

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Moonstone Lending Fund 1

Legal entity identifier: 549300T033C3QNHQQB66

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It made sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input type="checkbox"/> It made sustainable investments with a social objective: ___%</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <p><input checked="" type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments</p>

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund systematically promoted environmental, social, and governance criteria corresponding to the material challenges for lending platforms. A total of 51 different ESG indicators are used in the evaluation and extra-financial analysis of the business finance platforms. To attain each of the environmental or social characteristics promoted by the Fund, Smart Lenders AM, the AIFM of the Fund, applied an exclusion policy, and maintained a constructive dialogue with the platforms.

The exclusion policy was based on two pillars:

- A sectoral exclusion policy in line with its ESG commitments and objectives, excluding the financing of projects or companies in a pre-defined list of sectors. As such, the exclusion list was transmitted to the lending platforms. An ex-post control was carried out by the management team after any investment.
- A normative exclusion policy. Smart Lenders AM refused to invest in projects led by companies that contravene the principles of the UN Global Compact or companies that specifically contravene the United Nations' guiding principles on

business and human rights and the conventions of the International Labour Organisation.

ESG themes are weighted differently in the extra-financial analysis based on the relevance to the Fund:

- Governance theme (30%): share of women on the Executive Committee, existence of a sustainable development and/or CSR referent, integration of social criteria in purchasing/subcontracting practices.
- Environmental theme (10%): formalisation of a long-term environmental strategy, existence of an environmental management system, greenhouse gas emissions for scopes 1 (direct emissions) and 2 (indirect emissions linked to energy) (ton CO2 eq.).
- Social theme (30%): job turnover rate, share of women in the management workforce, share of the workforce having an annual individual assessment interview.
- Project selection for SME loans and Sustainable Financing Initiatives for consumer loans (30%): Integration of social, governance, and environmental criteria in the selection of proposed projects (SME), does the platform treat the borrower fairly and respectfully for the duration of the credit relationship (consumer).

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● **How did the sustainability indicators perform?**

Smart Lenders considered that a platform with a minimum global score of 50 met the ESG requirements necessary for investment. The objective was to work with partner platforms to increase this score with each annual update of the ESG questionnaire. These scores were used by Smart Lenders to demonstrate the level of commitment to ESG objectives that each partner platform reported and aggregated in the Sustainability Reporting report that is published annually.

The table below shows the thematic scores applied to the top three consumer and top three SME platforms, which represented 72% of the portfolio at the end of Q4 2022.

#	Sector	Scoring 2022				
		Governance	Social	Environment	Sustainable Financing Initiatives	Global
Platform 1	Consumer Loans	90	54	86	100	82
Platform 2	Consumer Loans	90	73	50	91	81
Platform 3	Consumer Loans	90	47	84	100	80
Platform 1	SMB Loans	100	82	43	56	76
Platform 2	SMB Loans	100	85	100	92	93
Platform 3	SMB Loans	100	89	86	64	84

The following table shows the quarterly weighted average global score for the portfolio based on the asset allocation during 2022. These scores represent 100% of the assets (including platforms with scores below 50 and the proportion of uninvested cash).

Q1 2022	Q2 2022	Q3 2022	Q4 2022
72.5	72.2	74.4	72.9

● **....and compared to previous periods?**

The table below shows the thematic scores applied to the top three consumer and top three SME platforms, which represented 73% of the portfolio at the end of Q4 2021.

#	sector	Scoring 2021				
		Governance	Social	Environment	Sustainable Financing Initiatives	Global
Platform 1	Consumer Loans	90	53	86	100	81
Platform 2	Consumer Loans	80	81	54	91	81
Platform 3	Consumer Loans	70	71	0	91	70
Platform 1	SMB Loans	100	85	100	92	93
Platform 2	SMB Loans	100	89	86	12	69
Platform 3	SMB Loans	100	75	43	56	74

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The following table shows the quarterly weighted average global score for the portfolio based on the asset allocation during 2021. These scores represent 100% of the assets (including platforms with scores below 50 and the proportion of uninvested cash).

Q1 2021	Q2 2021	Q3 2021	Q4 2021
74.4	74.1	74.3	73.4

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The fund did not set any quantitative sustainable investment objectives due to the nature of the underlying assets. However, social and governance characteristics accounted for a combined 60% of the criteria used when calculating extra-financial rating assigned to each investment.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

The fund did not have any sustainable investment objective due to the nature of the underlying assets, therefore this is not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

- How were the indicators for adverse impacts on sustainability factors taken into account?
The fund did not have an indicator for adverse impact available due to the lack of sustainable investment objectives.
- Were sustainable investments aligned with the OECD Guidelines for multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:
All the fund's investments were aligned with the UN Guiding Principles on Business and Human Rights as the fund manager, Smart Lenders, is a signatory participant of the UN Global Compact.



How did this financial product consider principal adverse impacts on sustainability factors?

The Fund did not consider Principal Adverse Impacts (PAI) due to the nature of the underlying assets.

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: **01/01/2022 – 31/12/2022.**



What were the top investments of this financial product?

