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The Good Investment Review

#FindingGood

3D investing
Powered by Ethical Money

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

"Do good, avoid harm, make money"
John Fleetwood

Contents

About Good With Money

Good With Money is a website that champions ways to achieve profits with principles and value with values. The site launched the Good Egg, the UK's first responsible money mark, in May 2017. It has a directory of firms that are making a positive impact for the environment and society, as well as for customers.

About 3D Investing

3D investing is a distinctive investment approach that seeks to maximise the social impact of a portfolio, while minimising exposure to ethical controversies and delivering on financial expectations.

3D demonstrates the social impact of investments in a transparent and systematic manner so that investors can see exactly how well their aims are being delivered. It uses an evidence-based approach that analyses the constituent holdings of every investment, so investors can be confident that their money is being used in a way that really does make a positive difference whilst meeting their financial needs.

3D has analysed every fund registered for sale in the UK that has some form of ethical, sustainability or environmental and social governance (ESG) mandate and this analysis forms the basis of this review. It attributes a star rating to each fund as a shorthand for identifying the 'best' funds according to the 3D Investing criteria.

Foreword

By John Fleetwood,
founder and director of 3D Investing

Welcome to the fourth edition of the Good Investment Review.

The review provides an overview of the sustainable and ethical investment industry as well as insight into specific sectors.

In this issue we focus on global equities, possibly the most important asset class for balanced portfolios.

We are also very pleased that we can profile two recent funds that are very much in line with the 3D Investing philosophy: Hermes Investment's Impact opportunities Fund and Standard Life's Global Equity Impact Fund.

In addition, there are articles from Triodos, explaining why investing is never neutral and how investors can analyse the impact of their money for themselves; Liontrust, which discusses its investment policy on fossil fuels and carbon, Impax, which looks at several key trends, such as the move away from plastics, and the specific opportunities they present; Pictet, which explains how it has successfully changed the policy of what is now the Global Environmental Opportunities Fund to deliver more impact and better performance and finally Ethex, which explains how the Energise Africa IFISA is financing vital solar development in Africa.

I trust that you will find the review informative and useful. If you would like to discuss any aspect of 3D Investing, or think that we may be able to help you implement a 3D Investing strategy, please do get in touch.

John Fleetwood,
3D Investing Founder

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Why there’s no such thing as a neutral investment

Triodos Investment Management

"Using money to make more money simply does not add anything to society."

Why there's no such thing as a neutral investment

By Adam Robbins, Senior Investor Relations Manager at Triodos Investment Management

Investments can have a positive impact, but also a negative one. In other words, every investment has an impact on the economy and therefore on society. As a result, investments are, by definition, never neutral.

If the objective of an investment is not just to make a return, but to provide capital to help businesses and organisations grow, then the real value of the investment lies in how money is used and the impact that this has on the economy and our society.

But all too often, the focus is entirely on what may be expressed in terms of financial value. The primary question becomes: how much money can my money make?

But this is of course untenable in the long term. Using money to make more money simply does not add anything to society. If an investment is not productive, then any returns are simply a redistribution of wealth, often to the lucky winners from the losers who end up holding worthless financial papers.

At some point during the last fifty years the idea emerged that investing is mainly about financial value, increasingly removing investors from the objects they invest in.

There are three important reasons for this. First, we continue to see investment justifications that centre on a singular motive: an investment should generate more money, how that is achieved is irrelevant. This contributes to short-term thinking: anything that cannot be translated back into financial value soon is considered worthless.

Second, due to global integration it has become virtually impossible for the average investor to determine where and under what circumstances a company transforms raw materials into end products. Particularly in the tech sector where value chains are global, the clear link with the real economy has become much more obscure.

Finally, the increased use of artificial intelligence and robo-investing has brought into the mainstream the practice of trading purely on price signals: these investment decisions have nothing to do with the actual developments within specific companies in which shares are held.

The consequences of this type of investment decision-making is widespread.

Climate change is a primary example. The long-term outlook on fossil fuels is highly risky and you would expect investors to quickly scale back these holdings in favour of sustainable alternatives. But this is happening a lot less than expected, as the risk isn't priced into the current price of the asset.

Similarly, risks appear in the food industry, as maximising profits in the short-term through huge palm oil plantations or mega cattle farms risks long-term profitability by negative impact on biodiversity, the environment and animal welfare.

What can investors do?

The first place to start is to try to determine what you own as an investor. Many investors—particularly those holding index funds—may find this an enlightening exercise.

Once you have determined the companies you are invested in, the next step is to assess the consequences of your investment.

If a company succeeds in its business model, what will be the long-term outcomes, and are you happy with that? There is no such thing as a neutral investment—we all have a choice about how our money is creating the future.

Triodos Investment Management (Triodos IM) is a globally active impact investor, connecting the sense of urgency for change with the conviction that investing can make a lasting difference. With EUR 3.5 billion in assets under management, Triodos IM ensures that investors know their money is directly contributing to the real economy.

Over the past 25 years, Triodos IM has built up in-depth knowledge in key impact sectors like energy and climate, sustainable food and real estate, arts and culture, and inclusive finance. As an impact investor, they know that finance is transformational, so they direct money to where it can benefit people and the environment over the long-term. Through a strict selection process, Triodos IM determines which investment opportunities will realise positive change, combined with a long-term healthy financial return.

Some of these companies include:

Gamesa, Spain
– Triodos Sustainable Pioneer Fund

Siemens Gamesa Renewable Energy makes wind turbines and their components as well as operating wind farms worldwide. The company also makes components for large-scale solar farms and hydroelectric power plants. With its renewable energy products, the company contributes to the transition into a low-carbon economy and helps reduce the uncertainty of future energy supply.

Whitbread, United Kingdom
– Triodos Sustainable Equity Fund

Whitbread operates Premier Inn hotels, Costa coffee shops and several restaurant chains. Their sustainability programme has reduced carbon emissions by over 30% and diverted more than 90% of waste from landfill. The company partners with the Rainforest Alliance, uses FSC certified timber, and sources RSPO certified palm oil and animal products from farms that respect the Five Freedoms.

Hain Celestial, United States
– Triodos Sustainable Pioneer Fund

Hain Celestial manufactures and sells organic and natural, 'better-for-you' food and personal products. Through brands like Ella's Kitchen and Yorkshire Provender, it aims to create and inspire a healthier way of life. The company supports organic farming to facilitate the long-term sustainability of agriculture.

Triodos IM funds are available in the UK through Triodos Bank. To find out more, visit www.triodos.co.uk

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3D Universe – market update

3D Universe – market update

The "3D Universe" is the range of funds available to UK investors that all aim to offer some kind of positive impact.

Since the last Good Investment Review, assets under management (AUM) in the 3D universe of sustainable and ethical funds has risen to:

£105bn

An increase of £9bn, or 9 per cent, since the last review in October 2017.

This rise is partly due to an increase in the number of funds and partly due to growth in assets under management in existing funds.

Many funds have continued to accumulate assets, driven by investor interest in sustainable investments.

At the same time, funds in the 3D fund universe (which are registered for sale in the UK to retail investors as OEICs, unit trusts, investment companies or SICAVs) have increased in number to:

216

This represents a significant increase of 10 per cent over the period, despite eight funds being removed from the universe.

Notably, there have been several new impact fund launches over the course of 2017.

These include:
- **Standard Life Global Equity Impact**
- **Wellington Global Impact**
- **Baillie Gifford Positive Change**
- **Hermes Impact Opportunity funds**

These are all worthy of a high 3D rating and have a clear focus on meeting the United Nations Sustainable Development Goals – the UN SDGs.

iShares also launched an Exchange-traded fund (ETF) based on a global Social responsibility index. However, like pretty much all Socially Responsible Investment (SRI)/Environmental Social and Governance (ESG) indices, this one is deeply flawed with significant exposure to stocks with high levels of ethical controversy.

Don't know your SRI from your ESG? We don't blame you. Read this ethical investing jargon buster for definitions of key terms.

There have also been some additions in the fixed interest sector:

Edentree has a short-dated bond fund with an ethical overlay and **M&G** notably launched a high yield bond fund incorporating their ESG management.

M&G were joined by **Candriam** in launching a high yield bond fund, although this carries a currency risk for UK investors.

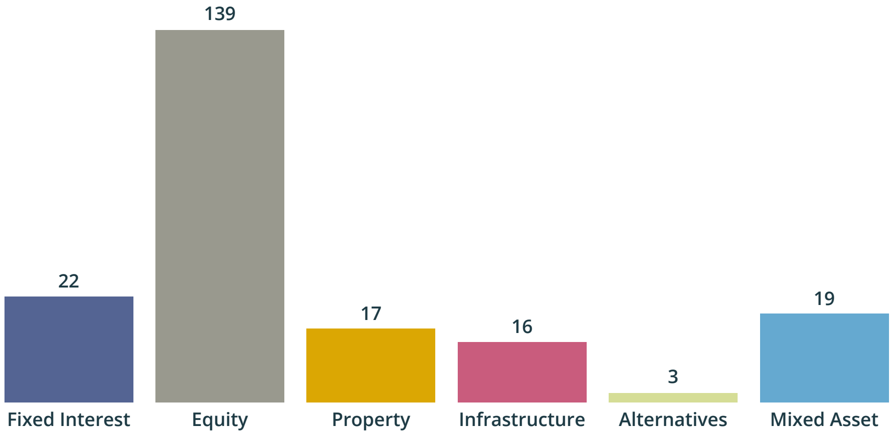
All of these funds are managed with ESG in mind rather than seeking to deliver a direct social impact, but they do extend the variety of funds available.

One of the most interesting new funds is the **Standard Life UK Equity Impact – Employment Opportunities Fund**. This fund is a collaboration with **Big Issue Invest** to focus on job creation and good employment.

