

**INTRODUCTION**

We would like to start this year’s Annual ESG Report by recognizing a few important firm updates. To start, we wanted to highlight that December 2022 marked our 20-year anniversary of managing equity portfolios on behalf of our investors. We’ve been fortunate enough to grow our business significantly since we launched, and today we have a team of 20 investment professionals that have spent the majority of their careers at ABS, and 24 employee equity partners sharing in the success of the firm. We are proud of what we have achieved over the past two decades and remain focused on continuing to evolve and improve our business to provide the best possible returns and service to our clients for decades to come.

At the end of 2022 we also announced that Alain De Coster would be stepping down from his role at the firm. Alain was one of the three founding partners of ABS and has been instrumental in shaping the firm’s culture and a driving force behind the firm’s success. We are thankful for all that Alain has done for ABS, and while he is taking a step back from his day-to-day involvement with ABS, he will remain a partner and continue to consult on hedge fund strategies as a special advisor.

On the other hand, and in line with our commitment to fostering inclusion and equity participation among our employees, we are excited to announce that we have added four new equity partners to the firm effective January 1, 2023: Colin Caneff (qualitative investment team), Samantha Funigiello (operations), Chris Carmody (business development), and Thomas Kelley (business development). As a majority employee-owned firm, we are excited by this opportunity to continue deepening the alignment between our firm and our employees.

In addition to the new equity partners mentioned above, ABS also hired four new employees across our investment, operational, and business development teams. Additionally, Christine Spencer joined our Greenwich headquarters to handle our increasingly busy office manager role with the team returning to the office post-COVID. We enter 2023 with 37 employees, 24 of whom are equity partners in the firm. Our workforce continues to represent a diverse set of backgrounds, cultures, and perspectives - our 37 employees represent 12 nationalities and speak 13 languages.

**Investment Expertise**

**17** Avg years industry experience

**10** Avg years ABS tenure

**Diversity**

**12** Nationalities

**13** Languages spoken

**Ownership**

**24** Equity Holders

**11** Women/minority partners

**FIRM UPDATES**

Throughout the year we made additional progress in implementing our firm-level ESG and Diversity initiatives, both in terms of continuing our efforts from 2021 and in launching new initiatives in 2022. This report will highlight our carbon neutral efforts, volunteering work, unconscious bias training, and our charitable contributions. Our efforts around ESG and Diversity are led by our ESG & Diversity committee, which is composed of 5 members that span a wide range of backgrounds and experience levels, and includes representation from the investment due diligence, operations, and business development teams.

**Carbon Neutrality**

ABS continued our environmental efforts by maintaining our carbon neutral status in 2022. We followed the same general methodology as last year and used the carbon calculation tools provided by the Carbon Fund<sup>1</sup> 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 once again below our historical expectations 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.

<sup>1</sup> <https://carbonfund.org>



Once calculated, we partnered with Carbon Footprint<sup>2</sup> 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 below<sup>3</sup>.

### 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.



### Pacajai REDD+ Project (Brazil)

The objective of the Pacajai REDD+ project is to prevent the unplanned deforestation of 150,000 hectares of native Brazilian rainforest, which would translate to avoiding 22 million tonnes of carbon dioxide equivalent greenhouse gas emissions over a 40-year period. The project manages the land as a "private conservation reserve" and actively monitors the area through on-the-ground patrolling, strategic occupation of the territory, improvement of forest management practices, and encouraging sustainable use of forest products.

The project also focuses on the local communities within the area, striving to improve their quality of life and empowering them as their own population. Communities will be involved in the activities related to protecting and maintaining the area, since local natural resources provide the vast majority of food and income for local families. Villagers within the project area will be trained and employed as rangers to patrol the area to prevent illegal logging and deforestation.



### 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.



<sup>2</sup> <https://www.carbonfootprint.com>

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



## Local Volunteering

In July 2022, ABS employees spent a day volunteering at Kids in Crisis in Cos Cob, CT. Kids In Crisis provides emergency shelter, crisis counseling, and community education programs for children of all ages and families facing crisis. Crisis can include domestic violence, mental health concerns, homelessness, substance abuse, economic difficulties, and other critical challenges. Our volunteers spent an evening preparing food, eating, and spending time with a group of children that the organization was providing care for at the time. Since its founding in 1978, Kids In Crisis has provided vital 24-hour services to more than 160,000 children and teens, and their families. We are proud to support such an impactful cause.



