Responsible Investment Policy

May 2023

This policy (the **Policy**) sets out Aspect's current approach to Responsible Investment.

1. Definition

The starting point for adopting a meaningful policy on Responsible Investment is to define what the term means to us.

Responsible Investment is a multi-faceted concept which can mean different things to different people. A given investment manager's interpretation of the term is likely to be influenced by (among other things) the sub-sector of the investment industry in which a firm operates (e.g. private equity vs. hedge funds), the investment strategies pursued and their objectives, the asset classes traded, and investors' expectations.

Taking these factors into account, Aspect defines Responsible Investment to mean three things:

a. The consideration and assessment of material non-financial risks and opportunities – in particular those associated with environmental, social and governance (**ESG**) issues – in investment analysis, investment decisions and/or risk management. This is referred to throughout this Policy as **ESG integration**.

b. Acting as a responsible participant in the markets in which we operate. This implies contributing to the efficient functioning of markets and not engaging in any practices which could be detrimental to the public's trust in financial markets or to other market participants. This includes complying fully with all rules governing those markets and being conscious of the potential impact Aspect's investment strategies may have on them. We refer to this as **market impact**.

c. Being aware of Aspect's overall responsibility, which is not specific to our position as an investment manager but is shared with all corporate entities, to act responsibly and to seek to have a positive impact on society, the environment and the economy. We call this **Corporate Social Responsibility**.

Each of these elements of our approach to Responsible Investment is covered in further detail in section 3 of this Policy.

2. UN Principles for Responsible Investment

Aspect is a signatory to the Principles for Responsible Investment (**PRI**). However, we believe that – as currently drafted – it is not realistic for the firm to comply with all of the principles in all cases, given (a) the systematic approach to investment management adopted by Aspect across all of its investment strategies, and (b) the asset classes traded within Aspect's investment programmes.

Aspect's overall approach to compliance with each of the PRI's six principles is set out below. It is our intention to engage actively with the PRI and relevant industry bodies (such as AIMA and the SBAI) to highlight the difficulties we and others face in complying meaningfully with the principles and to ensure our approach is consistent with industry best practice.

Principle	Aspect's approach
We will incorporate ESG issues into investment analysis and decision-making processes	We will assess and consider the relevance of ESG issues to all asset classes across all investment programmes traded by Aspect. Where appropriate to do so, we will incorporate these issues into the investment analysis and decision-making process; however, we acknowledge that there will be

Principle	Aspect's approach
	instances where this is not possible or desirable. See section 3.1 below for further details.
We will be active owners and incorporate ESG issues into our ownership policies and practices	None of the asset classes currently invested in by Aspect's systematic investment programmes gives rise to a direct ownership stake in any underlying entity. This principle is most relevant in the context of ownership of public or private equity or corporate debt. There are also limitations inherent in a systematic investment approach as to the viability of active ownership. We therefore do not consider this principle to be relevant to Aspect at present.
We will seek appropriate disclosure on ESG issues by the entities in which we invest	As above, none of Aspect's systematic investment programmes entail direct investment in underlying entities. Again, there are also limitations inherent in a systematic investment approach as to the viability of active engagement. We therefore do not consider this principle to be relevant to Aspect at present.
We will promote acceptance and implementation of the Principles within the investment industry	We will promote acceptance and implementation of the PRI within the investment industry by publishing Aspect's adherence to the principles, contributing to the discussion on Responsible Investment and engaging on the topic with industry bodies, our peers and our clients. By way of example, Aspect is a member of AIMA's Responsible Investment working group and the SBAI's working group on Responsible Investment.
We will work together to enhance our effectiveness in implementing the Principles	We will actively engage with the PRI and our peers to ensure our implementation of the principles is and remains appropriate and in line with industry best practice.
We will each report on our activities and progress towards implementing the Principles	We will fully, accurately and timely complete the PRI's annual transparency report and will be transparent with our clients regarding our Responsible Investment approach and activities.

3. Our approach

3.1. ESG integration

We believe that there is no one-size-fits-all approach to ESG integration, and the means by which and extent to which ESG issues can be incorporated into investment analysis and decision-making will vary depending on the investment strategy adopted and asset classes traded, among other things. Our approach to ESG integration is therefore guided by a set of overarching principles and beliefs, as set out below, rather than being something that is mandated for inclusion in all of Aspect's investment programmes.

