

# King & Shaxson Ethical Investing

## Funds Model Portfolio Brochure



**Best Ethical Discretionary  
Fund Manager**



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## King & Shaxson

King & Shaxson is a long-established City name, with a history that dates back to the mid-nineteenth century. The firm has successfully built on its traditional strengths in the bond and money markets to expand into dealing in equities and fund management.

We are owned by PhillipCapital, a financially strong and developing Singaporean financial services company. PhillipCapital employs over 3,500 staff and is active in 16 countries; including eight in the Far East, Australia, France, India, Spain, Turkey, UAE, United Kingdom and the USA, and has AUM of £2.4bn.

King & Shaxson Ethical Investing provides a distinctive ethical investment management service, with a sole focus on investing in solutions to social and environmental challenges. We have been managing ethical portfolios since 2002, and our MPS products have been active since 2010. The model portfolios were launched following demand from our IFA clients for a discretionary service that could be accessed through platforms.

King and Shaxson now employs more than 60 staff in London office, drawing from a diversity of professional backgrounds creating a blend of experience, skill and dedication, which is shared with our clients.

The diverse client base includes private clients, institutions such as universities, local authorities, building societies, trusts, charities, pension funds, fund managers, insurance companies and international banks.

King & Shaxson strives to provide an exceptional level of service for all clients, committing to long term partnerships, which we consider crucial in order to add value.

King and Shaxson Ethical Investing is a member of:



## Introduction

Our discretionary management service provides professional investment management for the ethical investor. The six 'Platform Ethical Portfolios' are designed to meet the majority of financial and ethical needs including:

- Capital preservation
- Capital growth
- Income
- Investment in social and environmental solutions

Although most investments are held for the long-term, we monitor portfolios on a daily basis and can make changes as circumstances dictate, acting both quickly and efficiently, so investors can delegate the management of their investments to an experienced and reliable manager whom they can trust.

Our portfolios constitute comprehensive investment management and include the following:

- Asset allocation
- Investment selection
- Ongoing monitoring
- Changing investments

This report covers the reasoning behind our portfolios. We explain our investment rationale, and include descriptions of the investments so that you have a clear understanding of why we have selected the individual stocks. Our portfolios are actively managed so our current portfolios may not be identical to those within this report.

Through the platform you are usually provided with a consolidated administration service. Their services include:

- Online valuations
- Multiple product wrappers including ISAs, bonds and self-invested pensions
- Consolidated tax statement
- Analysis tools

## Investment Objectives

The investment objectives of each portfolio are designed to provide a range of risk approaches and income levels to cater for the majority of investor's requirements. These requirements range from those that require a high level of capital protection to those where a high level of risk is acceptable.

The objectives for each of the six Platform Ethical Portfolios are included on the individual product sheets on pages 8 to 13.

## United Nations Sustainable Development Goals

The United Nations have played a key role in the investment world through a number of initiatives since 2000. Firstly, they introduced the United Nations Millennium Development Goals (MDGs), which were superseded by the Sustainable Development Goals (SDGs), a framework of 17 interconnected goals and 169 underlying targets to achieve a better and more sustainable future for all. As explained by the United Nations, "The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, and in order to leave no one behind, it is important that we achieve them all by 2030".

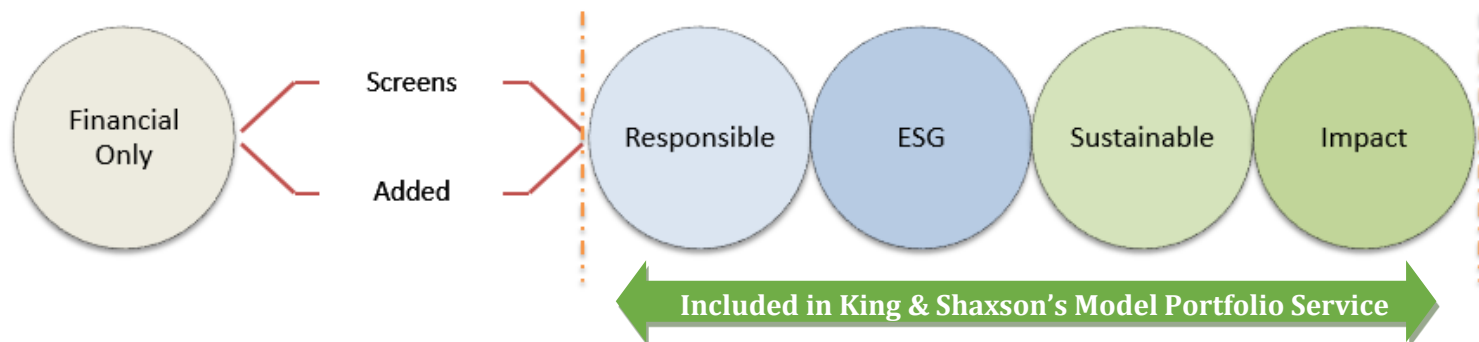
When it comes to impact investing, many fund houses identify a number of impact themes, which in many cases mirror that of the United Nations sustainable development goals. An obvious investment is renewable energy companies, where the impact can be measured in terms of CO2 emissions saved versus fossil fuel energy production, which would directly align with Goal 13.

Many of the fund houses within your portfolio will map your investments into the grid below that shows the 17 SDG's. Information on our assets can be found further on in the brochure under stock profiles.



## Spectrum of Capital

Below is an image showing the Spectrum of Capital, a resource that is used more and more in investing circles to explain the different approaches to investing when other issues such as ethics are considered on top of the financial analysis.



All investments within the portfolio receive a King & Shaxson ethical classification which is aligned to the above spectrum. These can be found below:

## Ethical Classifications

### Acceptable / Responsible

Companies that meet the exclusion criteria, meaning their products or services are not of direct social or environmental harm, and which might be considered as no more than 'ethically neutral'