Despite a lack of formal ethical policies, the fund is exposed to few controversies and has a high level of transparency, if only a modest exposure to direct solutions to other social and environmental challenges.

Eight funds have been deleted from our universe: the Royal London UK Ethical, Halifax Ethical CAM Accessible Clean Energy and Mirova Global Energy Transition funds have been closed. A further three funds are no longer available for UK investors due to regulatory documents not being available and the very small India Infrastructure fund is being wound down.

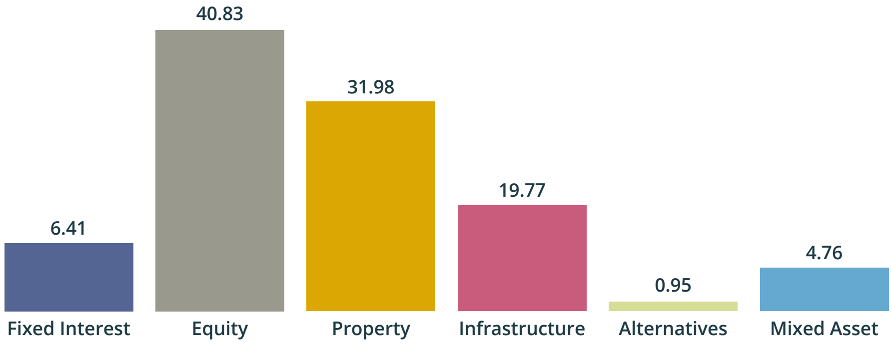
Finally, the Global Care funds have been renamed by Henderson to better reflect its strategy. The Global Care Income Fund is now known as the Janus Henderson Investors UK Responsible Income Fund and the Global Care Growth Fund is named the Janus Henderson Global Sustainable Equity Fund.



Fund Distribution by No. of funds in Asset Class

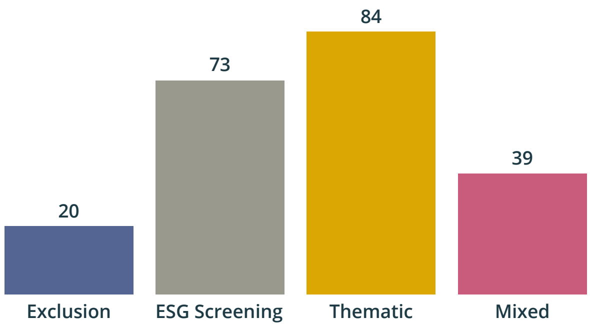
Overall, most of the funds remain invested in equity, but there are a significant number of fixed interest, property and infrastructure funds, as well as mixed asset funds.

The number of property and infrastructure funds continues to represent a relatively small minority of the total number of funds in our universe, while constituting a much bigger proportion of assets under management as can be seen below.



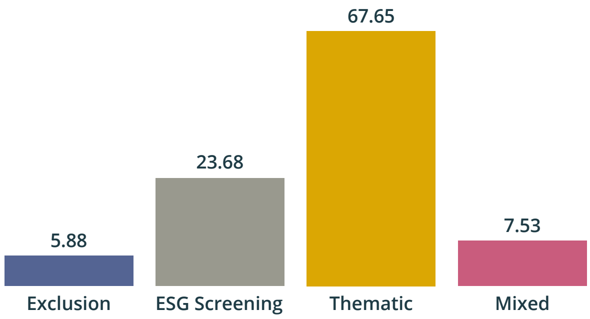
Fund Distribution by Asset Class (AUM £billion)

Similarly, when looking at the overall approach taken by funds, there is a major difference depending on whether one looks at numbers of funds or assets under management. Judged by number of funds, there is a fairly even spread of approaches.



Fund distribution by approach (No. of funds)*

Looking at assets under management, thematic approaches dominate, reflecting the growth in specialist infrastructure and real estate trusts as well as thematic equity funds.



Fund distribution by approach (AUM £billion)

The “approaches” are:

- **Exclusion** – avoiding companies on the basis of pre-determined ethical criteria
- **ESG Screening** – Consideration of Environmental, Social and Governance in assessing companies
- **Thematic** – focus on investment in environmental or social themes

It is highly encouraging to see a move toward the sort of investment strategy represented by 3D Investing.

Distribution of 3D star ratings

Given the increasing complexity and extent of the impact investment market, 3D Investing has developed the 3D star ratings to facilitate quick and easy identification of the best funds that make a positive social impact, avoid ethical controversies and deliver decent financial returns.
These ratings are designed to be demanding, so a three-star rating is far from average and in fact means the fund is likely to be amongst the best in its sector. A five-star rating is reserved for the very best funds and is an aspirational standard.

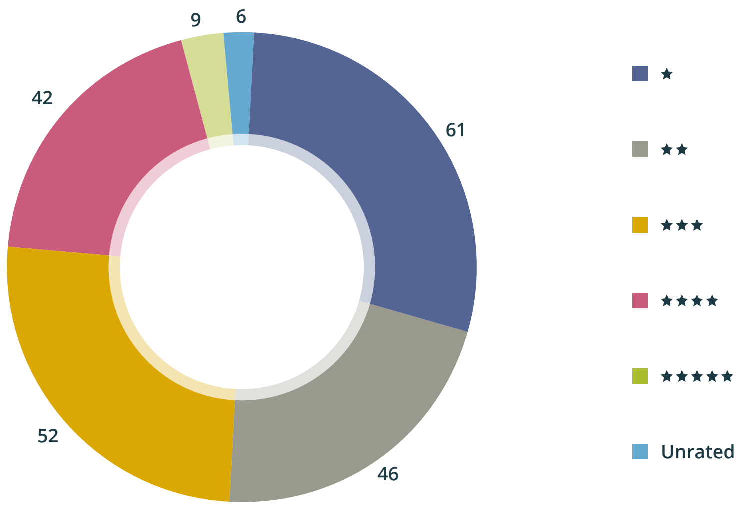
2.45

The average 3D star rating

The distribution of funds continues to reflect 3D’s discriminating approach, with half of all funds in the universe being rated two stars or less. Positives outweigh negatives for the remainder.

This includes infrastructure and specialist real estate funds, which tend to have a relatively high rating by virtue of their focus on assets with a positive social impact.

Funds falling out of the universe also tend to have a low rating and this means that over time, the overall rating is likely to rise.



Star Rating Distribution (no. of funds)

What the ratings mean

The fund is a real pioneer in the industry. It has delivered financial returns in line with expectations, excellent levels of transparency, a high social impact and is not exposed to ethically controversial companies.

The fund carries a high level of conviction for the same reasons as five star funds, but with a relative weakness in impact, transparency, or sustainability management.

The fund is positively rated where the advantages outweigh the disadvantages, and where the fund might be considered for inclusion in the 3D Portfolio.

The fund may be worth considering, but there are significant weaknesses in terms of financial track record, social impact or avoidance of ethical controversy.

The fund is negatively rated because of major concerns over its financial track record or stock selection that fundamentally undermines our confidence in the fund.

For more information on the star ratings visit www.3dinvesting.com/3d-star-ratings

3D-licenced funds

Although we rate funds without prejudice, a number of the better rated funds have paid to licence the marketing of the star ratings. These funds are listed below together with the rating.

Fund	Star rating	Summary
Foresight Solar	★★★★★	A closed end fund investing solely in ground mounted solar assets
Hermes Global Equity Impact Opportunities	★★★★★	8 core impact themes with incorporation of ESG and active engagement
Impax Environmental Markets PLC	★★★★★	A specialist, small & mid cap global environmental solutions fund
Liontrust SF Absolute Growth	★★★☆☆	A growth fund with freedom to invest without reference to asset allocation benchmarks
Liontrust SF Cautious Managed	★★★☆☆	A mixed asset fund with a 60% allocation to global equities that benefits from good ESG management
Liontrust SF Defensive Managed	★★★☆☆	A mixed asset fund with a 45% allocation to global equities that benefits from good ESG management
Liontrust SF European Growth	★★★★☆	A leader amongst European equity funds
Liontrust SF Global Growth	★★★☆☆	A global equity fund which balances thematic investment with an ESG approach
Liontrust SF Managed	★★★☆☆	A mixed asset fund with a 20% allocation to fixed interest and the remainder in equities
Liontrust SF UK Growth	★★★★☆	Some themes evident as well as a best of sector approach
Liontrust UK Ethical	★★★☆☆	Similar to the SF UK Growth fund but avoids animal testing
Pictet Global Environmental Opportunities	★★★★☆	An environmental fund that seeks to keep within sustainable limits
Rathbone Ethical Corporate Bond	★★★☆☆	A UK corporate bond fund with rigorous exclusion criteria and a small amount in charity bonds
Sarasin Responsible Corporate Bond	★★★★☆	A UK corporate bond fund with a clear thematic approach
Sarasin Sustainable Equity - Real Estate Global	★★★☆☆	An open ended fund investing in global property shares with good ESG management
Standard Life Global Equity Impact	★★★★☆	Mixes ESG with a clear focus on positive impact in line with the UN Sustainable Development Goals.
Triodos Sustainable Equity	★★★★☆	A global equity fund investing in large cap stocks with a 'best of sector' approach
Triodos Sustainable Pioneer	★★★★★	A thematic fund investing in multiple social & environmental themes
WHEB Sustainability	★★★★★	A thematic equity fund investing in sustainability themes with excellent impact reporting

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How the financial performance of ethical and sustainable funds compares with the mainstream

“Investing for positive impact can improve returns.”

How the financial performance of ethical and sustainable funds compares with the mainstream

The performance of funds of ethically-screened and sustainable funds continues to demonstrate that adopting a sustainable or ethical policy need not be at the expense of financial returns. However, there is considerable discrepancy between funds.

This is a consistent finding over several years and there has been no change in this.

