



LYRICAL VALUE FUNDS (LUX)
U.S. Value Equity Strategy II Sub-Fund ("Sub-Fund")
Article 10 (SFDR) – Website Disclosure for an Article 8 Fund
Date: March 4, 2025

I. Summary

No Sustainable Investment Objective. The Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Sub-Fund does not make any sustainable investments.

Environmental or Social Characteristics. The Sub-Fund promotes environmental and social characteristics in three manners. First, Lyrical Asset Management LP ("Lyrical" or the "Investment Manager") avoids investing in companies whose environmental or social considerations pose unmanageable risks. The Investment Manager applies binding exclusions across the Sub-Fund due to environmental, social, and governance ("ESG") considerations. Second, to ensure the Sub-Fund promotes environmental and social characteristics, the Lyrical uses the sustainability indicators in **VI. Monitoring of Environmental or Social Characteristics** during its pre-investment and post-investment compliance checks. Third, the Investment Manager actively engages with the portfolio companies of the Sub-Fund to improve their environmental and social characteristics.

Investment Strategy. Lyrical engages in active dialogues, promoting favorable environmental and social characteristics. To guide the Investment Manager in this process, Lyrical designates the portfolio companies as ESG Leaders, Performers, and Laggards.

Proportion of Investments. 100% of investments in the Sub-Fund (excluding deposits at sight, bank deposits, money market instruments, money markets funds, and derivatives for hedging purposes) will meet the environmental and social characteristics promoted by the Sub-Fund.

At least 90% of the Sub-Fund's total assets will meet the environmental or social characteristics promoted by the Sub-Fund.

No more than 10% of the Sub-Fund's total assets are not aligned with environmental and social

characteristics, which include, but are not limited to deposits at sight, bank deposits, money market instruments, and money market funds.

Monitoring. The sustainability indicators that will be used to measure the attainment of the environmental and social characteristics promoted by the Sub-Fund include, but are not limited to:

- Environment: Absolute and intensity-based emissions, implied temperature rise (“ITR”), biodiversity, and climate-value-at-risk (“CVaR”).
- Social: Violations of international norm-based frameworks and exposure to controversial weapons.
- Summary: ESG scores.

Methodologies. Lyrical conducts bottom-up research using company disclosures, publicly available sources, and third-party data providers to measure, monitor, and verify the attainment of the Sub-Fund’s environmental and social objectives, and ESG-related risks. The Investment Manager developed its quantitative ESG tracker using MSCI to streamline its post-investment compliance and performance checks.

Data Sources. Lyrical complements its internal ESG analysis with independent third-party research provided by the CDP, Glass Lewis, and MSCI, as well as a wide variety of other public sources.

Limitations. Limitations for its data sources include data availability, comparability, and quality. Limitations to its ESG methodologies include a lack of clarity as to future best-practice exclusions, indicators, and regulations.

Due Diligence. Investment due diligence is conducted internally by the Investment Team of Lyrical, in collaboration with the Director of Sustainability. The results of Lyrical’s due diligence are captured in its pre-investment commentaries and its qualitative and quantitative ESG trackers.

Engagement. Lyrical’s Director of Sustainability and the Investment Team conduct formal ESG engagements of the portfolio companies at least annually to monitor and verify their progress, challenges, and future goals. This formal process takes place alongside Lyrical’s ongoing engagement and monitoring of portfolio companies’ ESG risks.

Benchmark. The S&P 500™ is used as a benchmark to monitor the Sub-Fund’s sustainability risks and its financial performance. No reference benchmark has been designated for the purpose of meeting the environmental and/or social characteristics promoted by the Sub-Fund.

II. No Sustainable Investment Objective

The Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Sub-Fund does not make any sustainable investments.

III. Environmental or Social Characteristics of the Financial Product

Sustainability risks are an important consideration in Lyrical's investment process for the Sub-Fund. Lyrical believes that the integration of environmental and social risks could help to enhance long-term risk adjusted returns for investors, in accordance with the investment objectives and policies of the Sub-Fund. The Sub-Fund promotes environmental and social characteristics by predominantly investing in companies with strong ESG practices and policies. The Investment Manager takes a holistic view of the environmental and social characteristics of the Sub-Fund and does not seek to promote just one aspect. The Sub-Fund promotes environmental and social characteristics in three manners.

Value, Quality, & Analyzability. Lyrical avoids investing in companies whose environmental or social considerations pose unmanageable risks. The Investment Manager applies binding exclusions across the Sub-Fund due to ESG considerations. The application of Lyrical's ESG exclusions and its investment pillars of Quality and Analyzability naturally keep the Sub-Fund out of many of the highest risk ESG names. Please see **IV. Investment Strategy** for more information on the Investment Manager's investment pillars.