### Best of sector / ESG Leader

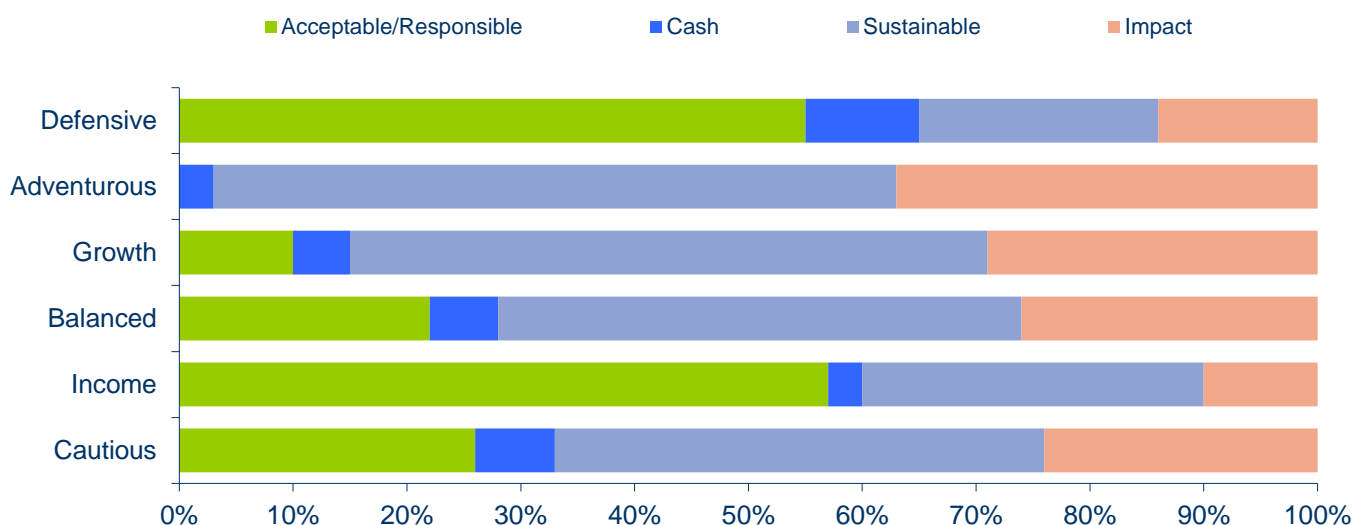
Companies that demonstrate environmental, social and governance leadership in their industry, but whose products or services may be of no direct social or environmental benefit.

### Sustainable:

Funds with exposure to companies that have strong SG credentials but also specifically address one/some of the sustainability challenges that we face.

### Impact:

Funds with exposure to companies whose service/product address social/environmental challenges, where the impact is identifiable, measurable and beneficial.



## King & Shaxson's Ethical Approach

The portfolios are designed to meet the majority of ethical investor's concerns. However, as the portfolios include a number of collective funds and also aim to spread the risk of investing in a tightly defined area, investors may need to take a pragmatic approach. Having said that we aim to make portfolios as 'ethical' as possible, strictly abiding by the below negative and positive screen:

### Avoidance/Negative Screen

The portfolios avoid significant involvement in:

- Adult Entertainment
- Aggressive Tax Practices
- Alcohol
- Animal Testing (non-healthcare)
- Armaments
- Fossil Fuels
- Gambling
- Human rights abuse
- Illegal deforestation
- Intensive farming
- Nuclear
- Poor environmental management
- Tobacco

### Social & Environmental Solutions/Positive Screen

The portfolios also seek to invest in Solutions Based investments that finance solutions to social and environmental challenges such as:

- Education & Learning
- Environmental Efficiency
- Healthcare
- Sustainable Infrastructure
- Microfinance
- Public Transport
- Renewable Energy
- Resource Management
- Social & Medical Property
- Sustainable forestry
- Water & Sanitation

Some of these Solutions Based investments do not have specific ethical avoidance criteria, but by their very nature, are largely engaged in socially or environmentally positive activities. We have highlighted any potential ethical issues where they exist.

### Social & Environmental Leadership

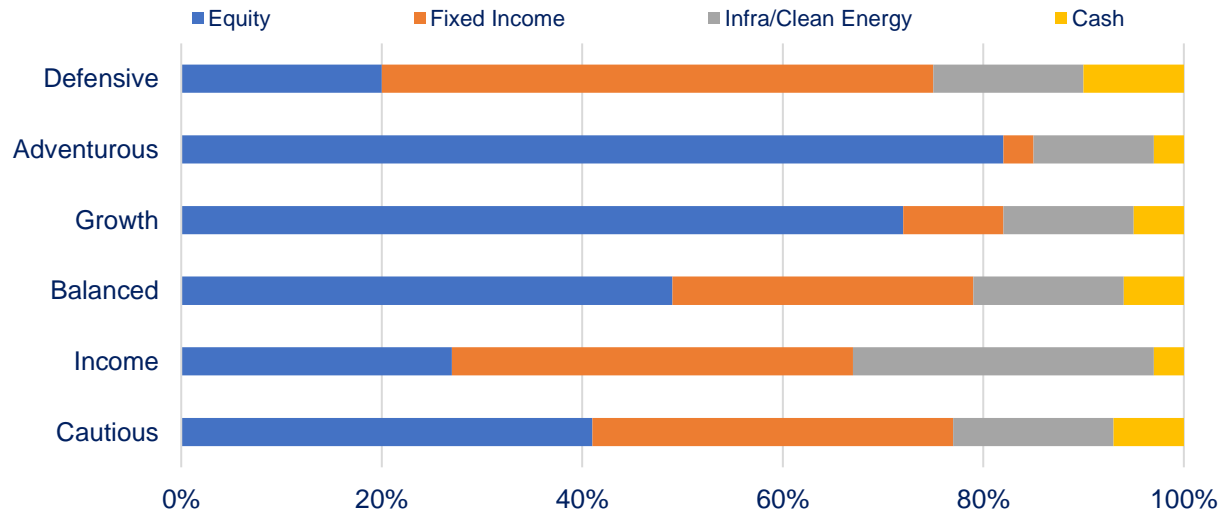
Non-Solutions Based investments have a bias towards companies that exhibit best social and environmental practice in their industry. General ethical funds are preferred if they demonstrate a rigorous ethical screening and research policy, and employ comprehensive and rigorously applied exclusion criteria.



