

23 January 2023

Dear Unitholder,

Amendments to Close Select Fixed Income Fund ("the Fund"), a Sub-fund of the Close Discretionary Funds umbrella Unit Trust.

We are changing the investment objective and policy of the Fund to incorporate details of the sustainable investment methodology that the investment manager intends to apply.

We are also changing the name of the Fund to the "Close Sustainable Select Fixed Income Fund" in order to reflect that sustainability focus.

Details of the current and revised name and investment objective and policy for the Fund are set out in the attached Appendix. Although the Fund is not currently managed to a formal sustainability strategy; with the exception of the new wording to reflect the sustainability strategy, the changes to the investment objective and policy will not change the way in which the Fund is managed* or its aims, and there will be no change to the risk profile of the Fund.

**Note: The manager currently employs an investment methodology that assesses potential holdings for negative externalities which include some sustainability criteria. This screening process has the effect of managing the fund to the sustainability criteria, although these are not specifically mentioned currently in the prospectus. Consequently, no portfolio realignment will be required as a result of these changes as the fund holdings currently meet the screens and align with the target Weighted Average Carbon Intensity ("WACI")*

Further Information

You do not need to take any action in relation to these changes as they will take place automatically on 31 March 2023 but we are required to give you advance notice of the changes.

In addition to the above changes, we will be reducing the Fund Management Fee ("FMF") on the X Income Unit Class of the Fund from 0.48% pa to 0.45% pa on 31 January 2023.

Both The Bank of New York Mellon (International) Limited as the trustee of the Fund and the FCA have been advised of the changes that we are making to the Fund.

If you have any queries about these changes, please do not hesitate to contact us on 0370 606 6452 (individual holders) or at dsm@bnymellon.com (institutional holders). Calls may be recorded for training or monitoring purposes.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'RCS', with a horizontal line underneath.

Robin C S Smith

Director

Appendix

<u>Close Select Fixed Income Fund</u>	
Existing Investment Objective	New Investment Objective
<p>The investment objective of the Close Select Fixed Income Fund is to generate income while maintaining its capital value over the medium term (i.e. more than 5 years).</p>	<p>The investment objective of the Close Sustainable Select Fixed Income Fund is to generate income while maintaining its capital value over the medium term (i.e. more than 5 years). The Fund also seeks to maintain a weighted average carbon intensity (tonnes of Scope 1 and 2 CO₂e per US\$m of revenue) below a benchmark of the ICE BofA Global Corporate Index, targeting a level 50% below this benchmark by 2030 from 2019 baseline, and net zero by emissions by 2050.</p>
Existing Investment Policy	New Investment Policy
<p>The Close Select Fixed Income Fund has a focus on income producing assets and will hold at least 80% of its portfolio in sterling denominated (or hedged back to sterling)¹ fixed interest securities (including government bonds and corporate bonds) and deposits (including money market instruments).</p> <p>The Investment Adviser operates a selective strategy meaning that it has discretion to pick the most appropriate holdings from a wide range of fixed income securities across different sectors, rather than being constrained by sector. Consequently, the fund may at any one time hold a relatively small number of stocks as chosen by the Manager from a wide range of fixed income securities across different sectors.</p> <p>The fixed interest securities in which the Fund invests may be investment grade, sub-investment grade or unrated. Investment grade securities for the purposes of this Fund are those which are rated at least BBB- (or equivalent) by a single rating agency at the time of purchase.</p> <p>There may be occasions where the Investment Adviser considers that it is prudent, given market conditions, to maintain higher levels of liquidity in the</p>	<p>The Close Sustainable Select Fixed Income Fund has a focus on income producing assets and will hold at least 80% of its portfolio in sterling denominated (or hedged back to sterling) fixed interest securities (mainly corporate bonds, although the Fund may also hold government bonds) and deposits (including money market instruments).</p> <p>The Investment Adviser operates a selective strategy meaning that it has discretion to pick the most appropriate holdings from a wide range of fixed income securities across different sectors, rather than being constrained by sector. Consequently, the fund may at any one time hold a relatively small number of stocks as chosen by the Manager from a wide range of fixed income securities across different sectors.</p> <p>The fixed interest securities in which the Fund invests may be investment grade, sub-investment grade or unrated. Investment grade securities for the purposes of this Fund are those which are rated at least BBB- (or equivalent) by a single rating agency at the time of purchase.</p> <p>The Fund uses a sustainable investment process to ensure that it is invested in a way that contributes to reducing greenhouse gas emissions. The investment universe is identified by the Investment Adviser using both quantitative and qualitative assessments.</p> <p>Firstly, the Investment Adviser applies a quantitative screening process to exclude companies that derive more than 10% of their annual revenues from activities related to thermal coal.</p> <p>The Investment Adviser then applies its qualitative assessment in order to identify and select companies considered by the Investment Adviser as having operations</p>

Fund. In such circumstances, the Investment Adviser may hold up to 20% of the Fund in cash.