## Unconscious Bias Training

At ABS we have always celebrated the diversity of our workforce and consider our unique blend of backgrounds and experiences to be an important competitive advantage for our firm. That said, we are always looking to improve, and want to do everything in our power to make sure all of our employees feel welcomed, respected, comfortable, and productive in the workplace. To help facilitate these efforts, we partnered with an organization called Paradigm IQ, a leading consultant on corporate Diversity, Equity, and Inclusion initiatives. We found that Paradigm IQ's perspective on the importance of DEI was closely aligned with our own: that a wealth of research supports the value of designing inclusive organizational cultures where people can be their authentic selves and do their best work, and that everyone in an organization can play a powerful role in shaping an inclusive culture.

ABS partnered with Paradigm IQ for 2-hour live training designed to help managers and employees understand the science behind inclusive cultures. The training shared research on how diversity leads to smarter and more innovative teams, how inclusion drives performance, motivation, engagement, and retention, and how there's always room for improvement in a thoughtful organization. Building an inclusive culture is a priority for us at ABS, and this training proved to be an excellent forum for everyone to engage on the topic. In addition to the live training, ABS employees also have access to Paradigm's online portal, which hosts a number of resources to facilitate ongoing individual training.



## ABS Giving Program

Last year we introduced a charity matching program where ABS employees can donate to charitable groups of their choice and have their donation matched by ABS. Over the course of 2022, numerous ABS employees took advantage of the program and contributed to a total of 15 different charities. In addition to employee matching, ABS also donated to approximately 40 other 501c3 charity groups throughout the year. Perhaps most notable was our charity golf outing that we hosted as a part of our annual investor conference. With support and participation from many of our managers, investors, and partners, ABS used the outing as a platform to raise sizable contributions to both Connections Mentor and Year Up, two outstanding organizations dedicated to providing mentoring, support, and equitable access to career opportunities for young adults. Connections Mentor works in partnership with young people, families, organizations, and volunteers to curate long-lasting, supportive mentoring relationships that improve self-worth for young people with past, current, or peripheral contact with the child welfare or juvenile justice systems in New York City or Westchester County. Year Up's mission is to close the Opportunity Divide by ensuring that young adults gain the skills, experiences, and support that will empower them to reach their potential through careers and higher education. We strongly encourage anyone who is interested to contact either organization to learn how to get involved.