3.1.1. Negative screening

Whilst we accept that negative or exclusionary screening of assets is a viable approach to responsible investment and one which many investors abide by, we do not believe this is the optimal approach. Such an approach implies making moral, ethical or value judgements on our clients' behalf, which is not part of our core competencies.

Moreover, given the subjectivity of such a decision, each client is likely to have a different view, and any judgement made by Aspect may not be shared by all of our clients.

Ultimately, we believe that clients invest with us for our investment expertise first and foremost, and in anticipation of long-term, sustainable investment performance. From this perspective, an exclusionary approach could be considered detrimental, as it acts to reduce diversification within client portfolios and can therefore lead to unintended factor exposure and a reduction of risk-adjusted returns over the long-run.

Moreover, in the context of Aspect's definition of ESG integration, as set out in section 1 above, we believe that an exclusionary approach is a somewhat blunt instrument in the sense that it does not so much incorporate the risks (and associated opportunities) of ESG issues into investment decisions as exclude those risks altogether.

We therefore impose no prima facie limitations on the investment universes in which our programmes may invest or the total exposure (long or short) a programme may have to a particular asset or sector as a result of ESG considerations.

We can, however, operate segregated mandates which take into account client-specific exclusions or other restrictions, subject to certain minimum criteria being met, and have done so in the past.

3.1.2. ESG integration may not always be appropriate

We believe that environmental, social and governance issues can impact asset prices, and therefore an assessment of the risks and opportunities associated with these issues can and should, in appropriate cases, be incorporated into the investment process.

However, the extent to which ESG factors impact asset prices will, naturally, depend on the asset in question; and the extent to which it is appropriate to incorporate such an assessment into investment analysis and decisions will depend on the investment objective and strategy being pursued, subject always to Aspect's fiduciary duty to its clients. It is therefore appropriate to tailor the approach to the strategy in question, as determined by the investment teams responsible for those strategies.

We are committed to assessing the relevance and appropriateness of ESG integration for each asset class and each investment strategy which we manage, however we believe that a reasonable conclusion following such an assessment may be that it is not appropriate or possible to integrate ESG factors into the investment process.

3.1.3. ESG integration should be a quantitative, systematic process

Aspect's investment philosophy involves a scientific approach to investment, driven by our belief that market prices are not random but rather that they display persistent, statistically measurable and predictable behaviour and idiosyncrasies which, through sophisticated quantitative research and a disciplined approach, can be successfully identified and exploited for investment profit.

Our approach to Responsible Investment is consistent with this philosophy: any steps we take to integrate ESG factors into our investment process, across any of our systematic investment strategies, must be based on sophisticated quantitative research, rigorously tested and implemented in a systematic fashion, and subject to appropriate risk management.

Any piece of research which involves the integration of ESG factors into the investment process will be subject to the same high level of scrutiny as any other research, and only implemented in live trading once it has passed the various stages of review that form part of Aspect's standard research process.

Given Aspect's fiduciary duty to its clients, we do not believe in incorporating ESG factors to the detriment of a portfolio's overall risk-return profile, unless mandated by regulation or by a specific client for whom we operate a segregated account.

3.1.4. Current status

Taking the above into account, the extent of integration of ESG factors across the asset classes currently traded by Aspect is as follows:

Asset class(es)	ESG integration approach
Exchange-traded futures, OTC FX forwards, OTC cleared interest rate swaps and credit default swap indices, OTC sector swaps, ETF CFDs and exchange-traded options	Overall we believe that there is limited scope for the integration of ESG factors into the investment process across these asset classes, taking into account both the nature of the instruments themselves and the investment strategies traded by Aspect. We engage actively with the PRI and relevant industry bodies (such as AIMA and the SBAI) to contribute to the discussion on ESG integration in the context of derivative trading and systematic investment strategies.

The above table will be updated as new asset classes are added to Aspect's investment programmes and as industry best practice develops. Thereby, an analysis of the Responsible Investment considerations associated with a given asset class will be performed both at the outset and on an ongoing basis in respect of each asset class traded by the firm in its investment programmes.

3.2. Market impact

Aspect ensures compliance with all rules applicable to the markets in which it operates and dedicates significant resources to minimising its impact on those markets.