## Asset Allocation\*

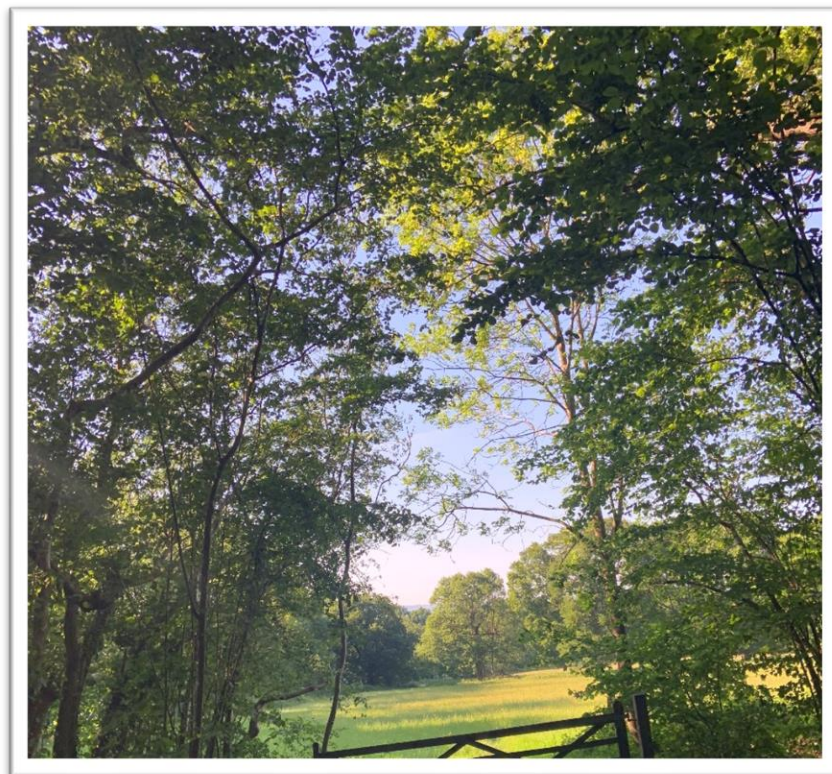
The principle of asset allocation follows the simple adage of not putting all your eggs in one basket. Studies have shown that 90% of a portfolio's performance may be determined by asset allocation rather than stock selection.

We therefore determine an appropriate asset allocation to match the risk profile of the portfolio and make adjustments to this over time as changing circumstances dictate.



\*Source: King & Shaxson Asset Management

We will also diversify some of the currencies held - the portfolio includes investments held in Euros, US Dollars and other currencies.



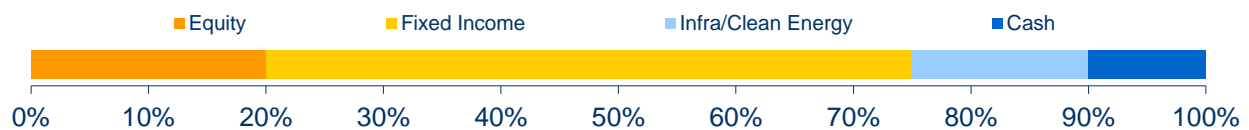


## Defensive Portfolio

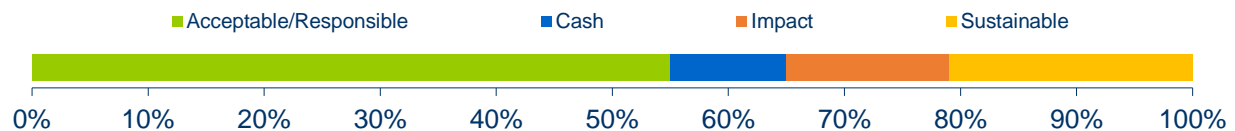
A "Defensive" risk portfolio seeks to provide an enhanced level of capital protection whilst still allowing investors the ability to achieve modest long-term growth (10 years). The portfolio is suitable for risk-averse investors whose financial temperament cannot tolerate variation in performance.

	Geographic	Ethical Classification	Asset Class	%	Type
<b>Fixed Income Funds</b>				<b>55.0</b>	
Vanguard UK Infi-linked Gilt Index Fd	UK	Responsible	Fixed Income	15.0	OEIC
Allianz Gilt Yield Fund	UK	Responsible	Fixed Income	10.0	OEIC
Edentree Resp & Sust Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Rathbone Ethical Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Threadneedle Social Bond Fund	UK	Impact	Fixed Income	10.0	OEIC
<b>Equity Funds</b>				<b>20.0</b>	
Liontrust UK Ethical Fund	UK	Responsible	Equity	10.0	OEIC
M&G Positive Impact Fund	Global	Impact	Equity	4.0	OEIC
Aegon Global Sustainability	Global	Sustainable	Equity	3.0	OEIC
JH Global Sustainability Eq Fund	Global	Sustainable	Equity	3.0	OEIC
<b>Infrastructure/Clean Energy Funds</b>				<b>15.0</b>	
Foresight UK Infrastructure Inc Fund	UK	Sustainable	Equity	10.0	OEIC
Foresight Global Real Infrastructure	Global	Sustainable	Equity	5.0	OEIC
<b>Cash</b>				<b>10.0</b>	
<b>Total</b>				<b>100.0</b>	

### Asset Allocation



### Ethical Classification



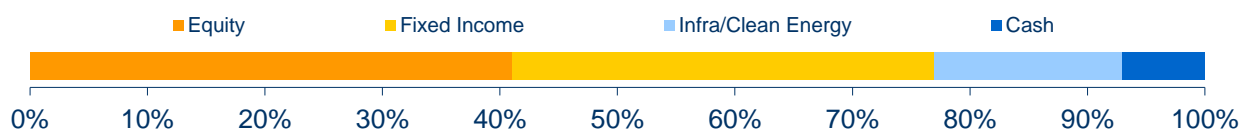
## Cautious Portfolio

A "Cautious" risk portfolio seeks to provide a high level of capital protection whilst still allowing investors the ability to achieve long-term growth (10 years). The portfolio is suitable for risk-averse investors whose financial temperament cannot tolerate much variation in performance. Whilst the emphasis is on lower volatility and capital preservation, a small amount of risk will be taken to seek a higher return.