It is important to compare like with like, so we’ve analysed funds within their respective sectors, looking at the three of the most commonly used sectors – namely Global Equity, UK All Companies and Sterling Corporate Bonds.

We look at discrete annual periods to give a better picture of the consistency of performance, as well as the cumulative five year performance. Green shading indicates outperformance of the sector average.

We’ve also compared the performance of those funds rated three stars or higher to see how higher-rated funds perform relative to conventional funds, and to ethical and sustainable funds as a whole.

It is evident that positively impact need not come at the expense of financial returns, and if anything, **investing for positive impact can improve returns.**

Performance comparison: UK All Companies

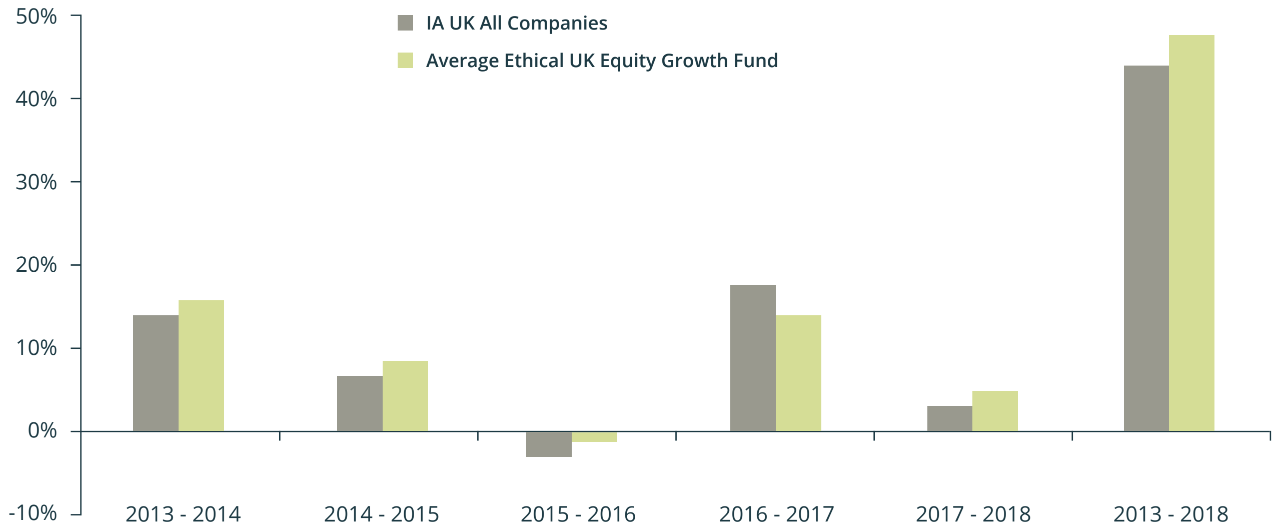
Fund	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2013 - 2018
Aberdeen Responsible UK Equity	4.34%	3.39%	-6.40%	22.39%	3.39%	27.77%
Castlefield BEST UK Opportunities	12.85%	5.55%	-0.96%	8.97%	5.33%	35.41%
Edentree Amity UK	14.31%	8.04%	1.59%	10.62%	3.13%	43.13%
F&C Responsible UK Equity Growth	12.63%	8.69%	-1.54%	15.87%	6.77%	49.10%
Jupiter Responsible Income	13.91%	6.17%	-6.41%	13.43%	-8.81%	17.07%
Kames Capital Ethical Equity	20.54%	6.97%	0.98%	5.65%	3.31%	42.10%
Legal & General Ethical Trust	15.70%	9.97%	-2.32%	8.69%	1.11%	36.58%
Liontrust SF UK Growth	17.51%	9.79%	-0.20%	17.67%	10.31%	65.05%
Liontrust UK Ethical	19.08%	9.59%	-0.20%	15.00%	10.89%	66.07%
Premier Ethical	28.03%	7.51%	1.31%	12.99%	6.79%	68.26%
Royal London Sustainable Leaders Trust	15.90%	12.81%	-1.91%	17.22%	4.45%	57.02%
Standard Life Investments UK Ethical	18.59%	2.29%	3.74%	13.33%	10.11%	57.03%
Threadneedle Ethical UK Equity				17.18%	2.89%	
UBS MSCI UK IMI Socially Responsible			-1.53%	17.93%	0.73%	
IA UK All Companies	14.17%	5.76%	-2.48%	18.13%	2.75%	42.92%
Average Ethical UK Equity Growth fund	16.12%	7.56%	-1.07%	14.07%	4.31%	47.05%
Average 3 Star+ Fund	16.97%	9.14%	0.40%	15.12%	6.81%	58.08%
Average outperformance of ethical fund	1.95%	1.80%	1.41%	-4.06%	1.56%	4.13%
Average Outperformance of 3 Star+ Fund	2.80%	3.38%	2.88%	-3.01%	4.06%	15.16%

GREEN = OUTPERFORM SECTOR AVERAGE

The last year has been a strong one for ethical UK equity funds which has also strengthened the five year returns.

In only one of the discrete calendar periods have ethical funds significantly underperformed the wider market, with outperformance in the other four years.

The effect is even more pronounced for funds with a 3D rating of 3 stars or more, demonstrating that focusing on a positive social impact can actually enhance returns.



Performance comparison: Global Equity Growth

Fund	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2013 - 2018
Aberdeen Ethical World Equity	-0.38%	9.50%	-10.73%	31.11%	1.48%	29.56%
Baillie Gifford Positive Change					29.27%	
Davy Asset Management Ethical Equity				24.53%	2.12%	
EdenTree Amity International	1.29%	10.87%	-5.73%	27.65%	4.32%	40.98%
F&C Responsible Global Equity	5.03%	22.06%	-1.88%	28.79%	4.61%	69.47%
Hermes Impact Opportunities						
Impax Environmental Leaders				32.12%	3.21%	
Impax Environmental Markets	15.03%	4.50%	4.61%	29.95%	3.42%	69.02%
Janus Henderson Global Sustainable Equity	16.04%	17.80%	-4.08%	26.52%	7.46%	78.26%
Jupiter Ecology	12.25%	9.51%	-1.49%	22.76%	-3.09%	44.06%
Kames Capital Global Sustainability					5.03%	
Liontrust SF Global Growth	8.44%	16.69%	-2.34%	26.66%	6.92%	65.39%
Old Mutual Global Investors Ethical	11.27%	9.25%	1.57%	27.61%	-1.41%	55.35%
Pictet Global Environmental Opportunities	5.90%	16.53%	0.71%	30.14%	7.63%	74.08%
Sarasin Responsible Global Equity	4.69%	16.10%	-5.43%	27.44%	4.27%	52.74%
Standard Life Investments Global Equity Impact						
Stewart Investors Worldwide Sustainability	5.77%	15.26%	1.85%	29.36%	1.64%	63.25%
Triodos Sustainable Equity		21.41%	-1.31%	20.25%	2.20%	
Triodos Sustainable Pioneer		13.32%	-0.26%	15.07%	4.87%	
UBS MSCI World Socially Responsible	5.56%	18.09%	-0.47%	30.39%	2.21%	65.34%
Vanguard SRI Global Stock	7.53%	18.37%	-0.79%	31.25%	0.86%	67.16%
WHEB Sustainability	9.22%	18.65%	-0.96%	25.54%	6.56%	71.70%
IA Global	7.30%	16.40%	-2.75%	29.24%	2.86%	61.47%
Average Ethical Global Equity fund	7.69%	14.87%	-1.67%	27.06%	4.68%	60.45%
Average 3 Star+ fund	10.40%	14.97%	-0.54%	25.95%	5.90%	65.92%
Outperformance of average ethical global fund	0.39%	-1.53%	1.08%	-2.18%	1.82%	-1.02%
Outperformance of average 3 Star+ Fund	3.10%	-1.43%	2.21%	-3.29%	3.04%	4.45%

GREEN = OUTPERFORM SECTOR AVERAGE

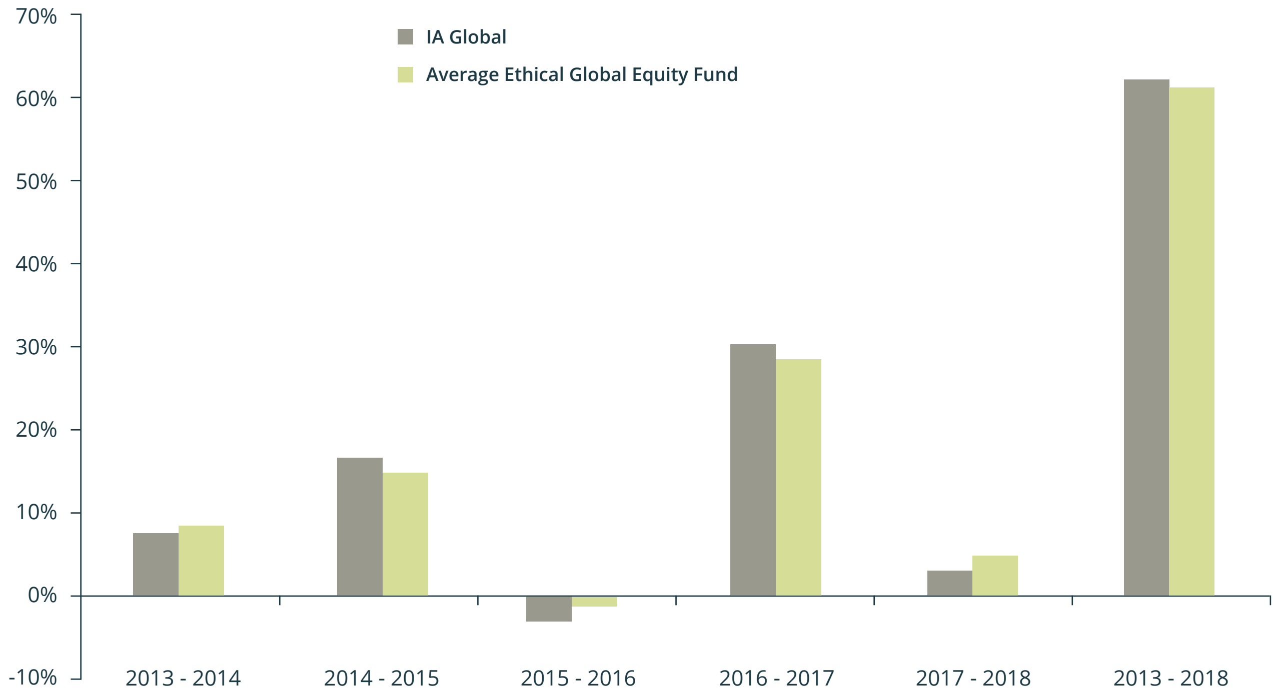
The picture is less clear for global equity funds, but overall, ethical funds have outperformed the sector in three of the last five discrete calendar years.