### YEAR UP BY THE NUMBERS



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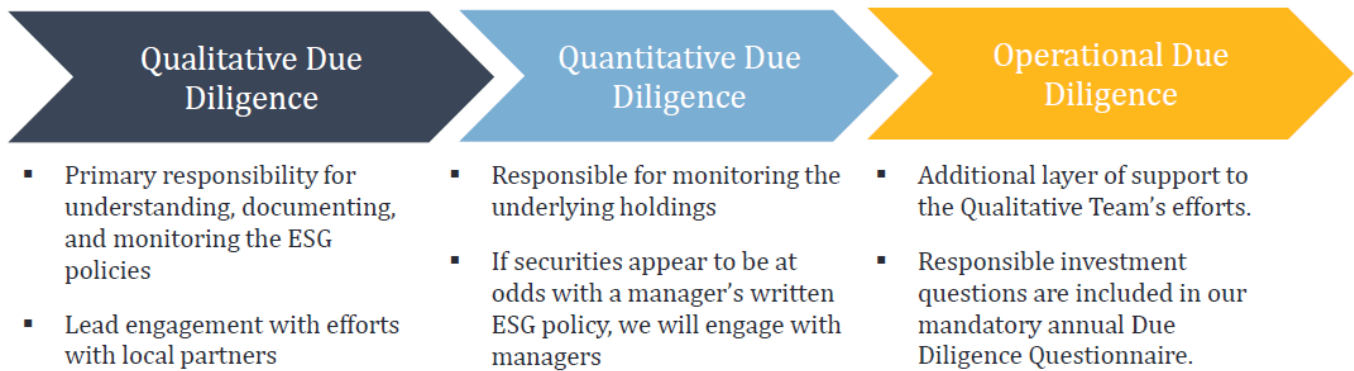
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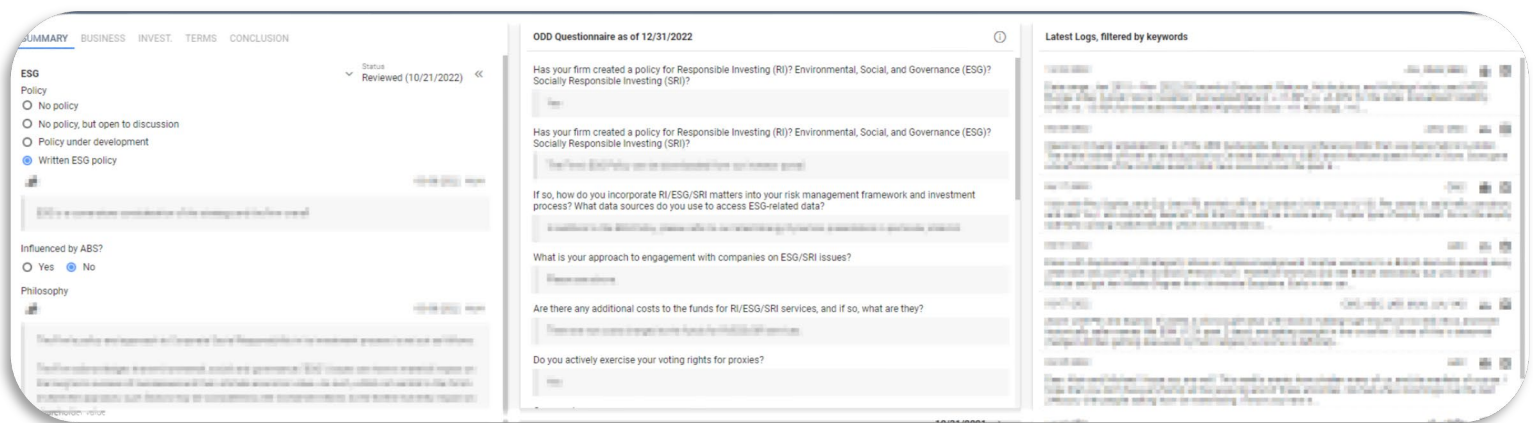
## INVESTMENT UPDATES

Before we begin the annual update of our 2022 ESG investment progress, we wanted to provide a quick reminder of the way in which we approach ESG integration. 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. Our ESG involvement spans all three pillars of the investment team – the qualitative research team, quantitative research team, and operational due diligence team all play a role in implementing or monitoring our ESG policy.

### Three-track Approach to Incorporating ESG in Our Investment Process



Additionally, all of our teams are assisted by a dedicated ESG module that we developed within our internal, proprietary research platform that powers our investment process. The module is designed to facilitate every stage of the ESG engagement process, from tracking ESG-related interactions with managers, to documenting ESG policy adoption, to aiding with ongoing monitoring of ESG policy implementation.