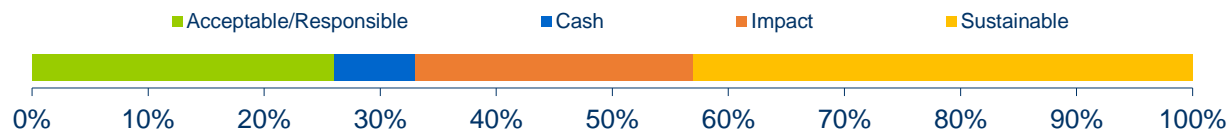


	Geographic	Ethical Classification	Asset Class	%	Type
<b>Fixed Income Funds</b>				<b>36.0</b>	
Rathbone Ethical Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Threadneedle Social Bond Fund	UK	Impact	Fixed Income	10.0	OEIC
Aegon Ethical Corp Bond Fund	UK	Responsible	Fixed Income	8.0	OEIC
Edentree Resp & Sust Bond Fund	UK	Responsible	Fixed Income	8.0	OEIC
<b>Equity Funds</b>				<b>41.0</b>	
Liontrust SF UK Growth Fund	UK	Sustainable	Equity	8.0	OEIC
JH Global Sustainability Eq Fund	Global	Sustainable	Equity	5.0	OEIC
M&G Positive Impact Fund	Global	Impact	Equity	5.0	OEIC
Montanaro Better World Fund	Global	Impact	Equity	5.0	OEIC
Aegon Global Sustainability	Global	Sustainable	Equity	4.0	OEIC
FP WHEB Sustainability	Global	Sustainable	Equity	4.0	OEIC
Pictet Water Fund	Global	Sustainable	Equity	4.0	OEIC
Regnan Gbl Equity Impact Solutions	Global	Impact	Equity	4.0	OEIC
Stewart Inv Asia Sustainability	Asia	Sustainable	Equity	2.0	OEIC
<b>Infrastructure/Clean Energy Funds</b>				<b>16.0</b>	
Foresight UK Infrastructure Inc Fund	UK	Sustainable	Equity	6.0	OEIC
Foresight Global Real Infrastructure	Global	Sustainable	Equity	5.0	OEIC
Gravis Clean Energy Fund	Global	Sustainable	Equity	5.0	OEIC
<b>Cash</b>				<b>7.0</b>	
<b>Total</b>				<b>100.0</b>	

## Asset Allocation



## Ethical Classification

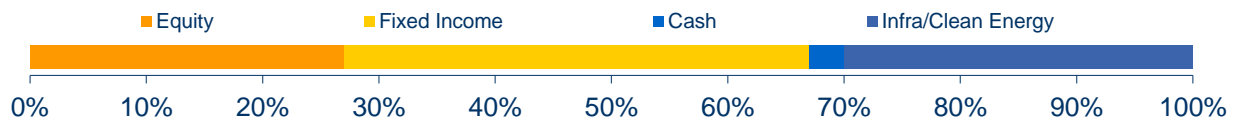


## Income Portfolio

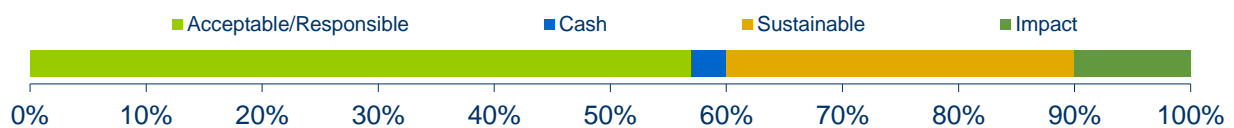
An "Income" portfolio seeks to provide a balance between capital protection and appreciation in a diversified portfolio of assets that have a bias towards income generation. The portfolio is suitable for those whose financial situation can tolerate a moderate level of volatility in performance.

	Geographic	Ethical Classification	Asset Class	%	Type
<b>Fixed Income Investments</b>				<b>40.0</b>	
Aegon Ethical Corp Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Edentree Resp & Sust Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Rathbone Ethical Bond Fund	UK	Responsible	Fixed Income	10.0	OEIC
Threadneedle Social Bond Fund	UK	Impact	Fixed Income	10.0	OEIC
<b>Equity Funds</b>				<b>27.0</b>	
Janus Henderson Responsible Income	UK	Responsible	Equity	9.0	OEIC
Liontrust UK Ethical Fund	UK	Responsible	Equity	9.0	OEIC
Montanaro European Income Fund	Europe	Responsible	Equity	9.0	OEIC
<b>Infrastructure/Clean Energy</b>				<b>30.0</b>	
Foresight Global Real Infrastructure	Global	Sustainable	Equity	10.0	OEIC
Foresight UK Infrastructure Inc Fd	UK	Sustainable	Equity	10.0	OEIC
Gravis Clean Energy Fund	Global	Sustainable	Equity	10.0	OEIC
<b>Cash</b>				<b>3.0</b>	
<b>Total</b>				<b>100.0</b>	

## Asset Allocation



## Ethical Classification



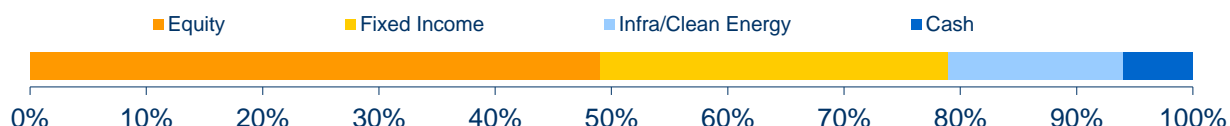
## Balanced Portfolio



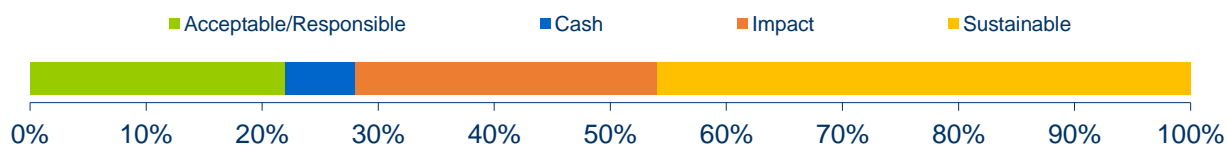
A "Balanced" risk portfolio seeks to provide a balance between capital protection and appreciation by investing in a diversified portfolio of asset classes over the long-term (10 years). The portfolio is suitable for those whose financial situation can tolerate a moderate level of volatility in performance.

	Geographic	Ethical Classification	Asset Allocation	%	Type
<b>Fixed Income Investments</b>				<b>30.0</b>	
Rathbone Ethical Bond Fund	UK	Responsible	Fixed Income	8.0	OEIC
Threadneedle Social Bond Fund	UK	Impact	Fixed Income	8.0	OEIC
Aegon Ethical Corp Bond Fund	UK	Responsible	Fixed Income	7.0	OEIC
Edentree Resp & Sust Bond Fund	UK	Responsible	Fixed Income	7.0	OEIC
<b>Equity Funds</b>				<b>49.0</b>	
Liontrust SF UK Growth Fund	UK	Sustainable	Equity	8.0	OEIC
Montanaro Better World Fund	Global	Impact	Equity	6.0	OEIC
M&G Positive Impact Fund	Global	Impact	Equity	6.0	OEIC
Stewart Inv Asia Sustainability	Asia	Sustainable	Equity	6.0	OEIC
Aegon Global Sustainability	Global	Sustainable	Equity	5.0	OEIC
FP WHEB Sustainability	Global	Sustainable	Equity	5.0	OEIC
JH Global Sustainability Eq Fund	Global	Sustainable	Equity	4.0	OEIC
Regnan Gbl Equity Impact Solutions	Global	Impact	Equity	4.0	OEIC
Pictet Water Fund	Global	Sustainable	Equity	3.0	OEIC
CPR Invest Education Fund	Global	Impact	Equity	2.0	OEIC
<b>Infrastructure/Clean Energy Funds</b>				<b>15.0</b>	
Foresight Global Real Infrastructure	Global	Sustainable	Equity	5.0	OEIC
Foresight UK Infrastructure Inc Fd	UK	Sustainable	Equity	5.0	OEIC
Gravis Clean Energy Fund	Global	Sustainable	Equity	5.0	OEIC
<b>Cash</b>				<b>6.0</b>	
<b>Total</b>				<b>100.0</b>	