Over the last five years, the total return of ethical funds is marginally lagging that of the sector but this is skewed by a few funds that have significantly underperformed the index.

In fact, the median ethical fund has outperformed the sector with 10 of 14 funds having achieved financial returns better than the sector average. Once again, there is a clear positive relationship between a higher 3D Star Rating and financial performance.

You may also note that one of the more recent funds, the Ballie Gifford Positive Change Fund, had a very strong opening year, generating financial returns well in excess of any of the other monitored funds.

There is often a 'new fund' effect with the manager having the advantage of being able to start from a clean sheet, and it should also be added, that the fund is quite focused, with a relatively small number of holdings. Nevertheless, this is an exceptional start.



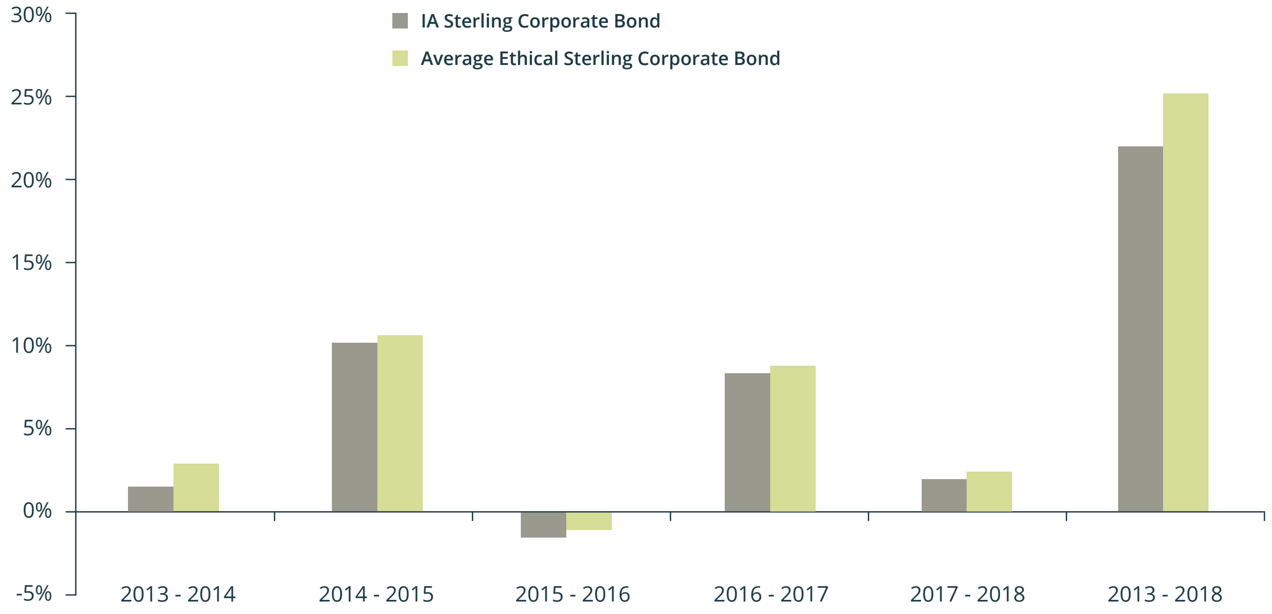
Performance comparison: Sterling Corporate Bonds

Fund	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2013 - 2018
EdenTree Amity Sterling Bond	3.72%	7.84%	-1.34%	7.00%	5.30%	24.34%
F&C Responsible Sterling Bond	-0.08%	11.38%	-1.05%	7.59%	0.59%	19.17%
Kames Capital Ethical Corporate Bond	0.36%	10.53%	-0.08%	7.52%	0.45%	19.71%
Liontrust SF Corporate Bond	2.57%	11.06%	-1.79%	12.34%	2.57%	29.24%
Rathbone Ethical Bond	5.09%	10.15%	-1.32%	9.24%	4.61%	30.54%
Royal London Ethical Bond	2.42%	12.59%	-0.42%	9.46%	3.09%	28.24%
Royal London Sustainable Managed Income	1.37%	12.28%	-0.95%	9.39%	1.91%	25.69%
Sarasin Responsible Corporate Bond					0.41%	
Standard Life Investments Ethical Corporate Bond	2.33%	10.63%	-2.04%	9.24%	1.10%	22.49%
Threadneedle UK Social Bond		11.99%	0.41%	8.33%	0.67%	
IA Sterling Corporate Bond	1.30%	10.51%	-1.19%	8.78%	1.67%	22.34%
Average Ethical Sterling Corporate Bond Fund	2.22%	10.94%	-0.95%	8.90%	2.07%	24.93%
Average 3 Star+ Fund	2.35%	11.20%	-0.75%	9.36%	1.77%	26.30%
Outperformance of average Ethical Bond Fund	0.92%	0.43%	0.24%	0.12%	0.40%	2.59%
Outperformance of average 3 Star+ Fund	1.05%	0.69%	0.44%	0.58%	0.10%	3.96%

GREEN = OUTPERFORM SECTOR AVERAGE

The results for UK ethical corporate bond funds are even more encouraging, with the average ethical fund having outperformed the sector in each of the last five years. Again, the result is even more pronounced for funds with a 3D rating of 3 Stars or more.

In conclusion it can be seen that, if anything, investing ethically, and in particular, investing positively, can enhance financial returns.



Data to 31 March 2018. Total return with net income re-invested. Source: Fundslibrary

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Fund in Focus: Standard Life Global Equity Impact Fund

Fund in Focus: Standard Life Global Equity Impact Fund

Q&A Sarah Norris, Standard Life Investments

Standard Life Investments has now established quite a number of ethical funds. Could you tell us more about your history in this area and how you've grown this side of the business?

We have long recognised the importance of providing investors with a choice of funds, suited to their ethical preferences. Indeed, we launched our first ethical fund over 20 years ago and have been running ethical funds ever since.

Our approach to ethical investing seeks to reflect and respect our clients' ethical principles.

Uniquely, we conduct an annual survey of the investors in our range of ethical funds to ensure we reflect their concerns.

We use strict negative criteria to screen out certain companies, based on feedback from the survey. We also employ the UN Global Compact to define positive business practices and services.

We aim to provide a solution that allows customers to reflect their values and offers the potential for financial return.

Many existing ethical funds are primarily based on negative exclusions. What led to you launching the Global Equity Impact Fund which is quite different?

Impact investing is starkly different from traditional screens/exclusion-based products, but the skill set and knowledge base are complementary. It involves investing in companies that are attractive from a financial position, but which also have a business strategy that seeks to have a measurable social and environmental impact.

We have strong internal sustainable and responsible investment analysis capabilities, as well as robust governance knowledge.

There is no readily available way of screening for impact, so it's necessary to actively engage with the companies in which we invest to understand and monitor their business strategies, ensure accountability through reporting and to encourage investment where it is needed most. Impact is about active positive selection criteria, as opposed to traditional screens.

As ethical investors, our focus on fundamental research and engagement made impact a natural evolution.

You base the fund around 8 'impact pillars'. Could you elaborate on this and why you chose these pillars?

When you start counting them up, the world's problems appear immeasurable and seemingly insurmountable. Rather than try to contrive our own definition of impact, and pick and choose which of the world's problems we thought were the most important, we decided to use the United Nations' Sustainable Development Goals (SDGs) and 2030 Agenda to identify where investment needs were the greatest.

Our core aims are to address what we feel are the three key pressing issues facing the world: climate change, rising inequalities and unsustainable production & consumption.

Designed to be holistic in nature, the SDGs share overlapping objectives as they provide a roadmap for countries out to 2030. We therefore decided to condense the SDGs into pillars, which we treat as sectors in portfolio construction. This ensures broad access and a balanced portfolio.

Each stock is assessed based on its impact maturity. How does this work and why did you adopt this approach?

Impact investing, by its very definition, must be intentional and must be measurable. We decided to focus on maturity because we want to invest in companies at every stage of their impact journey – companies having an impact now, and companies investing to have an impact in the future.

The first stage is intentionality, and therefore the strategy and investments of a company are crucial. We look for companies that not only demonstrate a clear strategic intent to deliver products and services that are solutions to some of the world's problems, but that also back this strategy with material financial investment.

The second stage examines a company's strategic implementation. This is where we set revenue targets and growth rates to examine how a company implements its strategy and the materiality of an impactful product or service to the overall business.

Finally, the most mature stage is measurement. A company must be able to measure the output of its products or services and explain just how they are contributing to solving the world's problems.

We ultimately want to demonstrate how the measurement of the impact is mapped to the world's problems, so that, over time, we might be able to attribute a company's contribution to addressing these issues.

The fund clearly has a short track record, so how can investors have confidence in your ability to generate the targeted returns?

We start with our strongest financial conviction – our 'Buy List' – when undertaking our impact analysis.