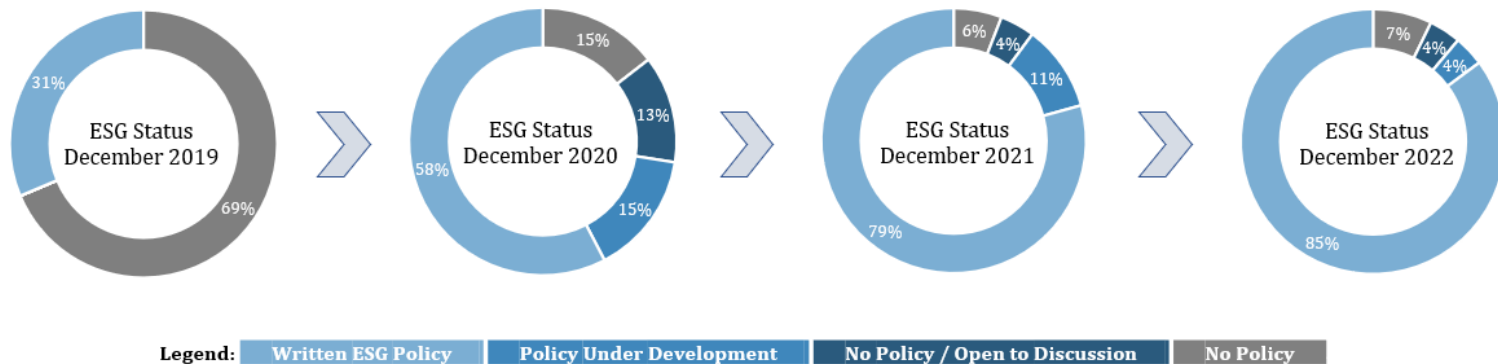


## IMPACT OF ABS ENGAGEMENTS

### Firm-wide ESG Progress

Across our total firm AUM, our ESG policy coverage increased by 6 percentage points over the course of 2021. This increase came in the wake of a 21% increase during 2022. As a result, we enter 2023 with 85% of our firm assets covered by an ESG policy. When we first set out to implement our ESG policy in early 2020 only 31% of our firm assets were managed with an ESG policy, meaning we have increased our ESG coverage more than 2.5x over the past 2 years. Of the 15% of ABS assets that are not covered by an ESG policy, we've had productive engagements with managers that account for approximately 8%, and we are focused on converting those managers over the course of 2023.

Invested AUM by ESG Policy Status



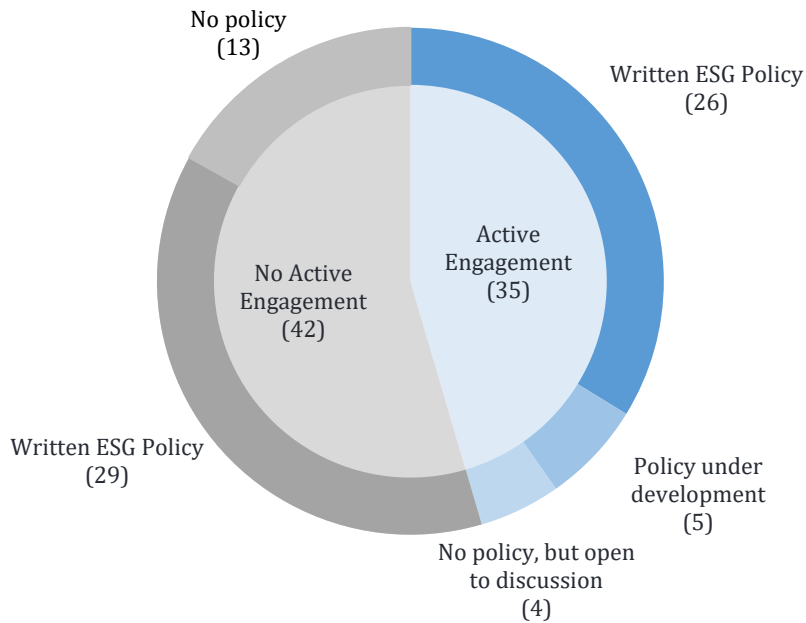
### Engagement Results

Given engagement with managers underpins our ESG approach, we are keen to understand the impact our engagements thus far, but also to understand the context around managers where we have not had an active engagement. To better distill the results of our engagement, we divide managers into two general buckets: those with whom we have had an active ESG engagement, and those with whom we have not. Encouragingly, the majority of our active engagements have already yielded ESG policies (74%). This is a notable increase from last year (when 61% of our engagements had produced ESG policies), which provides an interesting tangible data point to support our qualitative experience: that adopting an ESG policy can take time, but that patience and persistence pays off. For active engagements that have not yet resulted in an ESG policy, most managers are currently working on developing a policy (14%). As for the remainder (11%), these managers are receptive to a dialogue around formal ESG integration and we are optimistic that implementation of an ESG policy is feasible.

For managers where we have not had an active ESG engagement, the overwhelming reason is that the manager has already integrated ESG considerations and documented that integration in an ESG policy (69%). 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. The remaining managers, those where we have not had a productive engagement and who do not have a policy (31%), we have primarily found two categories of managers: 1) managers who are resistant to ESG adoption for a variety of reasons, and 2) small, early-stage managers where our engagement has been focused more on mission critical operational and back-office improvements, but where we expect ESG engagement in the near future. In both cases, we will continue to advocate for formal ESG integration and work with these managers towards that goal.