## Asset Allocation



## Ethical Classification



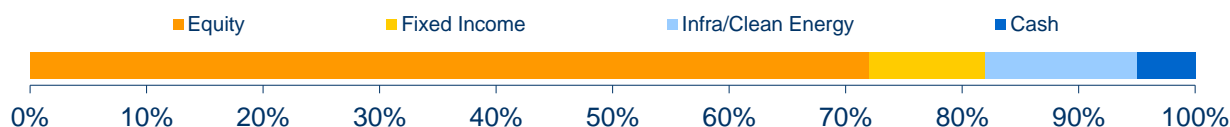
## Growth Portfolio

A "Growth" risk portfolio seeks to have a higher bias towards capital appreciation and is suitable for those whose financial situation can tolerate a moderate to high level of volatility in performance, in return for above average returns over the long term (10 years). The portfolio will have a high allocation to equity funds.

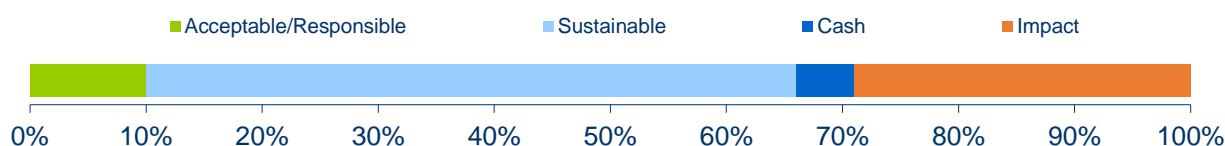


	Geographic	Ethical Classification	Asset Class	%	Type
<b>Fixed Income Investments</b>				<b>10.0</b>	
Rathbone Ethical Bond Fund	UK	Responsible	Fixed Income	6.0	OEIC
Edentree Resp & Sust Bond Fund	UK	Responsible	Fixed Income	4.0	OEIC
<b>Equity Funds</b>				<b>72.0</b>	
Liontrust SF UK Growth Fund	UK	Sustainable	Equity	10.0	OEIC
FP WHEB Sustainability	Global	Sustainable	Equity	8.0	OEIC
Montanaro Better World Fund	Global	Impact	Equity	8.0	OEIC
Stewart Inv Asia Sustainability	Asia	Sustainable	Equity	8.0	OEIC
Aegon Global Sustainability	Global	Sustainable	Equity	7.0	OEIC
JH Global Sustainability Eq Fund	Global	Sustainable	Equity	7.0	OEIC
M&G Positive Impact Fund	Global	Impact	Equity	7.0	OEIC
Triodos Pioneer Impact Fund	Global	Impact	Equity	6.0	OEIC
CPR Invest Education Fund	Global	Impact	Equity	4.0	OEIC
Regnan Gbl Equity Impact Solutions	Global	Impact	Equity	4.0	OEIC
Pictet Water Fund	Global	Sustainable	Equity	3.0	OEIC
<b>Infrastructure/Clean Energy</b>				<b>13.0</b>	
Gravis Clean Energy	Global	Sustainable	Equity	5.0	OEIC
Foresight Gbl Real Infrastructure	Global	Sustainable	Equity	4.0	OEIC
Foresight UK Infrastructure Inc Fd	UK	Sustainable	Equity	4.0	OEIC
<b>Cash</b>				<b>5.0</b>	
<b>Total</b>				<b>100.0</b>	

## Asset Allocation



## Ethical Classification



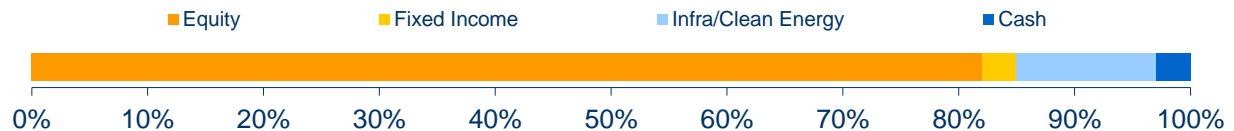


## Adventurous Portfolio

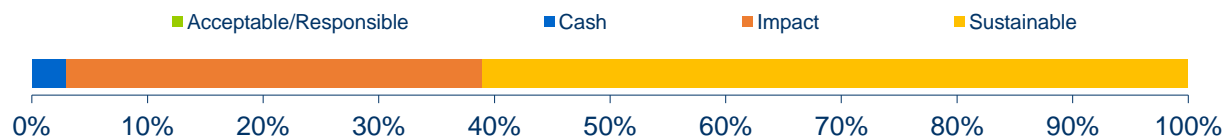
An "Adventurous" risk portfolio seeks to achieve high returns. Investors must be prepared to accept a higher level of risk and volatility in the expectations of higher than average returns over the longer term (10 years). The portfolio will mainly consist of equity funds so investors will take a high degree of risk with their capital.