The following table lists the top 10 investments, which included 8 consumer and 2 SME platforms. The top 10 platforms accounted for 89% of the total portfolio on average for the year.

Top Investments (quarterly average)		
#	Avg USD Q1-Q4	Avg Q1-Q4
1	\$ 128,875,371	31%
2	\$ 77,543,449	19%
3	\$ 49,304,284	12%
4	\$ 38,990,239	9%
5	\$ 18,232,412	4%
6	\$ 15,591,563	4%
7	\$ 13,353,495	3%
8	\$ 11,777,990	3%
9	\$ 9,940,420	2%
10	\$ 8,441,249	2%
Cash	\$ 22,997,844	6%
TOTAL AuM	\$ 416,118,575	

* Assets = outstanding at the end of the quarter
Cash = cash at the end of the quarter

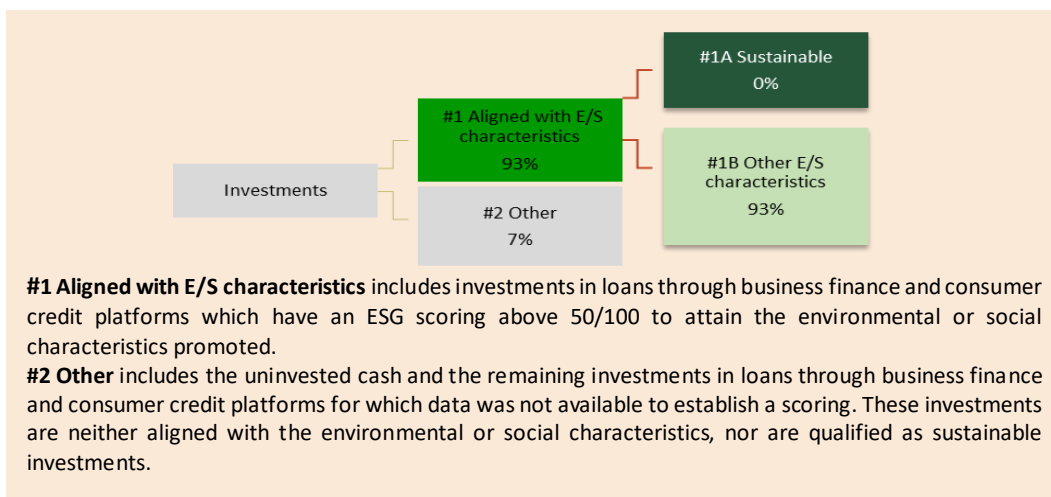


What was the proportion of sustainability-related investments?

0% (zero per cent) as there were no sustainable investments in the Fund.

● **What was the asset allocation?**

Asset allocation describes the share of investments in specific assets.



In which economic sectors were the investments made?

With regards to the SMB portfolio, please see below the SMB portfolio split by sector as of the end of each quarter :

Sector	Outstanding (USD)			
	Q1-22	Q2-22	Q3-22	Q4-22
Other Services	37,8%	30,3%	27,6%	26,0%
Retail Trade	11,9%	10,6%	10,8%	12,0%
Professional Services	7,6%	9,0%	10,4%	10,5%
Construction	5,2%	7,3%	8,5%	9,1%
IT	6,0%	7,7%	7,8%	6,7%
Manufacturing	3,9%	6,8%	6,0%	5,9%
Wholesale Trade	4,6%	5,1%	5,4%	5,4%
Food Services	5,2%	5,5%	5,8%	4,9%
Real Estate and Rental Leasing	4,2%	4,3%	4,5%	4,5%
Utilities	3,0%	2,9%	3,0%	4,3%
Health Care	2,7%	2,8%	2,7%	3,6%
Transportation and Warehousing	3,0%	3,2%	3,4%	3,3%
Public Administration	1,5%	1,3%	1,3%	1,5%
Finance	2,2%	2,2%	2,1%	1,5%
Art & Entertainment	0,7%	0,6%	0,6%	0,6%
Educational Services	0,5%	0,4%	0,4%	0,1%
Administrative	0,1%	0,0%	0,0%	0,0%

The fund's exposure to fossil fuels as defined in the EU taxonomy is limited to businesses generally categorized as "Retail Trade" (i.e. fuel service stations) which provide a mix of restauration, grocery, and fuel. The retail trade segment includes all types of businesses that sell products direct to consumers, therefore it is difficult to isolate the number of investments that had some portion of it business related to fossil fuels. Taking into consideration that the average proportion of "retail trade" businesses was 11.32%, the portfolio investment in SMEs was roughly 11% at year end, and that the "retail trade" categorization does not exclusively apply to fuel service stations, it can be concluded that less than 1% of the fund is exposed to fossil fuels.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable due to the nature of the underlying assets.

For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹ ?**

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035.