The Sub-Fund will not invest in any companies that participate in the following areas: coal mining, tobacco, factory farms, for-profit prisons, small arms production, adult entertainment, or opioid drug production, and will also apply legally required exclusions and certain international norms, such as the UN Global Compact ("UNGC") and UN Security Council Sanctions. Also, based on its Quality and Analyzability investment criteria, Lyrical generally excludes banks, pharma, biotech, airlines, and direct metals/mining businesses.

ESG Integration. To ensure the Sub-Fund promotes environmental and social characteristics, the Lyrical uses the sustainability indicators in **VI. Monitoring of Environmental or Social Characteristics** during its pre-investment and post-investment compliance checks.

Stewardship. The Investment Manager actively engages with the portfolio companies of the Sub-Fund to improve their environmental and social characteristics. Lyrical designates each portfolio company as an ESG Leader, Performer, or Laggard and uses each company's designation to determine and focus the Investment Manager's level of engagement. Please see **IV. Investment Strategy** for more information.

The findings from company engagement help inform investment decisions and are a basis for the Investment Manager to track the Sub-Fund's progress on environmental and social outcomes over time.

IV. Investment Strategy

For companies that the Sub-Fund invests in, Lyrical engages in active dialogues, promoting favorable environmental and social characteristics. To guide the Investment Manager in this process, Lyrical designates the portfolio companies as ESG Leaders, Performers, and Laggards. The Sub-Fund can invest in all three types of companies. These classifications are determined based on each company's performance against our ESG engagement goals, which include improving their CDP and MSCI ESG risk ratings, ESG disclosures/strategy, and goal-setting practices. The Investment Manager has developed an escalation policy if environmental and/or social issues continue to arise, and does not have any restrictions on the escalation measures it can use. The Investment Manager would likely exit its position if the company is deemed to be causing significant and unmanageable risk.

The Sub-Fund's engagement goals include encouraging portfolio companies to:

1. Incorporate ESG best practices into company reporting and goal setting to improve ESG ratings.
2. Report to the CDP and disclose sustainability practices and outcomes in alignment with international standards such as the Global Reporting Initiative, Sustainability Accounting Standards Board ("SASB"), and Task Force on Climate-related Financial Disclosures standards.
3. Develop science-based targets in alignment with the Paris Agreement and verify these targets with Science Based Target Initiative ("SBTi").
4. Commit to the UNGC or other internationally recognized norms-based frameworks.
5. Improve the diversity of senior management and the Board of Directors.

In addition, we developed a Decarbonization Plan and Climate Stewardship Policy, which is aligned with our ESG engagement goals, to guide our company engagement. Our objective is to initially engage with our top five highest-emitting companies in the strategy and those on the Climate Action 100+ to support them in developing and verifying science-based targets. We aim to ensure that companies in our portfolios 1) work towards SBTi-approved net zero targets, 2) disclose their progress to the CDP, and 3) lower their absolute and intensity-based emission.

Lyrical practices deep value style investing with a high-quality focus and believes that a portfolio of companies with low valuations relative to their long-term normalized earnings power will outperform the overall market over time. By seeking to buy good and understandable businesses the Investment Manager expects to benefit from its portfolio companies' stronger and more predictable earnings growth.

Ultimately, Lyrical's strategy requires its investments to exhibit three traits:

- Value: The Investment Manager seeks to buy businesses that trade at a significant discount to its estimate of their intrinsic value.

- Quality: Lyrical buys businesses producing at least 10% returns on tangible capital.
- Analyzability: The Investment Manager only buys businesses it can reasonably model on a long-term basis.

Lyrical sees a strong relationship between Quality and Analyzable companies and those companies' promotion of environmental and social characteristics.

During both pre-investment due diligence and post-investment compliance checks, the Investment Manager monitors a wide variety of controversies related to good governance, such as those defined in Article 2(17) of the SFD Regulation, including i) management structures, ii) employee relations, iii) remuneration of staff, and iv) tax compliance. Lyrical uses the data sources listed in **VIII. Data Sources & Processing** to track and verify companies' governance practices.

V. Proportion of Investments

100% of investments in the Sub-Fund (excluding deposits at sight, bank deposits, money market instruments, money markets funds, and derivatives for hedging purposes) will meet the environmental and social characteristics promoted by the Sub-Fund.

At least 90% of the Sub-Fund's total assets will meet the environmental or social characteristics promoted by the Sub-Fund.

No more than 10% of the Sub-Fund's total assets are not aligned with environmental and social characteristics, which include, but are not limited to deposits at sight, bank deposits, money market instruments, and money market funds.

VI. Monitoring of Environmental or Social Characteristics

Environmental criteria include, but are not limited to, renewable energy ratio, total water consumption, waste recycling ratio, absolute and intensity-based Scope 1-3 emissions, weighted average carbon intensity, ITR, and CVaR.