	Geographic	Ethical Classification	Asset Class	%	Type
<b>Fixed Income Investments</b>				<b>3.0</b>	
Threadneedle Social Bond Fund	UK	Impact	Fixed Income	3.0	OEIC
<b>Equity Funds</b>				<b>82.0</b>	
Liontrust SF UK Growth Fund	UK	Sustainable	Equity	10.0	OEIC
Stewart Inv Asia Sustainability	Asia	Sustainable	Equity	10.0	OEIC
Montanaro Better World Fund	Global	Impact	Equity	9.0	OEIC
Triodos Pioneer Impact Fund	Global	Impact	Equity	9.0	OEIC
FP WHEB Sustainability	Global	Sustainable	Equity	8.0	OEIC
JH Global Sustainability Eq Fund	Global	Sustainable	Equity	8.0	OEIC
Aegon Global Sustainability	Global	Sustainable	Equity	7.0	OEIC
M&G Positive Impact Fund	Global	Impact	Equity	7.0	OEIC
Pictet Water Fund	Global	Sustainable	Equity	5.0	OEIC
Regnan Gbl Eq Impact Solutions	Global	Impact	Equity	5.0	OEIC
CPR Invest Education Fund	Global	Impact	Equity	4.0	OEIC
<b>Infrastructure/Clean Energy</b>				<b>12.0</b>	
Foresight Gbl Real Infrastructure	Global	Sustainable	Equity	4.0	OEIC
Foresight UK Infrastructure Fund	UK	Sustainable	Equity	4.0	OEIC
Gravis Clean Energy	Global	Sustainable	Equity	4.0	OEIC
<b>Cash</b>				<b>3.0</b>	
<b>Total</b>				<b>100.0</b>	

## Asset Allocation



## Ethical Classification



## Stock Profiles

These descriptions give a brief ethical rationale for each fund held in the portfolios.

### **Fixed interest securities (see “Risk Factors” on p.16 for associated risks)**

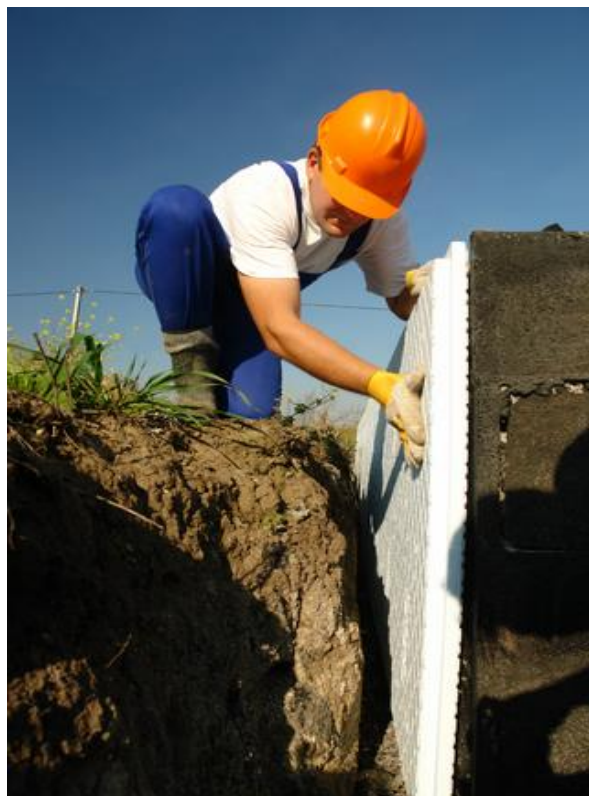
As holders of fixed interest securities, funds are entitled to the relatively high level of interest, which can be particularly useful for income, or it can be re-invested to increase capital returns. The capital value rises and falls depending on interest rates, the perceived creditworthiness of the institution and demand, but the risk involved is usually significantly less than equities.

### **Edentree Responsible & Sustainable Sterling Bond Fund (Responsible Fund)**

This is a long standing fund from Edentree that launched back in 2008 (Previously known as Amity Sterling Bond Fund). The Fund seeks to invest in a highly diversified portfolio of Government bonds and good quality fixed income securities issued by companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

### **Aegon Ethical Corporate Bond Fund (Responsible Fund)**

The Fund screens out companies that provide critical services to, or own or operate, nuclear facilities. Additionally, companies that provide animal testing services or sell animal-tested cosmetics, household products or pharmaceuticals do not pass the Ethical screen and would not be included in the Fund. Aegon is a member of or supports a range of responsible investment initiatives, including the UN-backed Principles for Responsible Investment, the UK Sustainable Investment and Finance Association, the Extractives Industry Transparency Initiative, Carbon Disclosure Project, Climate Action 100+ and the Farm Animal Investment Risk and Return initiative. Their participation in these initiatives helps them to deepen their knowledge and maximise their influence on ESG issues.



### **Rathbone Ethical Bond Fund (Responsible Fund)**

This corporate bond fund has a widely diversified corporate bond portfolio with a large holding in banks and insurance companies. It also has lesser holdings in social housing bonds. The majority of the portfolio is in UK bonds with around a third in international bonds, although all are sterling denominated.

### **Threadneedle UK Social Bond Fund (Impact Fund)**

This was the first fund to unlock the full potential of bonds to deliver both financial returns and positive social outcomes. The fund was born out of a partnership with Big Issue Invest and this link enhances and validates the social outcome of the fund. The Fund Manager Simon Bond is very passionate in his support for responsible investment and is a shining light in this area.

### **Equities (see “Risk Factors” on p.16 for associated risks)**

Equities or shares are simply investments in companies, with the total return comprising dividend income (what the company pays out of its profits once or twice a year to its shareholders) and capital appreciation by virtue of an increasing share price. Either dividend income can be taken to provide an income or it can be re-invested to increase total returns. Funds invest in a wide range of equities and we invest in a variety of funds to spread the risk further.

### **Aegon Global Sustainability Fund (Sustainable fund)**

Continuing Aegon's 27 year commitment to responsible investing this is a fund launched in May 2016. This Fund will search for the best global bottom-up investment ideas, following the outcomes of their in-depth sustainability analysis and strong and consistent investment process. The foundations of their sustainability process are Environmental, Social and Governance (ESG framework) criteria.

### **CPR Invest Education Fund (Impact - Education)**

CPR is part of Amundi Asset Management, the largest asset manager in Europe. This is a new fund to us and invests in companies whose activity contributes to the education ecosystem as a whole: school management, colleges, high schools and universities, educational technologies, student housing, educational content, continuing education, recruitment and other services linked to education. The Fund employs ESG and controversy criteria to its investible universe.

### **FP WHEB Sustainability Fund (Sustainable fund)**

This fund invests in three areas – healthcare, water and climate change solutions. This is a response to three key issues: demographic trends which mean that people are living longer and require a disproportionate amount of healthcare; aging water infrastructure in the developed world and demand exceeding supply of clean water in the developing world; and climate change which means a long-term change from fossil fuels to renewable energy. The fund manager is very experienced in the field and has a good track record. Although the fund is not an ethical fund, it makes far less ethical compromises than other Solutions Based funds and all holdings are clearly focussed on the core themes.



### **Janus Henderson Global Sustainability Equity (Sustainable fund)**

This fund was previously known as Global Care Growth Fund. It is one of the original Solutions Based funds with multiple themes embracing education, healthcare, social property and public transport as well as clean technologies. It also employs particularly rigorous exclusion criteria.

