABS volunteering day, a program we launched in 2021 that dedicates two days of the year to giving back to our community by volunteering with local charities. For our first event, we worked with Habitat for Humanity of Coastal Fairfield County to help in the construction process of several new homes located in Bridgeport, CT, just a few miles from the ABS headquarters. Habitat for Humanity was founded in 1976 and today operates in more than 70 countries – we encourage anyone interested in volunteering, donating, or just learning more to visit their website (<https://www.habitat.org>).



ABS Giving Program

ABS has a longstanding tradition of making charitable contributions to local, national, and global nonprofit organizations. In 2021 we used our annual investment conference as a platform to continue this tradition. Thanks to the immense generosity of our clients and partners, ABS raised a total of over \$40,000 to support three charitable organizations: Autism Speaks, an autism advocacy charity and the largest autism research organization in the US; Year Up, an organization that works to ensure equitable access to economic opportunity for young adults; and Connections Mentor, an organization that works to curate mentoring relationships for young people with past, current, or peripheral contact with the child welfare or juvenile systems.

While ABS is proud of our charitable activities as a firm, we wanted to expand our charitable contributions by empowering our employees to donate to charities of their choice. Further, we wanted to build upon our employee's efforts by providing a matching donation from ABS. In August we partnered with Charityvest, an organization that helps connect potential charitable contributors to a wide variety of charities in the US, to launch our donation-matching program. By the end of the year, ABS employees had contributed to 11 different charities, with each donation matched by ABS.

Diversity and Inclusion Policy

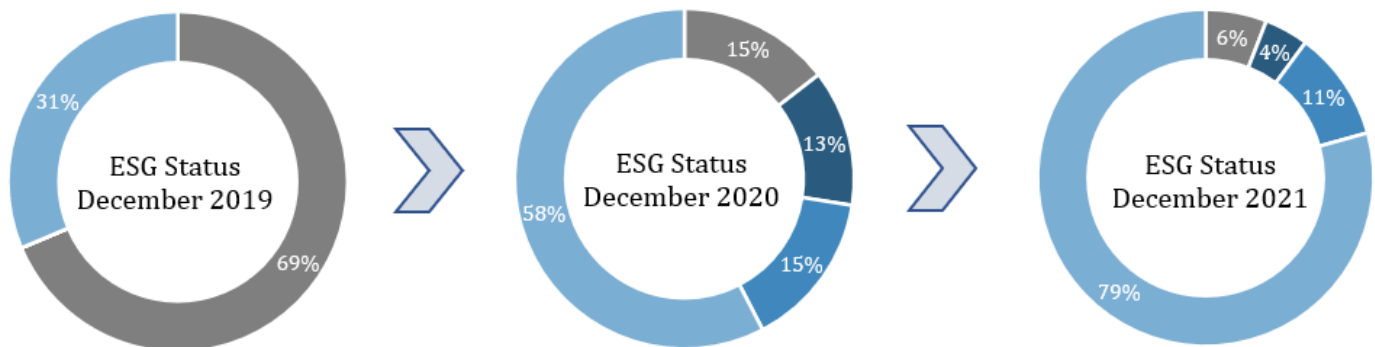
Although diversity and inclusion (D&I) have long been important attributes of ABS' firm culture, we formalized our commitment by adopting a written D&I Policy. At ABS, we are committed to attracting, developing, and retaining a diverse workforce and fostering an inclusive culture which allows us to enhance our ability to execute and deliver on our investment strategy for our clients. As a global and diverse team, based across geographies and international cultures, we believe in the importance of human capital: from respecting the diversity of our backgrounds, to creating equal opportunities, to leveraging the advantages of cognitive diversity. Companies need to be constantly innovating, and we believe diversity of thought and skillset is a key ingredient to innovation. While our formal D&I policy helps underscore our commitment to maintaining and building upon our existing culture, we are eager to put policy into practice as we continue to grow and evolve as a firm.

INVESTMENT UPDATES

Over the course of 2021 we made significant progress towards expanding ESG integration across our local partners and managers. As a reminder, ABS strives to find the most talented asset managers around the world. Our focus on local and niche managers means that ABS is often a significant investor in the earliest stages of a manager's track record. Accordingly, our ESG investment policy focuses on engagement. We aim to use our influence to engage with all our managers and encourage adoption of an official ESG policy if one does not already exist. Not only does ABS benefit by ensuring all our managers are cognizant of ESG risks, but we are also able to positively influence the proliferation of ESG consciousness across the broader investment management community.

Across our total firm AUM, our ESG policy coverage increased by 20 percentage points over the course of 2021. This increase was driven primarily by managers who did not have ESG policies in place when ABS initially engaged with them but were open to our initial approach.