We have extensive experience of managing funds and a deep resource that can provide fundamental, bottom-up analysis. So, while we do have a short track record as impact investors, our credentials as financial investors is a positive starting point.

Our impact analysis then assesses investment strategies, revenue drivers and growth rates, as well as geographical breakdown. In doing so, we specifically identify how material an impactful product or service is to the financial performance of the company in question.

Because we have confidence in the financial investment case, and the impact case is one and the same, we have confidence impact names should make a profit from their impactful products and services.

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Fund in Focus: Hermes Impact Opportunities Equity Fund

Fund in Focus: Hermes Impact Opportunities Equity Fund

Q&A Tim Crockford, Lead Portfolio Manager

Who are you (fund management group)?

Hermes Investment Management provides active investment strategies and stewardship. Our goal is to help people invest better, retire better and create a better society for all.

We currently manage £33bn for a global clientele of institutional and wholesale investors, offering public and private market solutions across equity, fixed income, real estate and alternatives.

However, we believe that our duty extends beyond achieving clients' financial outcomes: we must act as stewards of the investments we manage and advise. In 2004 we established Hermes Equity Ownership Services (Hermes EOS), which is now one of the largest stewardship teams in the industry and currently advises on £336.1bn.

Tell us a bit about yourself – what gets you out of bed in the morning?

The thought of looking for and meeting exciting companies, that are developing new lines of business in under-served growth markets, which are nascent today, but have huge potential to grow as they increasingly meet the underserved needs of customers and society as a whole.

As first and foremost we have to be good investors, the competitive side of my nature relishes the challenge of delivering attractive long-term returns for our clients. The SDGs are a perfect lens through which to identify underappreciated emerging growth.

What makes your fund distinctive?

We believe we have the following competitive advantages that make the fund distinctive:

- **Conviction:** a highly concentrated global equity strategy that targets companies that provide innovative solutions to society's underserved needs, and thereby have strong growth potential.
- **Unconstrained:** focused on companies exposed to the drivers of future growth; we aim to invest in future leaders rather than today's index heavyweights.
- **Theory of change:** as an essential part of the investment case for each portfolio stock, we connect their outputs with positive impacts on society and the planet, and return prospects for investors.
- **Impact themes:** our eight themes are aligned with UN Sustainable Development Goals, providing exposure to sources of future growth and supporting greater prosperity in a sustainable way.
- **Stewardship:** we engage with impactful companies, cultivating dialogues that strengthen and sustain impacts in a positive feedback loop.

What are the positive social and environmental impacts of your fund and how do you measure them?

The fund will invest primarily in mid-cap names, but will include some small- and large-cap investments. For impact investing, the UN SDGs provide a useful framework against which to measure the impact an investment may have in relation to the achievement of the 17 goals.

Each company's impact is therefore linked to at least one of the 17 UN SDGs. The investable themes the team has developed to translate the SDGs into actionable themes are as follows:

- Energy transition: accelerating the transition to a low-carbon economy
- Circular economy: preserving natural capital by minimising water, energy, waste and other resource inputs
- Water & waste: improving access to water and sanitation and improve water use efficiency
- Health and wellbeing: improving life expectancy and quality
- Education: providing opportunities for all
- Financial inclusion: improving access to financial products and services
- Future mobility: facilitating the shift to sustainable, low-carbon transport, and
- Sustainability enablers: supporting companies directly involved in the above themes.

A key test of any impact strategy is the ability to measure future outcomes against pre-determined goals.

Our approach has two stages: The first is establishing the ex-ante narrative for each holding in the portfolio that clearly identifies the underserved needs of global society that are being addressed.

The second stage, as time unfolds, is the ex-post reporting and measurement of the outcomes against the goals.

We use a mixture of theme-specific metrics based on standardised IRIS indicators, and company specific metrics that are designed to capture the idiosyncratic impact of different businesses.

This provides a flexible approach to identifying the impact of individual companies. A key element that differentiates our approach to impact measurement is that we distinguish between enterprise level impacts – ie the impact achieved by the company through its products and services – and the investor generated impact delivered through engagement with the company. This provides a feedback-loop to the portfolio manager and company alike, and focuses on mitigating negative impacts.

How do you engage with the companies in which you invest?

Our unconstrained and benchmark agnostic approach will allow the team to scour the global investment universe for innovative, purposeful companies, that have a positive impact on the lives of all of their stakeholders.

We are setting a very high bar as to what we consider to be a positive impact and then setting a high bar with regard to traditional valuations. We are not just buying something because it is good but, as investors, we are buying something that we see as systematically undervalued over the long term.

No company we invest in is ever going to be perfect. We work with all companies held to help them reduce the negative impacts they have. We are not trying to change their business models, because by definition these companies will be purposeful companies, nor is an activist approach; it is about having a collaborative discussion with them and understanding how they plan to be impactful and generate long-term shareholder value and to minimise negative externalities from their activities or products.

It draws on our considerable experience as a firm in acting as responsible stewards of over £330bn of assets for a wide variety of asset owners globally. We work in close collaboration with our engagement team, Hermes EOS.

Our research process is intensive, detailed and reflective. It is driven by thematic research focused on our eight impact themes and bottom-up analysis revolving around investment- and engagement-focused dialogues with corporate boards and executives.

We also quantitatively screen companies to determine their revenue thresholds and the amount of capital expenditure they allocate to sustainable products. We validate the depth of their impacts and strength of their financial sustainability, ensuring that operational ESG credentials are robust and strategies for long-term value creation are aligned with their impact aims.

"The investment industry, as stewards of other people's savings has a powerful role to play in delivering a better world than the one we inherited."

Core to the investment case for each portfolio company is a theory of change: a conviction in their ability to generate strong long-term returns by increasing prosperity in society and benefiting the planet.

Through engagements with companies, we aim to create a positive feedback loop that strengthens and sustains the changes they are creating. In order to gauge impacts, we group companies according to impact themes and test each against standardised metrics. We then use company-specific metrics to gauge idiosyncratic impacts. By doing so, we collect evidence about how the theory of change for each portfolio company is manifesting.

What's your biggest concern for the next year?

Our biggest concern over the next twelve months is the increase in protectionist measures that we are being put into place by governments across the globe.

These measures are likely to preserve old industry and practises, at the expense of innovation and positive change, as politicians' attention is diverted away from the increasingly pressing needs of people and the planet, which can only be met by advances in technology and companies entering new, unserved markets. Creating a more sustainable and inclusive planet is no longer an option, it is an imperative.

What would success look like for your fund?

The portfolio is designed to achieve superior returns for clients because the companies in which we invest are delivering long-term value creation for shareholders by addressing the underserved needs in the global economy, as represented by the UN SDGS.

Success, therefore, will be outperforming global equity indices, as a result of the improving financial merits our holdings arising from the positive societal impacts that their products and services deliver in a clearly demonstrable and measurable way.

The investment industry, as stewards of other people's savings has a powerful role to play in delivering a better world than the one we inherited. This fund is an opportunity to demonstrate that we take our responsibilities to the planet and people seriously alongside delivering attractive rates of return for our beneficiaries.

Why did you launch this fund?

The Hermes Impact Opportunities Equity Fund is a natural extension of the firm's longstanding commitment to responsible investing and work in stewardship and advocacy.

The scale of public equity markets means that listed companies can meaningfully influence society and the environment as powerful agents of change that is aligned with the delivery of the UN Sustainable Development Goals.

The fund is a concentrated, fundamental global equity strategy with a bold philosophy: to generate value by investing in companies that create positive, sustainable change and strong long-term investment returns.

We see the SDGs not solely as an important and ambitious set of objectives for improving the prosperity and sustainability of global society: They also represent the beta of future growth, and are an exciting opportunity for innovative companies to deliver exciting future growth prospects that will reward patient investors.

What three things would you like your fund to be identified with?

1. Playing a part in a sustainable, capital markets solution to making the world a more inclusive and sustainable place
2. Motivating companies to look for new business opportunities that meet the UN Sustainable Development Goals
3. A simple, easy-to-understand investment process that invests in tomorrow's leading businesses, today

Fund Viewpoint: The investment opportunity in “fossil fuel free” Liontrust Sustainable Futures

Fund Viewpoint: The investment opportunity in "fossil fuel free"

Liontrust Sustainable Futures

By Neil Brown, Liontrust Sustainable Investment Team

"There are global commitments to transition away from fossil fuels and meeting those commitments presents challenges."

We believe there are profits to be made in meeting those challenges

While no investor can completely avoid exposure to fossil fuels, as all companies use electricity, we invest in businesses that profit from changes under way in our energy system.

We look for companies reducing costs through energy efficiencies, selling products that drive efficiencies for others or generating and transmitting renewable energy. Naturally, we avoid companies that stand to lose from these positive trends – the fossil fuel sectors.

Burning fossil fuels currently provides the majority of energy used for generating electricity, transport and industrial processes. It is also the largest source of greenhouse gas emissions, which countries and companies are working hard to reduce against clear and challenging targets.

The three fossil fuels are coal, oil and natural gas and they have different emissions profiles and carbon intensities.

Coal looks the least attractive for many reasons, not least the fact it emits the most carbon dioxide per unit of energy. We believe regulation will continue to discourage the building of coal-fired electricity generation and the outlook for investments in this area is severely challenged.

Oil is mainly used for transport (petrol, diesel and jet fuel) as well as the petrochemicals that make plastics.

As reserves have become harder to find, there has been a shift into new types of oil, known as unconventionals, including tar sands, ultra-deep water and shale. These have higher footprints in terms of energy and water inputs and we believe the economics of unconventional projects have been overstated.

Natural gas exhibits different characteristics to coal and oil, primarily how little carbon dioxide it emits when burnt and can assist in transition but only when used as a direct substitute for coal.