### **Janus Henderson UK Responsible Income Fund (Responsible fund)**

This fund is one of just a few equity income funds subject to ethical screening. Performance has been good and compared to other ethical income funds, has a relatively good ethical profile with little exposure to fossil fuels (just gas). The fund will seek to invest in companies that are responsibly run, giving due consideration to environmental, social and governance issues. Most notably, amongst ethical UK equity funds the fund has amongst the highest exposure to companies providing solutions to social and environmental challenges. The approach is a pragmatic one as required by an equity income mandate. This means that there is a significant exposure to financial companies that have don't have a credible sustainability policy. However, the ethical criteria are quite extensive and preclude mining, carbon intensive energy, nuclear power and alcoholic drink manufacture, amongst others.

### **Liontrust SF UK Growth Fund (Sustainable fund)**

This fund is stricter in the alcohol and animal testing criteria. The Fund applies a sustainability approach, particularly based on a company's social and environmental performance. Each company is graded on a grid encompassing "business sustainability" (based on activity) and "management vision and strategy". Only companies achieving a sufficient score are eligible for the fund.

**M&G Positive Impact Fund (Impact fund)**

This is a relatively new fund, having only launched in December 2018. The M&G took a while to launch this fund as they were looking to get it right. They held many consultations with external parties with experience in impact investing to make sure the product was fit for purpose, and not just another label. The investing team led by John William Olsen will look to invest in companies that have a positive impact on society through addressing the world's major social and environmental challenges.

**Montanaro Better World Fund (Impact fund)**

This is a relatively new fund, but the company has been managing assets since 1991. They have been managing Ethical mandates since 2005. As part of the company's ethical policy, they do not direct capital to areas of the economy that fail to promote sustainability such as the exploration & production of fossil fuels, alcohol and weapons production. In April 2018 they decided to launch the Better World Fund to invest in quality small and MidCap companies that provide products or services that make a positive impact on the world. The fund is aligned to six themes that support the framework of the UNSDG's. The investments are overseen by an independent ESG committee. This fund is one of very few in the UK to be endorsed with a leading SRI Label from the French Finance Ministry. Montanaro are committed to offsetting their Carbon Footprint on a quarterly basis. They offset their carbon emissions each quarter via Climate Care, an environmental and social impact company which helps to fund projects such as the development of clean energy sources. They are also a signatory to the Carbon Disclosure Project, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

**Montanaro European Income Fund (Responsible fund)**

Today, Montanaro is regarded as a leading Small & MidCap specialist with assets under management of over €3 billion. They invest in high quality, well-managed businesses operating in growth markets. The Montanaro European Income Fund, launched in November 2015, invests in quoted Continental European Small & MidCap companies offering the potential for above average dividend growth. As part of the company's ethical policy, they do not direct capital to areas of the economy that fail to promote sustainability such as the exploration & production of fossil fuels, alcohol and weapons production. As a result, the fund has very little exposure to the oil and gas sector (4% as of May 2019), with the majority of its exposure being to the industrials and financials sectors. Montanaro are committed to offsetting their Carbon Footprint on a quarterly basis. They offset their carbon emissions each quarter via Climate Care, an environmental and social impact company which helps to fund projects such as the development of clean energy sources. They are also a signatory to the Carbon Disclosure Project, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

**Pictet Water (Sustainable fund - Water management and provision)**

Pictet is one of the pioneers of Solutions Based investing and their water fund was the first of its type, dating as far back as 2000. Investment in water themes has been identified as one of the key macro strategies with the challenges of supply, ageing infrastructure and rapidly increasing demand creating strong tailwinds for stocks in the sector. Increasing urbanisation, a chronic lack of sanitation infrastructure in the developing world, rising privatisation, and ever increasing demand from agriculture, industry and municipalities have all put pressure on scarce clean water resources. In turn this provides a very strong driver for the water industry over many decades. In practice, this means investing at least two-thirds of its total assets in the shares of companies operating in the water sector worldwide, although at an individual stock level, only 20% of the revenues need to be derived from water related activities (in practice it is invariably much higher than this). These include water supply, processing services, water technology and environmental services. Environmental and Social Governance risks are also monitored to avoid ethical controversies. This fund is very proven, backed by substantial resources and attracts a four star 3D rating. Pictet is also committed to a sustainable approach in its internal operations and has a strong philanthropic tradition, exercised through its charitable foundation.

**Regnan Global Equity Impact Solutions Fund (Impact fund)**

This is a new fund, launched towards the end of 2020. Although it is a new Fund to us, the majority of the team behind this fund used to manage the Hermes Impact Opportunities Fund, a team we know well and a fund we have invested in previously. Regnan is a leader in responsible investment with a long and proud heritage engaging and advising on important themes and environmental, social and governance issues. With roots dating back to 1996, when such issues were largely disregarded by the business and investment community, the team's diverse experience in advocacy, regulation, academia and advising investment managers has enabled them to offer, to date, a range of ESG-related services through our Engagement, Advisory and Research (EAR) team. 2020 marked a new chapter in the Regnan story with a move into sustainable and impact investment management.



### **Stewart Investors Asia Sustainability Fund (Sustainable fund)**

This fund is not an ethical fund but instead invests at least two thirds of its portfolio in companies which meet its sustainability criteria. There are many ethical compromises and the fund is included to provide exposure to Asia, since the majority of the fund is invested in China, South East Asian and Australia. The fund is well diversified, and is not just a resources fund. The track record of the fund is good and it provides exposure to the fast growing markets of Asia, with a weak sustainability overlay.

### **Triodos Pioneer Impact Fund (Impact fund)**

This fund from a well-respected house aims to generate positive impact from a concentrated portfolio of small and mid-cap companies pioneering the transition to a sustainable society. The Fund Management team selects companies for their contribution to seven sustainable transition themes. Through this analysis companies are identified and the impact of ESG materiality on these themes is assessed. The companies invested in have to comply with Triodos' strict minimum standards.

### **Infrastructure/Clean Energy**

**(See "Risk Factors" on p.16 for associated risks)**

A proportion of the portfolio is invested in commercial property funds. Most commercial property funds invest in a mixture of office, light industrial and retail premises and produce a good yield through their rental income.