In order to gain indirect exposure to fixed interest securities and deposits (including money market instruments), the Fund may also invest in collective investment schemes (which may include schemes managed by the Manager or an affiliate of the Manager) and closed-ended funds. The Fund may also invest in international non-Sterling fixed income securities.

The Fund may use derivatives for efficient portfolio management.

and/or business models that aim to minimise their harmful effects on society and the environment. As part of this assessment, the Investment Adviser also considers whether companies follow good governance practices (e.g. with respect to sound management and company board, corporate culture, capital allocation and remuneration policies).

Investment opportunities are identified using in-depth fundamental analysis to determine the sustainability (both financial and non-financial) of holdings. The Investment Adviser's fundamental analysis is supported by a variety of qualitative information and available data including publicly available sources, third-party data, and proprietary models. When making an investment decision, the Investment Adviser considers a broad range of environmental and social characteristics, such as carbon emissions goals, supply chain management practices, and/or the effect that products and services have on addressing environmental and social challenges such as climate change, education and healthcare. Rather than focussing on a specific sustainability theme across every investment we focus on what we assess to be most material to the company and its broader stakeholders.

The relevance of the qualitative information and data to the fundamental analysis varies across issuers, sectors and geographies. The Investment Adviser is not limited to assessing only these aspects in its analysis, and may investigate more or fewer, depending on the materiality and availability of information for any given issuer, sector or geography. The Investment Adviser considers these aspects together as a whole and no one aspect has consistent prevalence over the others in order to determine the suitability of an investment.

The Investment Adviser will engage with company management where it identifies opportunities to effect positive change, or to deepen knowledge and insight, with respect to sustainability considerations, where deemed material.

The Fund will maintain a weighted average carbon intensity (tonnes of Scope 1 and 2 CO₂e per US\$m of revenue) below a suitable benchmark, targeting a level 50% below this benchmark by 2030 from 2019 baseline. To help achieve this objective, the Fund will not invest in companies that derive more than 10% of their revenues from the following business activities:

- Thermal coal. This factor identifies companies with an industry tie to thermal coal, in particular reserve ownership, production and power generation.

Further sectors or business groups are excluded on the basis that the negative externalities generated by the sector or business group are deemed to, on balance, outweigh the positive externalities. To help achieve this objective, the Fund will not invest in companies that derive more than 10% of their revenues from the following business activities:

- Tobacco products manufacture
- Controversial weapons including: non-detectable fragments, landmines, incendiary weapons, blinding laser weapons, cluster munitions, nuclear/biological/chemical weapons
- Civilian firearms
- Gambling
- Adult entertainment

In addition, the Fund will not invest in:

- Companies that the Investment Adviser deems to be in violation of the UN Global Compact principles (<https://www.unglobalcompact.org/what-is-gc/mission/principles>).
- Governments that the Investment Adviser deems to be in violation of the UN Universal Declaration of Human Rights (<https://www.ohchr.org/en/human-rights/universal-declaration/translations/english>)

Divestment criteria: We will monitor all companies to check if changes mean that they may no longer meet our definition of having positive attributes. Any change to results under the screening process or provision of new information which results in a holding no longer meeting our criteria will mean that the holding will be sold within 90 days of the change occurring

There may be occasions where the Investment Adviser considers that it is prudent, given market conditions, to maintain higher levels of liquidity in the Fund. In such circumstances, the Investment Adviser may hold up to 20% of the Fund in cash.

In order to gain indirect exposure to fixed interest securities and deposits (including money market instruments), the Fund may also invest in collective investment schemes (which may include schemes managed by the Manager or an affiliate of the Manager) and closed-ended funds. The Fund may also invest in international non-Sterling fixed income securities.

The screening criteria are applied to the corporate issuers of the bonds in which the Fund invests. Other assets in which the Fund may invest (including collective investment schemes and government bonds) are not subject to the screening but will be assessed by the Manager to ensure that any such investments will not affect the ability of the Fund to meet its sustainable objective.

	The Fund may use derivatives for efficient portfolio management.
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