Social criteria include, but are not limited to, gender pay gap, total recordable incident rate, percent women board members, violations of International Labor Organization/Organization for Economic Co-operation and Development/United Nations frameworks, and human rights/labor controversies.

The Director of Sustainability, in collaboration with Lyrical's Investment Team, continuously monitors the environmental and social characteristics of the Sub-Fund.

The sustainability indicators that will be used to measure, monitor, and verify the attainment of the environmental and social characteristics promoted by the Sub-Fund are:

Environment:

- Absolute Emissions
- Carbon Intensity
- Climate Risk
- Energy
- Biodiversity
- Water
- Waste
- Environmental & Biodiversity-Related Controversies

Social:

- Violations of International Norm-Based Frameworks
- Human Rights Controversies
- Labor Rights Controversies
- Diversity, Equity, & Inclusion

Summary:

- ESG Scores

VII. Methodologies for Environmental or Social Characteristics

Lyrical conducts bottom-up research using company disclosures, publicly available sources, and third-party data providers to measure, monitor, and verify the attainment of the Sub-Fund's environmental and social objectives, and ESG-related risks. The Investment Manager developed its quantitative ESG tracker using MSCI to streamline its post-investment compliance and performance checks. If a company's disclosures differ from MSCI or if there is missing data, Lyrical's ESG trackers and post-investment summaries are updated to reflect the company's publicly available reporting.

The sustainability indicators stated in **VI. Monitoring of Environmental or Social Characteristics** is used by the Investment Manager to attain its environmental and social characteristics.

VIII. Data Sources & Processing

Lyrical complements its internal ESG analysis with independent third-party research provided by the CDP, Glass Lewis, and MSCI, as well as a wide variety of other public sources. Please see **VII. Methodologies for Environmental or Social Characteristics** and **IX. Due Diligence** for more information on how The

Investment Manager ensures data quality and processes its data. Specifically, Lyrical uses:

- The CDP's scores and carbon emissions data to track companies' climate-related strategies, risks, and targets.
- Glass Lewis' research to inform proxy voting decisions and guide engagement.
- MSCI's ESG data and controversy analysis to help identify material ESG risks and opportunities, prioritize engagement topics, and track ESG performance.

Approximately 0% of Scope 1-2 data is estimated and 44% of the portfolio company holdings within the Sub-Fund do not report Scope 3 emissions.

VIII. Limitations to Methodologies & Data

Lyrical's data sources and methodologies are subject to various limitations. Limitations for its data sources include data availability, comparability, and quality. Limitations to its ESG methodologies include a lack of clarity as to future best-practice exclusions, indicators, and regulations. To mitigate these concerns, Lyrical engages with its portfolio companies to determine if its data are in line with those companies' expectations. These limitations do not have a material effect on the Sub-Fund's ability to promote environmental and social characteristics.

IX. Due Diligence

Investment due diligence is conducted internally by the Investment Team of Lyrical, in collaboration with the Director of Sustainability. The Investment Team seeks to develop an in-depth understanding of each business, including drivers of growth and profitability. Concurrently, the Director of Sustainability identifies material ESG risks by reviewing available documents and speaking directly with portfolio companies. Lyrical's ESG materiality assessment is viewed in the context of SASB standards and also considers a company's broader impact on the economy, environment, and society. Lyrical's ESG materiality assessment is viewed in the context of SASB standards. The Investment Manager complements its internal analysis with independent third-party research provided by Glass Lewis and MSCI, as well as by other organizations. The results of Lyrical's due diligence are captured in its pre-investment commentaries and its qualitative and quantitative ESG trackers.

X. Engagement Policy

Lyrical's Director of Sustainability and the Investment Team conduct formal ESG engagements of the portfolio companies at least annually to monitor their progress, challenges, and future goals. The Investment Manager uses its Decarbonization Plan, Climate Stewardship Policy, and ESG engagements goals to focus the strategy's engagement. This formal process takes place alongside Lyrical's ongoing

engagement and monitoring of portfolio companies' ESG risks. The Investment Manager has developed an internal template to measure, monitor, and verify company risks and progress toward ESG, as well as yearly proxy voting proposals.

Lyrical verifies its analysis with independent third-party data, indicators, and ratings from Glass Lewis and MSCI, and uses ProxyEdge via Broadridge to vote all client proxies and track and reconcile all ESG-related votes. The findings from this engagement and research help inform investment decisions and are a basis for the Director of Sustainability and portfolio management team of Lyrical to track portfolio companies' progress across the Sub-Fund's holding period.

For more information, please see our Sustainability-Related Disclosures:

<https://lyricalam.com/sustainability-related-disclosures/>

XI. Reference Benchmark

The S&P 500™ is used as a benchmark to monitor the Sub-Fund's sustainability risks and its financial performance. No reference benchmark has been designated for the purpose of meeting the environmental and/or social characteristics promoted by the Sub-Fund.