### **Foresight Global Real Infrastructure Fund (Sustainable infrastructure)**

One of the newest funds from Foresight, GRIF invests exclusively in companies that own or operate real infrastructure anywhere in the world, whilst avoiding traditional cyclical equities that make up the portfolio of many 'equity infrastructure' funds. The fund will only invest in companies that the investment team believes deliver a net social or environmental benefit and meet the ten principles of the United Nations Global Compact. The fund launched in June 2019, and like a lot of their funds has grown successfully.

### **Foresight UK Infrastructure Income Fund (Sustainable infrastructure)**

This fund invests in a portfolio of underlying assets that are consistent with ethical and ESG investment appetites. The Infrastructure assets provide essential services that allow the global economy to function. The Fund Managers split infrastructure into 6 sub sectors of which in the UK, renewable energy is the largest by completed deal value since 2013. The fund was launched in December 2017 and has seen good growth since inception. The Foresight team are well known to us from their solar fund.

### **Gravis Capital Clean Energy Fund (Sustainable – Clean energy)**

This fund, launched in December 2017 invests in a portfolio of global listed securities involved in the operation, funding, construction, generation and supply of clean energy. The Fund is exposed to a broad range of clean energy investments with a focus on the stability and security of quarterly distributions. Investment is focused on companies with mature technologies and established track records, attractive long-term and dependable cash flows, and Income generative and profitable with scope for capital growth

## Risk Factors

### Equity Securities

Investments will include equity securities and equivalents of issuers in multiple jurisdictions, including issuers in emerging markets, of any market capitalisation (e.g. small, mid or large). Equity securities may include common and preferred stocks and warrants and equivalents (including convertible securities). As a result of investments in equity securities, the Portfolio will be exposed to the risks typically associated with equity investing. These risks include the general risk of broad market declines and specific risks relating to an issuer, such as management performance, financial leverage, financial position, industry problems and reduced demand for the issuer's goods or services.

### Fixed Income Securities

Investments will include fixed income securities of corporate and government issuers in multiple jurisdictions. Such fixed income securities are not required to satisfy any minimum rating standard and may include instruments that are in poor standing and that have predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Fixed income securities are subject to the risk that the issuer may default on the payment of principal and /or interest. The prices of fixed income securities are inversely affected by changes in interest rates and thus are subject to the risk of market price fluctuations. In addition, changes in the credit ratings of a fixed income security or in the perceived ability of the issuer to make payments of principal and interest also may affect the security's market value.

### Property Funds

Investments will include property and land through holding investments in property funds. Property and land can be difficult to sell so the fund may not be able to react to prevailing market conditions by selling/cashing in these holdings when they would like to. This may result in shares in the property fund losing value. In extreme circumstances, trading in the property fund could be suspended. A further risk to the value of a property fund is that the value of the property is often a matter of the valuer's opinion rather than fact.

### Commodities

Investments in commodities whether by funds or via companies substantially involved with them may expose investors to risks not typical of other investments. Companies associated with commodities and the funds invested in them may have assets in less developed countries which have political, legal and social systems that are less stable than those found in developed countries or markets. The assets of the companies, the commodities and derivatives associated with them may be subject to or affected by conditions such as drought, flood, weather, disease, trade embargo, war or political unrest etc which may substantially affect their value. Commodity funds may hold physical assets which may not be insured and subject to risks associated with high value items.



### Emerging Markets

Investments in emerging markets may expose investors to risks not typically associated with similar investments in more developed markets. The classification of a country as an 'emerging market' is generally based on the relative economic, political and social development and is by necessity subjective. Some of the risks associated with emerging markets are similar to those affecting more developed economies but the undeveloped nature of an emerging economy may mean that they are more pronounced or have a longer and deeper effect. Country risk covers such factors as natural disasters which may have a greater effect on the economy and financial systems of an emerging market. The less well developed financial systems may mean that financial instability is more common and may be more exaggerated both by internal factors such as inflation or external factors such as changes in currency

values. Many emerging markets experience rapid and significant changes in political control which may result in unpredictable changes of economic policy. Settlement, custodial and clearing systems may not be fully developed and investors may be subject to political intervention or risks arising from less developed systems and standards. Emerging companies may not be as economically stable as companies in more developed countries and as well as potentially subject to political intervention may have enhanced risk in terms of failure to meet their obligations.



### **Foreign Exchange Risk**

Assets may be denominated in a currency other than Sterling and changes in the exchange rate between Sterling and the currency of the asset may lead to a depreciation of the value of the Portfolio as expressed in Sterling.

### **Suspensions of Trading**

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

## **General Information**

### **Company Information**

King & Shaxson Asset Management Limited (Reg. No. 3870667) has its registered office at 1st floor, Cutlers Court, 115 Houndsditch, London, EC3A 7BR. The Company is registered in England and Wales and is part of the PhillipCapital Group. King & Shaxson Asset

Management Limited (FCA Reg. No. 823315) is authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.

Request for further information from King & Shaxson Ethical Investing can be made in writing, by phone or by email to any of the contact details listed below. Please ensure all communications are in English.

### **Conflicts of Interest**

The companies within the King & Shaxson (K&S) Group provide a wide range of services to many sectors within the financial markets. As such, K&S, or a company with whom it has an association, may from time to time have interests which conflict with its client's interests or with the duties that it owes its clients. These include conflicts arising between the interests of K&S, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients themselves.

K&S has established procedures which are designed to identify and manage such conflicts. These include organisational and administrative arrangements to safeguard the interests of its clients. A key element of this policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another.



### **Please see important information**

All information contained in this document has been prepared by King & Shaxson Ethical Investing. King and Shaxson Ethical Investing manage funds and portfolios only; we are not stock brokers and do not offer investment advice or conduct advisory or execution only business. Please remember that the value of investments and the income arising from them may fall as well as rise and is not guaranteed. You may not get back the amount invested, especially in the early years.

## **Fees & Charges**

### **King & Shaxson Charges**

Annual Fee 0.36% inc VAT (Tiered lower depending on size)

### **Other Charges**

Platform initial fee As agreed with IFA and platform provider

IFA fee As agreed between the IFA and client

Underlying fund charges 0.47 – 0.82% per annum (depending on the portfolio and platform)

### **For further information please contact**

Peter Thompson

Business Development Manager

King & Shaxson Ethical Investing

First floor, Cutlers Court

115 Houndsditch, London, EC3A 7BR

Phone: 07936368474 Email: [ethical@kasl.co.uk](mailto:ethical@kasl.co.uk)

Website: [www.kingandshaxsonethical.co.uk](http://www.kingandshaxsonethical.co.uk)

## **ADVISER NOTES**



2020  
Celebrating  
**10**Yrs  
of our  
Model Portfolios