## Engagement Outcomes Among Current Managers

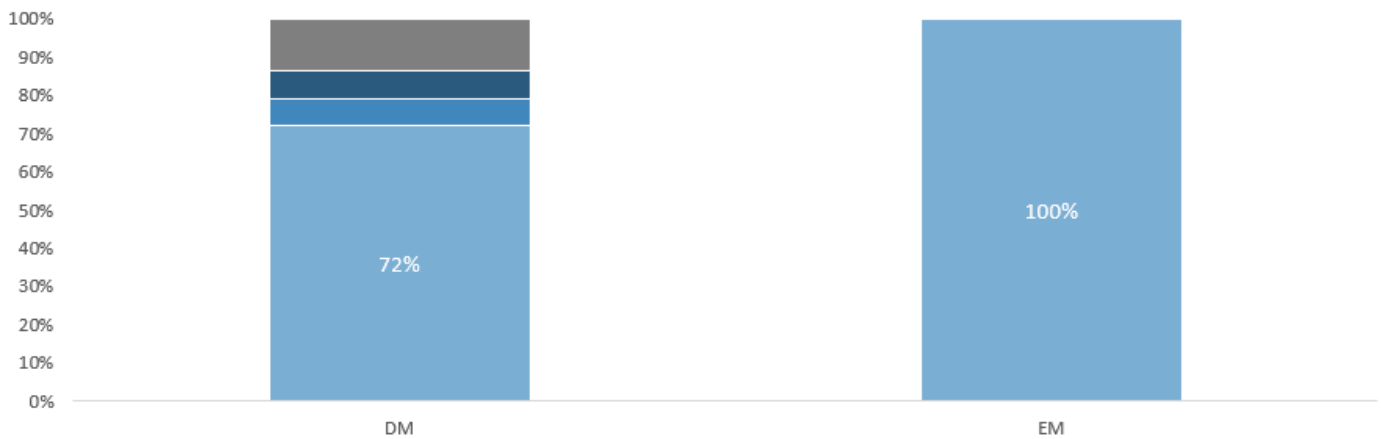


### Regional ESG Integration

ABS is an active investor in both emerging (EM) and developed (DM) markets which provides a unique vantage point on ESG adoption trends across geographies. In a continuation of a trend that we have seen since we began publishing this annual ESG report, ESG adoption among emerging markets-focused managers remains well ahead of their developed market peers. Importantly, 2022 marked a significant milestone for ABS where we reached 100% ESG integration across our roster of EM managers.

ESG adoption within developed markets did improve 2022, with ESG policy coverage increasing from 67% to 72% over the course of the year. This was driven primarily by managers finalizing in-progress policies, with that cohort of managers decrease from 15% in 2021 to 7% in 2022. Like last year, continuing to increase ESG adoption among developed markets remains a priority for 2023.