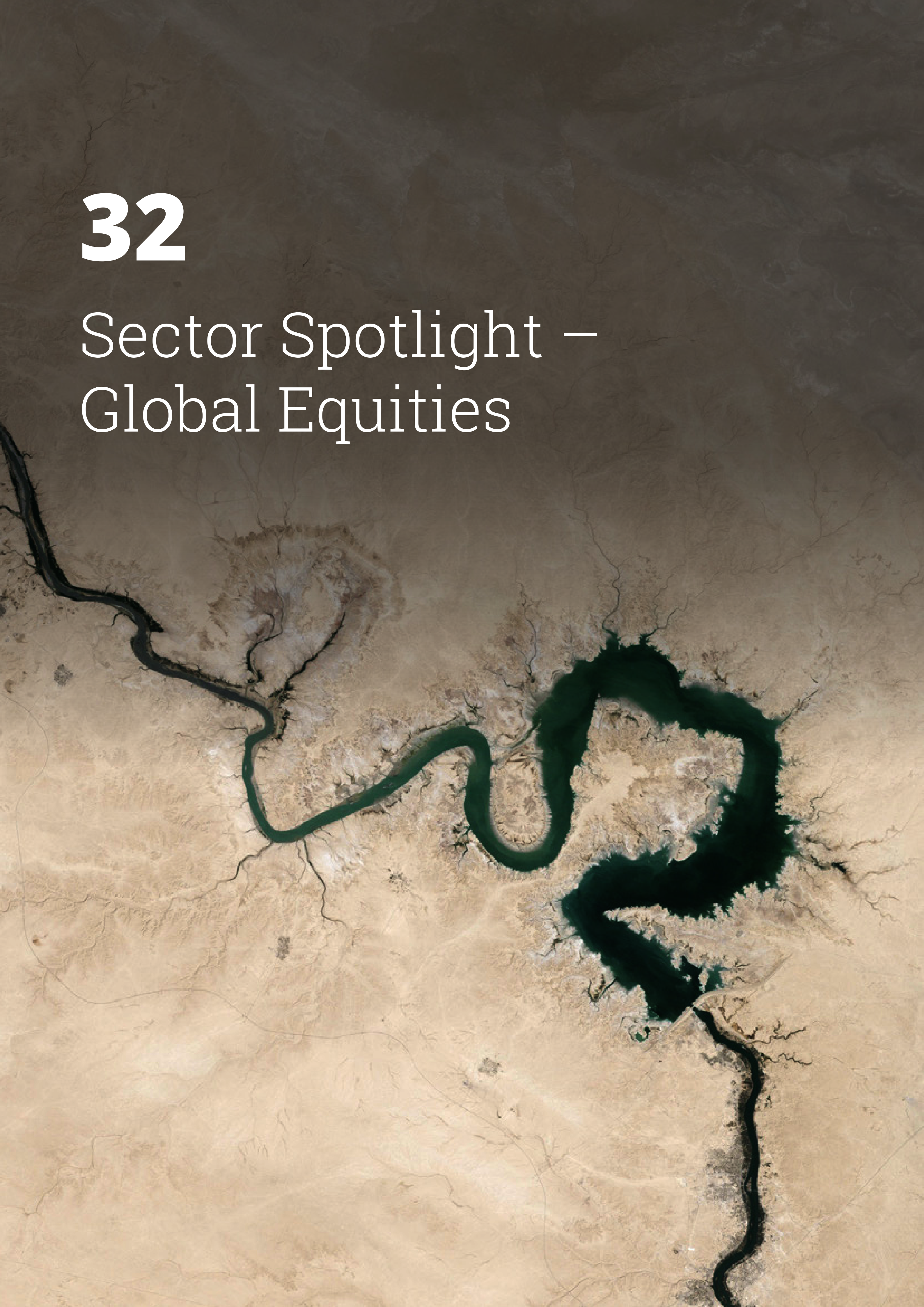
The 'Fossil Free' movement calls for asset owners to end support for the industry by freezing new investment in fossil fuels and selling positions in equities or corporate bonds within five years.

We have long taken a more positive approach:

- Invest in companies profiting from accelerating the decarbonisation of our economies.
- Invest in companies with low exposure to carbon risk.
- Avoid investment in coal, oil, tar sands and natural gas.

Our thematic investment ideas continue to evolve rapidly but currently include insulation providers, vehicle battery components and power semiconductors. There are global commitments to transition away from fossil fuels and meeting those commitments presents challenges.

We believe there are profits to be made in meeting those challenges and risks for companies on the wrong side. By providing capital to companies that are leaders in these fields, we believe we can continue to profit from a credible pathway to a lower carbon economy.



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Sector Spotlight – Global Equities

"many, if not most, of the best opportunities lie outside of the UK"

Sector Spotlight – Global Equities

The Global Equity sector is perhaps the most important for the positive impact investor, since it is a keystone of many portfolios. Gone are the days when global equities were considered to be a peripheral investment to a mainstay of UK equities. With widespread recognition of the extra opportunities afforded by global markets, they are now a core investment. This is particularly so in the sustainable investment arena, where many, if not most, of the best opportunities lie outside of the UK.

A range of strategies is in evidence, including exclusion of companies on ethical grounds, leadership in environmental, social and governance, a thematic focus on companies with a positive social or environmental impact and a mix of all these.

Over time, there has been a move from a predominantly negative (avoidance) approach to a more positively oriented focus on companies with a strong sustainability profile.

Caution is required, however, as positive labels can gloss over significant ethical controversies and major differences in the positive impact of funds.

74	£29.39bn	2.59
funds	**assets under management**	**average star rating**

From these funds we compile a shortlist of funds by first excluding funds that have significant exposure to major ethical controversies, notably companies subject to widespread boycotts, oil and coal producers, weapons manufacturers, tobacco producers, miners and other companies that are associated with high levels of environmental or social controversy.

We then eliminate funds which have a very poor track record or which remain very small on the basis that they are at high risk of failing to meet the financial objectives of investors.

The third screen identifies those remaining funds that are likely to prove problematic to trade in widely used model portfolios. These include funds denominated in currencies other than sterling and funds with high minimum investment levels.

The remaining 18 funds which invest in more than one theme have been analysed according to the 3D Investing classification system to see which funds have most positive impact.

We have also compared the funds with the benchmark index to determine the relative impact with comparable unscreened funds.

Average 3D Fund*

MSCI World Index

= Environmental Solutions | = Social Solutions | = ESG Leader

= Limited Positive Impact | = High Negative Impact | = Cash

* 3D funds are funds that qualify for the 3D Portfolio, our preferred list of funds for use in managed portfolios.

The analysis is based on classifying each stock held by the funds according to its social impact:

- **Solutions-based** – Core products and services are of direct social or environmental benefit (clean energy, resource efficiency, clean air and water, healthcare, education, enabling infrastructure, low carbon transport, safety, sustainable food and agriculture, social infrastructure and inclusive finance
- **ESG Leader** – Social and/or environmental practices are amongst the best in its sector
- **Limited Positive Impact** – Core activity confers few clear social or environmental benefits
- **High Negative Impact** – Stock has a major negative impact (include tobacco, mining, fossil fuel extraction, air transport, cement production, gambling and armaments, subject to widespread boycott)

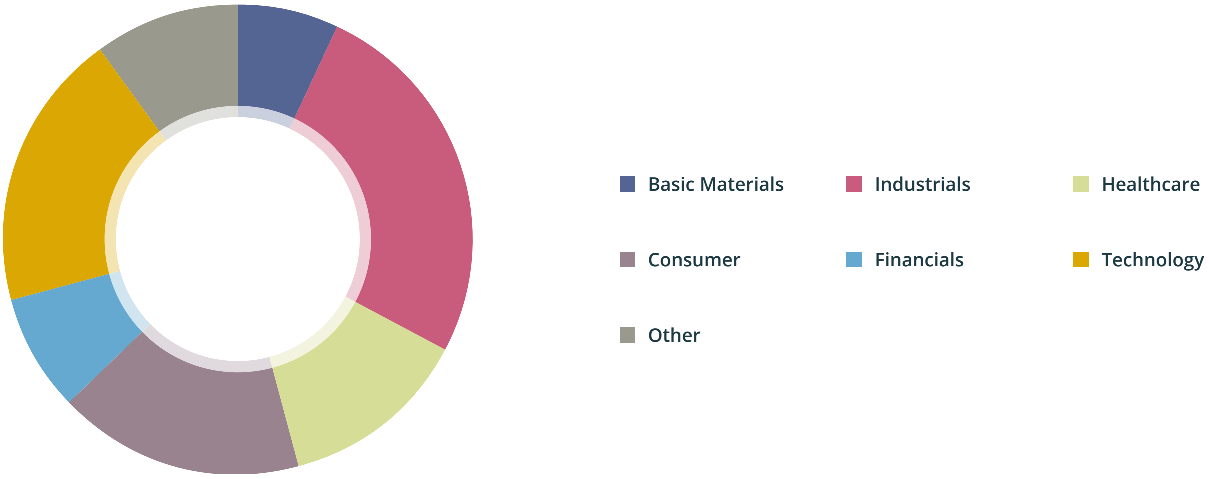
The make-up of true global impact:

The overall positive impact is high with the average short-listed fund having a much higher positive impact than the MSCI World Index, without the exposure to controversial stocks.