Invested AUM by ESG Policy Status



Legend: **Written ESG Policy** **Policy Under Development** **No Policy / Open to Discussion** **No Policy**

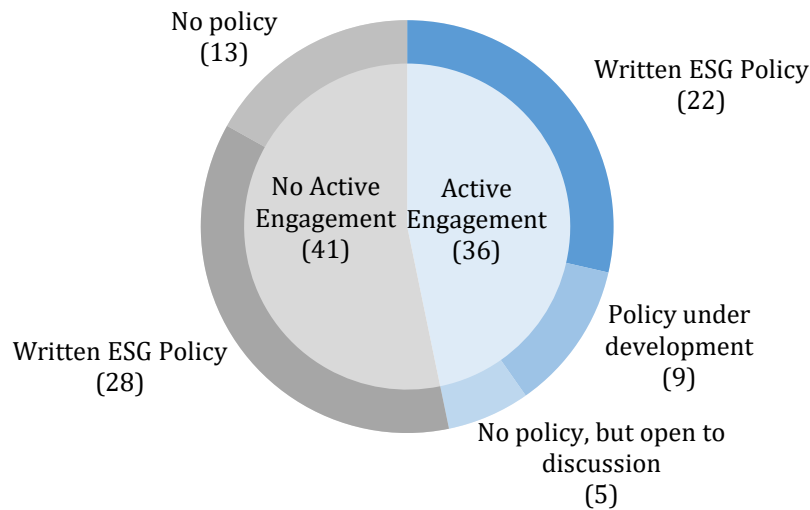


Engagement Results

To monitor the impact of our ESG efforts, we divided managers into two general buckets: those with whom we had active ESG engagement, and those where our approach was less impactful. Encouragingly, the majority of our active engagements have already yielded ESG policies (61%). For active engagements that have not yet resulted in an ESG policy, most managers are currently working on developing a policy (25%). As for the remainder (14%), these managers are interested in pursuing a dialogue around formal ESG integration where we are optimistic that implementation of an ESG policy is likely.

For engagements where our efforts were less impactful, the overwhelming reason was that the manager had already integrated ESG considerations and documented that integration in an ESG policy (68%). In these cases, the existing policy was collected, reviewed, and recorded in our internal research system, and is reviewed on at least an annual basis. Finally, there is the segment of managers where our engagement impact was limited because of a general resistance to ESG integration (32%). Managers in this category will continue to be a focus for ongoing engagement efforts into 2022.

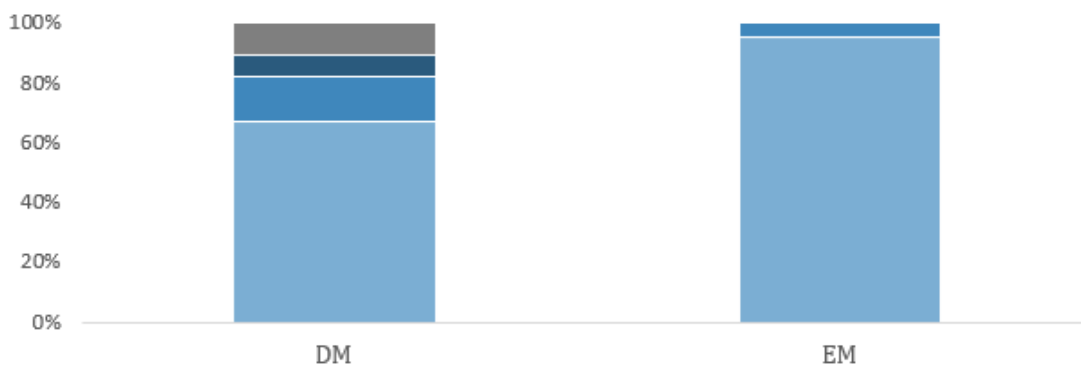
Engagement Outcomes Among Current Managers



Regional ESG Integration

ABS is an active investor in both emerging and developed markets which provides a unique vantage point on ESG adoption trends across geographies. In a continuation of a trend from our 2020 ESG report, ESG adoption among emerging markets-focused managers remains well ahead of their developed market peers. In fact, 95% of our AUM in emerging market strategies is now covered by an ESG policy. ESG adoption within developed markets did improve significantly in 2021, with ESG policy coverage increasing from 51% to 67% over the course of the year. An important goal for 2022 is to continue increasing ESG adoption among developed market managers. We are particularly focused on converting the 23% of managers who are open to the discussion or who are already in the process of developing an ESG policy. We see no fundamental reason that ESG adoption in DM should lag EM, and we are eager to close this regional gap over the coming years.