Among other things, Aspect has systematic controls in place to ensure compliance with exchange and regulatory position limits, and systematically monitors such compliance through automated daily reports. We accept that such limits have a role to play in protecting participants in the markets to which they apply (principally commodity futures markets which are used by underlying producers and consumers to hedge their physical commodity exposures) and therefore we view these controls as a fundamental part of our Responsible Investment framework.

For the same reasons, Aspect invests heavily in execution research, to ensure that its investment programmes' desired exposures are efficiently translated into market positions by minimising market impact. Market impact across all asset classes and investment programmes is assessed on an ongoing basis.

Liquidity risk is also carefully monitored and managed to avoid a given investment programme's positions in any market becoming too large a proportion of total market liquidity.

Subject to the aforementioned systems and controls, we believe that Aspect's participation in the markets in which our programmes operate contributes positively to well-functioning financial markets by providing liquidity and aiding price discovery.

Aspect's focus on market impact also extends to individual employees via policies designed to prevent and identify possible market abuse and other instances of financial crime, which are monitored and enforced by the firm's Compliance team.

3.3. Corporate Social Responsibility

We view our responsibilities as a corporate entity as being intertwined with our responsibilities as an investor. In particular, given some of the limitations of integrating ESG factors into our investment approach across a number of our investment strategies (as outlined elsewhere in this Policy), we place an enhanced emphasis on environmental, social and governance issues at the corporate level. We believe we have a duty to act responsibly and to seek to have a positive impact on society, the environment and the economy.

A summary of Aspect's approach to Corporate Social Responsibility can be found here.

4. Stewardship and Engagement

As noted in section 2 (UN Principles for Responsible Investment) above, none of the asset classes currently invested in by Aspect's systematic investment programmes gives rise to a direct ownership stake in any underlying entity. Consequently, while the firm supports the objectives that underlie the relevant PRI principles relating to engagement and active ownership, as well as the UK Financial Reporting Council's Stewardship Code, such considerations are not relevant to the type of investment currently undertaken by the firm.

Aspect does however believe in collaborative engagement at the industry level, both to promote acceptance and implementation of the PRI within the investment industry and to ensure our overall approach to responsible investment is and remains appropriate and in line with industry best practice. To this end, we will continue to engage actively with the PRI and to collaborate with our peers on the subject, including via industry bodies such as AIMA and the SBAI.

5. Regulatory and Climate-related Disclosures

Aspect continues to monitor and intends to comply fully with all applicable ESG-related rules and disclosure requirements promulgated by relevant regulatory bodies.

Aspect currently makes disclosures at the firm level in relation to Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.

Aspect will publish its first reports by 30 June 2024 in respect of the FCA's Task Force on Climate-related Financial Disclosures (TCFD) Rules, which focus on the consideration of climate related risks and opportunities by UK investment managers in relation to managing their investment portfolios.

6. Governance

Given the relatively limited application of ESG integration to Aspect's investment strategies at present, we do not believe that an overly-formalised governance framework is currently merited. As described elsewhere in this Policy, the approach to ESG integration for each of Aspect's investment strategies is determined by the investment teams responsible for those strategies, subject – as with all facets of Aspect's investment strategies – to formal oversight from Aspect's Investment Committee.

The programme-level controls around market impact described in section 3.2 above are built into each of Aspect's systematic investment strategies and are subject to a formal pre-implementation review process under the oversight of Aspect's Director of Risk. Ongoing monitoring of the programmes against such limits is the responsibility of Aspect's Market Risk and Compliance functions. Individual controls designed to prevent and detect market abuse, meanwhile, are the responsibility of the Compliance function.

Corporate Social Responsibility is the remit of Aspect's Director of Organisational Development.

On an overall basis, the implementation of this Policy is the responsibility of Aspect's Director of Business Development Operations, who reports periodically to the Executive Board on developments relating to the firm's approach to Responsible Investment.

7. Updating this Policy

Responsible Investment is an evolving area and Aspect will seek to remain at the forefront of the industry's thinking on the topic, including through active engagement with the PRI and relevant industry bodies such as AIMA and the SBAI. We view the implementation of Responsible Investment as an ongoing process and we fully expect this Policy to evolve over time as ours and the industry's thinking on the topic develops.