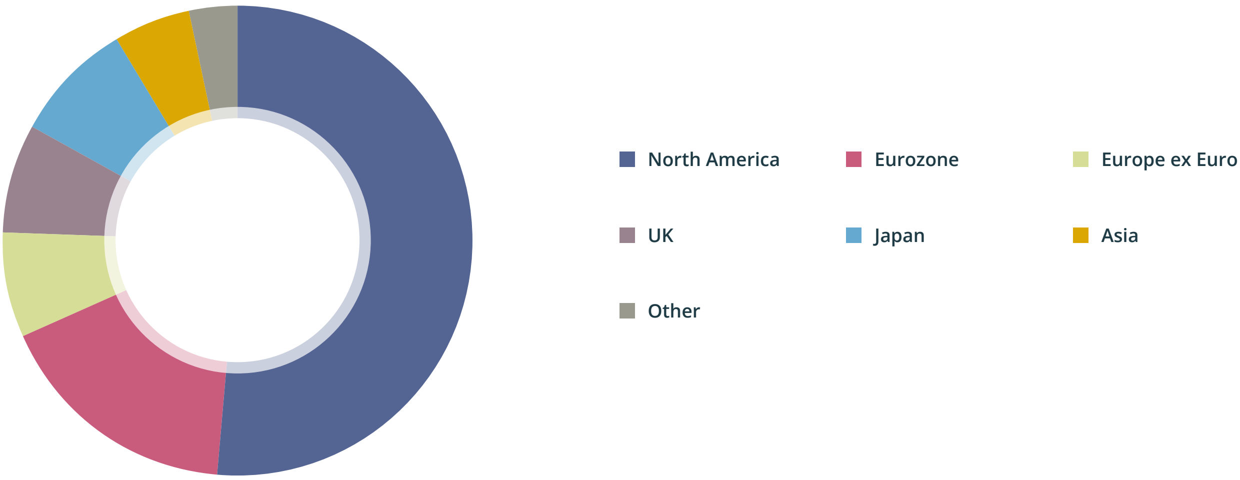
It should be noted that the funds with a lower focus on social and environmental solutions tend to offer greater diversity, which makes them worthy of consideration despite the lower impact.

The sectoral distribution largely reflects the focus on environmental and social solutions. The environmentally-orientated funds have a high weighting in industrials, which provide resource efficiency and environmental technology solutions.

The less tightly defined funds have significant weightings in banks and insurers and in consumer-orientated stocks, while all have exposure to technology.



Most of the funds don't aim to track the benchmark index in terms of geographic allocation, but inevitably the allocation is dominated by the US, and to a lesser extent, Europe and the Far East. The Stewart Investors Worldwide Sustainability Fund not only has some direct exposure to emerging markets, but also invests in developed market stocks with a focus on emerging markets. The Wellington Global Impact and Standard Life Global Equity Impact also have a meaningful exposure to emerging markets.



Is there a principles premium?

In terms of fund management charges, then yes, there is a slight premium – but it can be justified.
The average ongoing charge is 0.94%. This is higher than a typical charge for a low cost index tracker, which can be as little as 0.1%.

However the higher ongoing charge for impact funds reflects their specialist nature and the lack of appropriate passive funds.

These are not cheap funds, but neither are they exorbitantly expensive given the level of extra-financial research and reporting.

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Fund in Focus: Impax Environmental Markets

Fund in Focus: Impax Environmental Markets

Developing themes in Environmental Markets that are driving growth

By Jon Forster, co-manager, Impax Environmental Markets

“The factors driving the transition to a more sustainable economy are fundamental”

This year, Impax turns 20. When we started out, investing in Environmental Markets was perceived as being high risk and overly specialist.

In the two decades since, our AUM has grown from £15m to £11.2bn[1], highlighting the growth opportunities of Environmental Markets.

The number of companies we invest in has expanded from 250 to some 1,700[2], with a total market cap of approximately £10.1 trn[2].

A constant during this time has been our dedication to seeking new themes and compelling developments in global Environmental Markets with the potential to deliver superior growth for our clients.

Below are developing themes of interest, and the compelling investment opportunities within them:

DEVELOPING THEME

Growing concern over plastic pollution

In recent months, and with the BBC documentary series 'Blue Planet II' acting as a catalyst, the plastic waste issue has dominated the news and political discussions.

We are seeing bans and restrictions on plastic take effect, such as the introduction of a 5 pence levy on single-use plastic bags in 2015, and the law passed in France that will see plastic utensils banned by 2020.

Additionally, the UK government has recently announced that all plastic, glass, and metal drinks containers sold in England will soon be covered by a bottle deposit scheme.

Meanwhile, China has implemented strict new laws governing the waste it will accept (having formerly imported and disposed of plastic waste from other countries), and bans and levies are being mooted in certain US states, Canada, and across Europe.

THE INVESTMENT OPPORTUNITY

Businesses that provide collection services or other solutions, such as reverse vending machines, are set to benefit from the planned bottle deposit scheme.

Companies that provide recycling services for plastics may also grow.

We also find alternative food packaging manufacturers interesting.

These companies are developing new, sustainable ways of packaging food using bioplastics and other technologies.

DEVELOPING THEME

Adapting to and mitigating extreme weather events

2017 was one of the most serious hurricane seasons on record, with the US experiencing six severe hurricanes (Harvey, Irma, Jose, Lee, Maria, and Ophelia).

Damages cost an estimated $300-$475 billion in the US alone[4], and scientific consensus is that climate change is "almost certainly" increasing the frequency of extreme weather events4.

THE INVESTMENT OPPORTUNITY

Immediate responses to extreme weather include the use of backup and portable power generation.

Companies that clean up and repair large-scale damage, such as fallen trees and hazardous materials also see an increase in activity.

Longer-term planning typically requires huge investment in water infrastructure. For example, water treatment facilities may need upgrading to address contamination during tidal surges and flood conditions.

In addition, the pipes, pumps, and sensors that constitute the systems that remove, collect and transport water are getting 'smarter'.

The integration of digital technology allows these systems to monitor and control water management processes more efficiently.

DEVELOPING THEME

Exponential growth in electric vehicles

Last year we flagged the electrification of transport systems, especially high speed rail and metro system developments, as a rising theme in Environmental Markets.

We also mentioned how many economies are incentivising the purchase of electric vehicles (EVs). While the EV market has made progress over the past ten years, it is our view that the sector is now at a turning point.

EV and hybrid sales in China increased by 53% over 2016[5], and we believe that this growth will accelerate in the years to come.

A combination of new market entrants in the form of technology companies speeding up research and development cycles, governments around the world tightening air pollution regulations, and shifting sentiment towards EVs from consumers (in part due to the VW 'Dieselgate' scandal), is driving this growth.

THE INVESTMENT OPPORTUNITY

We believe there is value to be found across the value chain rather than in specific auto manufacturers.

Companies that produce transducers, which are used in the electronic systems outside EV batteries, such as controlling the flow of power through the drivetrain, are an example of this.

As the complexity of power management and other systems in EVs increases, so does the need for semiconductors – another significant investment opportunity.

The Environmental Markets story

The factors driving the transition to a more sustainable economy are fundamental, and we are seeing rapidly increasing investor demand for access to Environmental Markets along with exposure to the transition to a more sustainable global economy.

Our history of identifying high-growth stories within this shift gives us the experience and expertise to continue to benefit from a sector that is expanding rapidly.

[1] As at 28 February 2018
[2] Impax internal data
[3] https://edition.cnn.com/2017/11/30/weather/hurricane-season-2017-recap/index.html
[4] https://www.ipcc.ch/pdf/special-reports/srex/SREX-Chap3_FINAL.pdf?dm_t=0,0,0,0,0
[5] https://www.greencarreports.com/news/1114853_china-plug-in-electric-vehicle-sales-in-2017-almost-four-times-those-in-the-u-s

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Fund in Focus: Thematic Equities Pictet – Global Environmental Opportunities Fund

Fund in Focus: Thematic Equities Pictet – Global Environmental Opportunities Fund

Q&A Luciano Diana, Senior Investment Manager

Tell us a bit about the fund and what you do.

Many individuals now recognise that, as investors, they have a role to play in placing the economy on a more sustainable footing. But they need to resolve a paradox. How can they invest for the wider good and simultaneously secure an attractive return on their investments?

We believe the solution has already begun to take shape. With governments and businesses responding to growing public pressure to reverse ecological degradation, a distinct and attractive group of environmental equity investments has emerged. These are companies that combine strong environmental credentials with innovative products and services designed to safeguard the world's natural resources.

We estimate that the environmental products industry is already worth some USD2 trillion, and can grow by 6-7 per cent per year. Environmentally-focused companies are experiencing sales growth of around 6.5 per cent annually, outpacing the average company in the MSCI world index.

Such firms form the core of our Pictet-Global Environmental Opportunities fund.

This fund isn't a new fund, is it? Why did you change the remit of the fund from what it was previously?

In its first incarnation the fund was an equally weighted portfolio of our four environmental focused themes: water, agriculture, timber and clean energy. But we wanted to broaden the universe to include companies that contribute to a better environment yet don't fit neatly within those four themes. For example, there are a growing number of businesses involved in smart design or artificial intelligence that are, through data analysis and modelling, creating energy efficiency gains across many industries.

Pictet is known for its thematic funds. Where do you think this one sits alongside the other funds?

The fund sits alongside our more environmentally-focused products like water, timber, nutrition and clean energy. However, the environment also clearly plays a crucial role in an individual's health, which complements our other funds, such as biotech or health. We call this group of strategies "Better Living" funds.

How has the fund performed since you changed the strategy and name?

Since the change of universe and move to a more concentrated portfolio of companies, the fund has delivered a return of 70.3% compared to the MSCI World Index return of 56.5% over the same period. (Pictet-Global Environmental Opportunities – I dy GBP Share vs MSCI World Index 30/09/2014 – 28/02/18).

Do you follow benchmarks or rigid asset allocation models, or do you follow a bottom up approach?

