

UN Principles for Responsible Investing Due Diligence Questionnaire

Purpose

This responsible investment due diligence questionnaire (RI DDQ) is the first industry-standard RI DDQ to assist investors when assessing external hedge fund managers on their responsible investment policies and practices. It helps identify those hedge funds that have the personnel, knowledge, and structure to incorporate environmental, social and governance (ESG) factors in the investment decision-making process.

1. POLICY

1.1. Does the investment manager have a policy addressing its approach to the incorporation of ESG factors within the investment process? If yes, please provide a copy of the policy and indicate the coverage of the policy by asset class, funds, strategy and AUM. If there is no policy, please explain why.

f3x actively integrates ethical concerns into investment decision making and portfolio allocation. We exclude unacceptable industries such as the supply chain for combustion engines, slaughterhouses, companies engaged in animal testing and the defense industry. To the extent feasible, we allocate our clients' monies along the UN Sustainable Development Goals (SDG). f3x focusses on four clusters of the SDGs. (1) climate change (2) pollution and the protection of natural resources (3) health & quality of life (4) governance and corporate leadership.

We report certain ethical KPIs on portfolio company level through our "Ethics Tracker" on our website. These include animal exploitation, gender parity on board level, discrepancy of management and employee compensation, employee satisfaction and exposure to military use cases. The Ethics Tracker is expected to be enriched through further KPIs going forward.

Our ethical investing approach permeates the entire operation. We currently manage one equity UCITS fund but will apply the same standards to future vehicles and mandates.

1.2. What is the investment manager's rationale for adopting a policy to incorporate RI into the investment decision-making process?

Personal conviction of founder and chief investment officer.

1.3. To which normative codes and initiatives is the investment manager a signatory or a voluntary adherent (e.g. the PRI, national stewardship codes, HFSB Hedge Fund Standards, CFA's Asset Manager Code of Professional Conduct, AOI Hedge Fund Principles 2014)?

We are signatory of the UNPRI since 2020.

2. GOVERNANCE

2.1. Please indicate the methods of investment manager internal oversight (e.g. oversight by investment committee, firm management, board of directors, etc.), and reporting of RI incorporation across the investment manager's organisation.

All final investment decisions are taken by our CIO. f3x is actively recruiting to set up an "ethics board" that would establish a rhythm to review portfolio companies and the investment pipeline. Our "Ethics Tracker" tries to provide maximum transparency to clients and interested parties on portfolio company level. We believe explicit reporting of certain KPIs is superior to opaque and "catchall" ESG ratings.

2.2. Please describe how the investment manager has organised RI responsibilities within its investment team(s) and indicate whether the investment manager employs RI professionals.

Every member of team member involved in the investment process adheres to the ethical standards of f3x such that RI is incorporated along the entire investing value chain from idea generation, over due diligence to final investment decision.

2.3. Please explain what RI training is provided by the investment manager to its employees.

New team members are initially briefed on the ethics verticals of f3x including how and where to extract relevant information when researching new investment opportunities. We frequently share research / literature amongst each other.

2.4. Does the investment manager's annual employee performance review or remuneration metrics reflect any component for the inclusion of RI? If yes, please describe them. If not, please explain.

Currently not applicable.

3. INVESTMENT PROCESS

3.1. Please describe what ESG data, research, third-party consultants, resources, tools and practices the investment manager uses. How are these incorporated into the investment and risk management process?

We conduct direct research of companies including site visits and dialogue with management and extract our relevant data points directly. We run a concentrated portfolio of typically 20 or less holdings which allows f3x to stay close to the business models and

management teams. In terms of external data sources, we review "Sustainalytics" ESG risk scores and "Refinitiv" ESG ratings to cross-check our analysis. Many of the companies in our European small and mid-cap investment universe, however, are not covered by the major ESG ratings agencies.

We review Kununu and Glassdoor ratings for employee satisfaction. We review the Peta "CrueltyFree" database to investigate corporate involvement in animal exploitation.

Military involvement is investigated through direct dialogue with management or IR departments.

3.2. Have there been any changes to the investment manager's RI incorporation process over the past 12 months (e.g. additional resources, information sources)? If yes, please describe them. If not, please explain.

We have started cross-checking our own analysis with ESG ratings of Refinitiv and Sustainalytics.

3.3. Please explain how active ownership practices, both voting and engagements, are integrated into investment decisions.

We are constantly looking for engagement targets. Due to size constraints, we currently still depend on mobilizing partner funds. We are open to leading the investment and engagement process for Separately Managed Accounts (SMAs) or bespoke mandates.

3.4. Please provide examples of where ESG risks and opportunities were incorporated into the investment manager's investment decisions over the past 12 months.

We exited three positions due to moral concerns. The reasons were (1) peripheral involvement in military equipment (less than 5% of revenue), (2) animal testing, (3) enabling of aggressive tax optimization.

4. MONITORING & REPORTING

4.1. Please describe what metrics (internal and/or external) the investment manager uses to measure its progress in incorporating RI into the investment process.

We track aggregated KPIs on fund level including the ratio of companies with women in executive positions, the ratio of female CEOs, the relation of management compensation versus average compensation across the entire company, Glassdoor/Kununu ratings. We seek to improve these KPIs year-over-year.

4.2. Does the investment manager assess its fund's exposure to climate risk and measure and monitor the carbon footprint of its investment portfolio? If yes, please explain the assessment process. If not, please explain why.

We extract the carbon footprint (Scope 1 to 3) of investee companies from annual reports. However, a small share of small and midcap companies provide this type of data. We are also aware of how unreliable this data can be.

4.3. How often and in what format (e.g. meetings, written reports) does the investment manager report to its investors on ESG activities and portfolio ESG risks assessments? Please provide reporting examples.

We update our public Ethics Tracker at least every quarter. We report to our investors through quarterly letters. We publish memos and small essays on various ESG topics and how they impact our investment approach and capital markets in general.



Felix Eisel
Chief Investment Officer

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