### ESG Status: DM vs. EM



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



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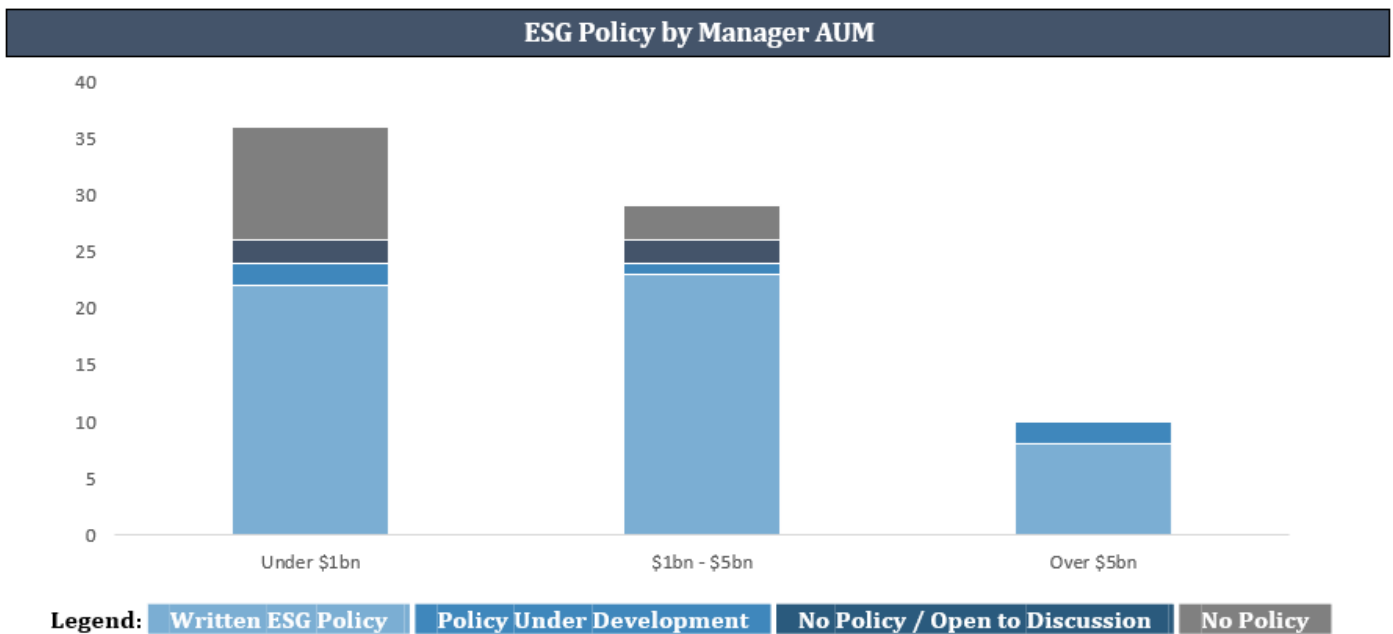
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## ESG Status by Firm AUM

ABS typically gravitates towards early stage and niche managers, which means we are often involved with firms with under \$1bn in AUM. While smaller-scale managers have historically been an attractive cohort from an alpha perspective, managers with <\$1bn in AUM also tend to lag their larger peers in ESG adoption. There are many valid reasons for this, ranging from investment mandate (small caps banks likely require fewer ESG considerations than a global all-cap mandate) to resource availability (smaller funds typically have lean teams where formalizing an ESG policy could detract from investment focus). However, it is also within this cohort of smaller managers where ABS, typically a large and important investor for these managers, often has more influence. So, although this subset of managers accounts for the majority of “No Policy” investments, it’s also where we believe we can have the greatest impact.

At the end of 2022, firms managing under \$1bn accounted for 77% of ABS investments that do not have ESG policies. While this is a similar proportion to 2021 (69%), the managers behind these numbers changed materially. The change was largely driven by the natural cycle of ABS’s investment cycle and ESG engagement timeline. Using 2022 as an example, we had several managers in the <\$1bn group implement policies throughout the year. On the other hand, we made several new early-stage investments where we are now ramping up our ESG engagement, but where there is currently no formal ESG integration. As managers progress out of the “under \$1bn, no ESG policy” cohort they are naturally replaced by new investments, and thus we do anticipate this cohort to consistently represent an outsourced proposition of “no policy” managers. That said, there is always room for improvement, and we are working to engage on ESG earlier in our diligence process to shorten this delay between when we invest, and when our ESG engagement yields a formal ESG policy.



## CONCLUSION

In 2022 we successfully expanded upon the ESG foundation we’ve built in years prior, further establishing and expanding upon multiple firm-level initiatives while continuing to implement our ESG policy on the investment side. On the firm side, we maintained our Carbon Neutral certification; expanded our local volunteering work; participated in a live, firm-wide unconscious bias training; and continued to support a host of charitable organizations, both as a firm and in concert with our employees. While we remain committed to the initiatives we have already launched, we are also constantly looking for additional ways to improve, and we welcome any and all suggestions!

On the investment side, we made additional progress on expanding ESG integration across our invested managers. At the end of 2022, 85% of our firm AUM is covered by an ESG policy. This includes an important milestone that we reached during the year: 100% of our Emerging Markets AUM now formally integrates ESG into the investment process. In 2023 we aim to further expand ESG coverage across our Developed Markets managers, while maintaining our 100% coverage in Emerging Markets. We are proud of the progress we made since we launched our ESG and Diversity initiatives, and are excited to continuing finding ways to better serve our investors, employees, partners, and communities 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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