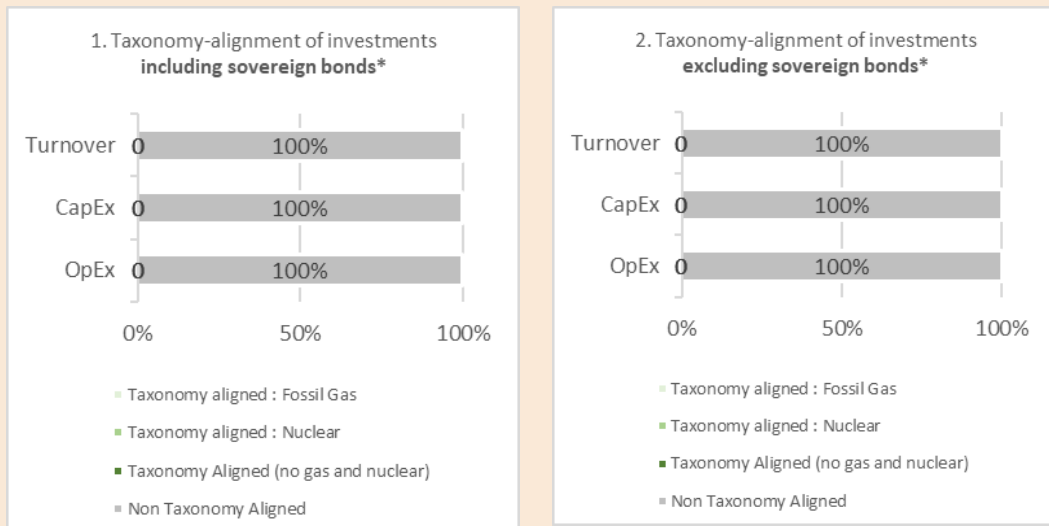
- Yes :
 - In fossil gas
 - In nuclear energy
- No

The Fund systematically excludes sectors and subsectors of the economy that derive revenues from exploration, mining, extraction, production, processing, storage, transportation, and refining of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council. However, the fund may have limited exposure (<1%) to businesses who may have partial revenues from the distribution and trade of fossil fuels, as long as the proportion of revenues from this activity represented less than half of the business' total revenues.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure (CapEx)** shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure (OpEx)** reflects the green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds. This graph represents 100% of the total investments.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What was the share of investments made in transitional and enabling activities?**

0% (zero per cent) of the Fund's Assets, provided that the Fund did not make such investments.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

0% (zero per cent) as the Fund did not make any commitment to invest in sustainable investments within the meaning of SFDR.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

0% (zero per cent) as the Fund did not make any commitment to invest in sustainable investments within the meaning of SFDR.



What was the share of socially sustainable investments?

0% (zero per cent) as the Fund did not make any commitment to invest in sustainable investments within the meaning of SFDR.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Investments included under “#2 Other characteristics” were uninvested cash and loans through business finance and consumer credit platforms which either scored under 50 or were not covered by an ESG scoring. However, Smart Lenders AM, the AIFM of the Fund, was committed to ensuring that platforms that were not covered by an extra financial analysis complied with minimal social and environmental guarantee, through the analysis of controversies and the exclusion policy.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

To attain each of the environmental or social characteristics promoted by the Fund, Smart Lenders AM, the AIFM of the Fund, applied an exclusion policy, and maintained a constructive dialogue with the platforms.

The exclusion policy was based on two pillars:

- A **sectoral exclusion policy** in line with its ESG commitments and objectives, excluding the financing of projects or companies in a pre-defined list of sectors. As such, the exclusion list was transmitted to the lending platforms. An ex-post control was carried out by the management team after any investment.
- A **normative exclusion policy**. Smart Lenders AM refused to invest in projects led by companies that contravene the principles of the UN Global Compact or companies that specifically contravene the United Nations' guiding principles on business and human rights and the conventions of the International Labour Organisation.

As such, during the due diligence phase, platforms were subject to a controversy analysis. Smart Lenders AM refused to sign agreements with platforms that were subject to severe controversies. In addition, to ensure that minimum social and environmental guarantees were respected, Smart Lenders AM set up an annual monitoring of the controversies of its partner platforms. In case of identified controversies, a dialogue was initiated with these platforms to implement solutions. In the event where a controversy was identified and subsequently not addressed by the platforms, Smart Lenders AM ceased investing with these platforms.

The positive selection and dialogue consisted in a bottom-up approach to construct the ESG questionnaires. Thus, each indicator was scored according to a logic linked to the nature of the indicator and with regards to regulations, standards, and market trends.

The strategy deployed by the Fund aimed to select the most mature platforms in terms of ESG. For that purpose, lending platforms were evaluated during the due diligence process. In addition, Smart Lenders AM put in place an annual monitoring process of the extra-financial performance of the participatory financing platforms to measure their progress in improving their environmental, social, and governance practices. The ESG assessments of the platforms were used for dialogue with the platforms. The latter were thus made aware of the need to set up an internal system for evaluating companies and projects that include ESG criteria and

to improve their ESG practices.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How did this financial product perform compared to the reference benchmark?

Not applicable due to the nature of the underlying assets.

● ***How does the reference benchmark differ from a broad market index?***

Not applicable due to the nature of the underlying assets.

● ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable due to the nature of the underlying assets.

● ***How did this financial product perform compared with the reference benchmark?***

Not applicable due to the nature of the underlying assets.

● ***How did this financial product perform compared with the broad market index?***

Not applicable due to the nature of the underlying assets.