ESG Policy by Manager AUM



Legend: **Written ESG Policy** **Policy Under Development** **No Policy / Open to Discussion** **No Policy**



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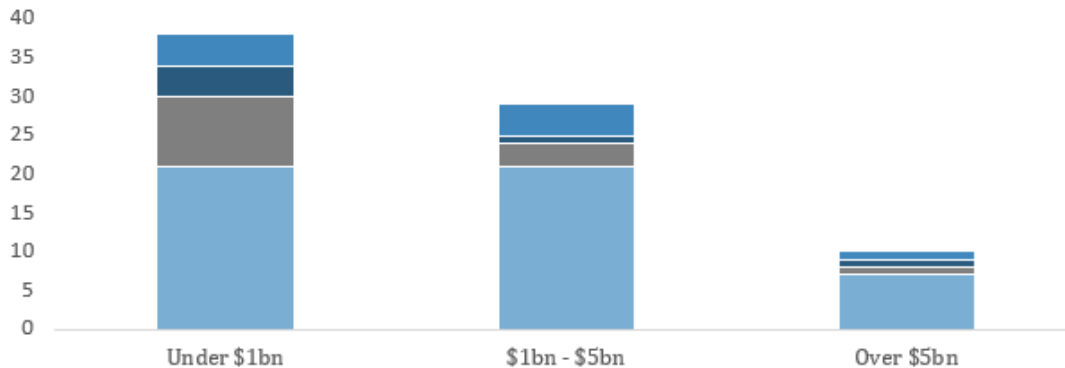
HONG KONG

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ESG Status by Manager AUM

ABS is often an early investor in a manager's lifecycle. Consequently, our investments span a wide range of firm sizes as our early investments grow into larger firms managing more capital. Among our invested managers, those managing less than \$1bn in AUM are the most likely to have no ESG policy in place. This does not come as a surprise: lower AUM typically means a smaller team with fewer resources to dedicate to developing an approach to ESG investing. However, we believe the <\$1bn cohort is where ABS can add the most value. Having engaged with dozens of funds on their ESG integration over the past two years we can help advise these managers on the wide range of ESG approaches, how to make ESG integration work for their strategy, and how to formalize that integration into a policy. Additionally, we are often a large, important investor for smaller managers and have more influence during our ESG engagements. We remain optimistic about our ability to improve ESG adoption within the <\$1bn AUM cohort and are focused on working closely with these managers in 2022.

ESG Policy by Manager AUM



Legend: **Written ESG Policy** | **Policy Under Development** | **No Policy / Open to Discussion** | **No Policy**

CONCLUSION

2021 was a productive year for ABS in advancing our ESG & Diversity efforts, both at the firm level and from an investment perspective. Led by our ESG & Diversity committee we launched multiple new ESG-related initiatives over the year, all of which we believe help make us a better firm and a better partner to our clients. In 2022 we plan to remain dedicated to the commitments and initiatives we launched in 2021, while also looking for new ways to continuing growing as a firm. While we expect our list of future initiatives to evolve and grow throughout the year, our initial areas of focus in 2022 are:

- Firm-wide unconscious bias training to continue fostering an inclusive, safe, and productive work environment
- Developing an internship program that prioritizes a diverse candidate pool by partnering with local colleges and universities

On the investment side, we made significant progress on expanding ESG integration across our invested managers in 2021, with nearly 80% of our firm AUM covered by an ESG policy as of year-end. A continuing focus for 2022 is on further increasing our ESG policy coverage through ongoing engagement with our managers on ESG integration. Additionally, for managers already integrating ESG into the investment process, we will monitor that integration to further our understanding of how ESG-related risk and opportunities are reflected in their portfolios in real-time.

ESG & Diversity is a rapidly evolving discipline, and we strongly believe that constantly looking for ways to improve is a necessary component of any ESG & Diversity commitment. We are proud of our progress over the past two years, but are excited to continue developing our understanding of, and commitment to, ESG and Diversity in the coming years.



DISCLOSURES

This document is intended to provide general information regarding ABS's ESG strategy and not for the purpose of soliciting investors for any ABS Fund. This document shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified investor receives a final confidential private offering memorandum (the "Fund Documents") describing an investment fund (each an "ABS Fund", or in the plural, the "ABS Funds"). The information contained herein is preliminary, is provided for discussion purposes only, is only a summary of key information, is not complete, is subject to change without notice, and does not contain certain material information including important conflicts disclosures and risk factors associated with an investment which are described in the Fund Documents. In the event of any inconsistency between this document and the Fund Documents, the Fund Documents will govern.

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