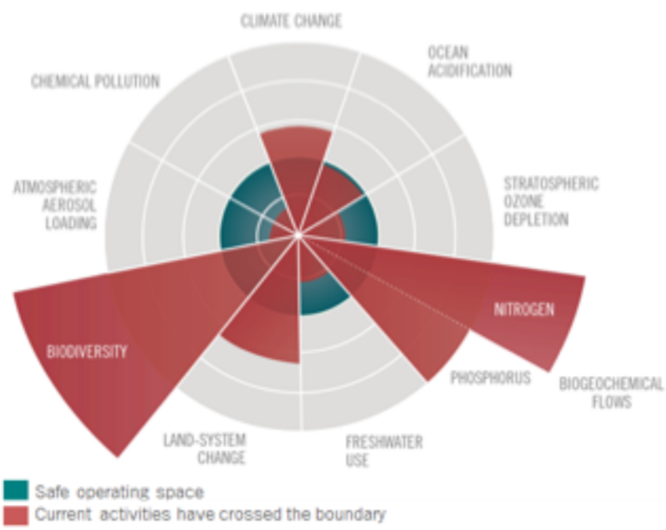
We are benchmark agnostic. Our active stock pickers look for innovative companies that create products and services with an environmental focus. Company research and meeting management is vital to our success. We often deal with new technologies that demand deep and expert analysis to identify potential winners.

The first step is to identify firms with the strongest environmental credentials. These are companies that neither make excessive use of raw materials nor generate disproportionate amounts of waste. Then, from this group, we narrow our focus to businesses that specialise in the development of products or services that mitigate environmental damage.

To find these companies we perform an ecological audit that establishes the environmental footprint of more than 100 sub-industries. This audit incorporates two novel measurement tools – the Planetary Boundaries (PB) framework and Life Cycle Assessment (LCA).

The PB is a model that defines the ecological “safe operating space” within which human activities should take place.

The Planetary Boundaries Framework



resources and the volume of waste emissions for each of the industries that make up the global economy. It quantifies an industry’s environmental impact through the entire product cycle, from “cradle to grave”, covering raw material extraction right through to disposal and recycling.

The second phase of the process involves taking a deeper look at the core business of each company identified in step one. Here, our goal is to discover which firms are developing products and services that make a real difference in reversing environmental degradation.

These filters further narrow our investment universe to about 400 companies. We then conduct detailed bottom-up analysis to identify which of these companies have the most attractive risk-return characteristics for an efficient portfolio. Our ESG analysis is systematically integrated in this stage as well.

The result is a concentrated portfolio of around 50 stocks, which offer the attractive risk-return profile and at the same time have a low ecological footprint, across a diversified list of environmental industries.

But our investment process does not end there. Our aim is to be an active owner of the companies we invest in. For this, we exercise voting rights through a proxy voting platform and engage with the companies to ensure they have the best possible governance structure in place. We believe this responsible form of capitalism not only mitigates risks but also leads to sustainable long-term capital returns.

What has been your best investment and what has been your worst?

Among the best performers last year were UK e-mobility company Aptiv (+52%), US simulation software firm Ansys (+60%), and US water technology specialist Xylem (+39%). All displayed excellent performance and were net contributors. Among the notable losers was US LED lighting firm Acuity Brands (-27%).

What type of investor do you think this fund might suit?

The fund is suitable for those investors looking for long-term growth of capital from a global equity portfolio. However, the fund also satisfies those investors looking for a both an investment return above global equities and a contribution to a more sustainable future.

What’s distinctive about this fund compared to other sustainability funds?

In order to remain ahead of the game or reactive to future trends within the environmental space, we maintain regular contact with a distinguished group of industry practitioners and academics. Each thematic strategy has an advisory board drawn from across academia and the industries themselves. Our regular discussions give us a better sense of developments in each of these key segments.

The insights of many of our advisers, like the water expert Professor Asit Biswas, are showcased on mega.online, which is our thought leadership platform on megatrends and their impact on sustainability, health and technology.

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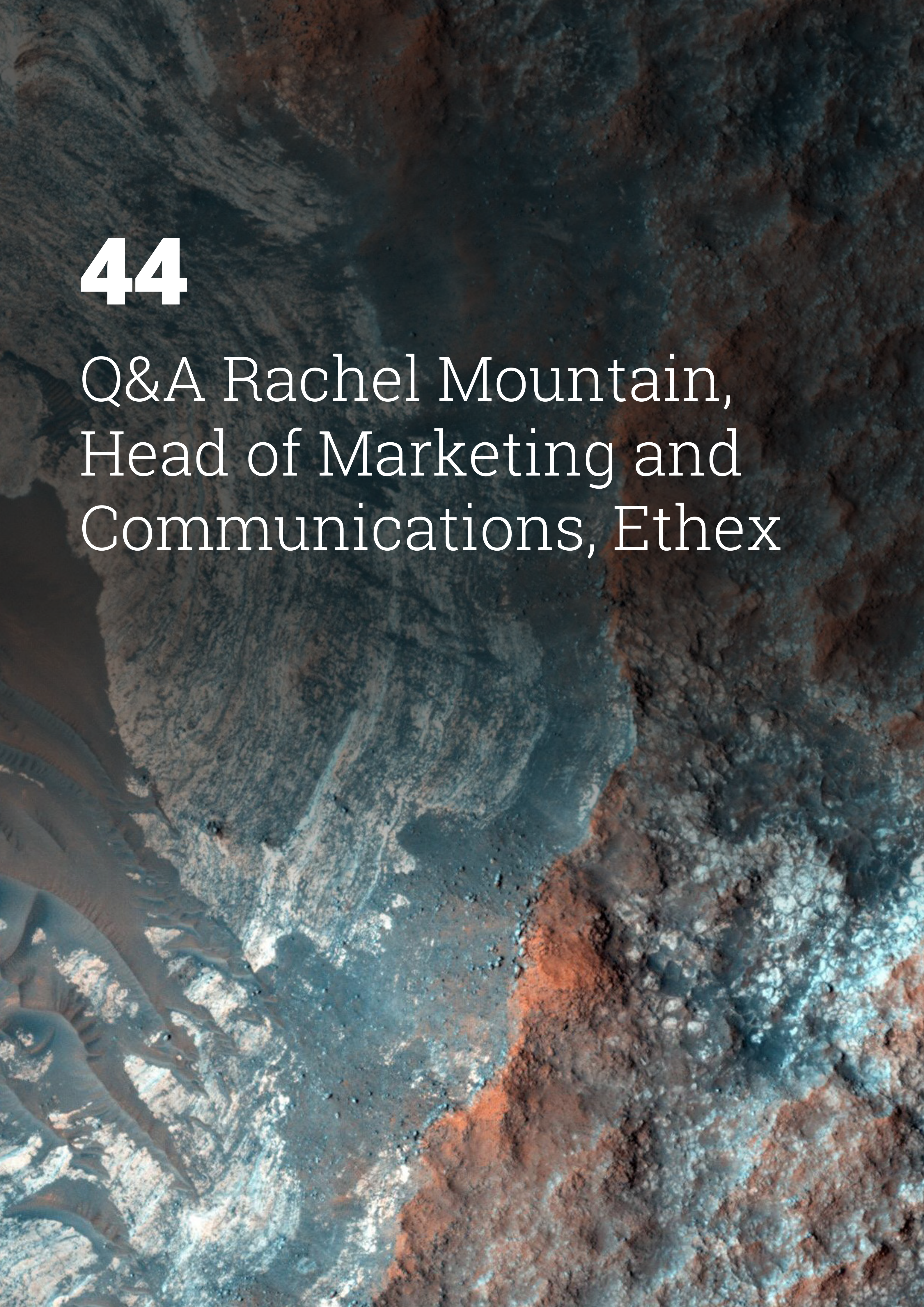
Q&A Rachel Mountain, Head of Marketing and Communications, Ethex



Q&A Rachel Mountain, Head of Marketing and Communications, Ethex

What is Energise Africa and what's the vision behind it?

Currently 600 million people in Sub-Saharan Africa do not have access to electricity, limiting their chances of achieving economic property and improved quality of life. In addition, with current levels of investment then the UN Sustainable Development Goal 7 – universal acess to affordable, reliable, sustainable and modern energy for all will only be achieved by 2080 – some 50 years too late!

Energise Africa aims to catalyse the power of the retail impact investor to provide more than £20m of investment to solar businesses over the next three years in order to help 110,000 rural families access afforadable, clean and renewable energy – thereby accelerating progress towards the achievement of SDG Goal 7.

How did the partnership between Ethex and LAH originate?

Both Lendahand and Ethex recognised that there aren't enough retail investment opportunities available that allow people to invest directly in sustainable businesses that align with their personal values and motivations. As a result, Ethex and Lendahand joined forces to provide UK based retail investorswith easily accessible investment opportunities that would help to significantly improve off grid energy access for families in Sub-Saharan Africa.

What happens to an investor's money and how do they get it back again?

People can invest from as little as £50 in 2 – 3 year bonds issued by solar businesses. Investors provide the solar business with low cost financing that enables them to purchase the solar home system and then sell it on to families. Families then typically repay the cost of the system in affordable monthly installments over a 2 year period which then enables the solar business to repay their investors at interests rates of around 5 – 6%. A mix of the principle investment and the interest is paid back to the investor in 6 monthly installments. Investors should note that capital is at risk and returns are not guaranteed

What is the social impact of this investment and how do you measure it?

Each solar business is required to report back on the following key impact metrics every 6 months: where the solar home systems have been deployed (and some business can provide exact GPS coordinates), the number of households or businesses that now have access to clean energy, the extra hours of light generated and the tonnes of CO_2e that have been mitigated. Investors can see this in their online wallet and can specifically see how their investment has contributed to the overall impact on the ground with additional case studies from customers about the impact that solar energy access has had on their lives.

I believe that there's match funding. Tell us about that.

UK aid, Virgin Unite and Good Energies Foundation are providing match funding for some Energise Africa projects, effectively co-investing alongside UK-based crowd investors, thereby enabling the public to steer the flow of a proportion of UK aid funding and boosting the overall impact of the crowd's investments on the ground.
The match funding is typically an upfront match of between 25 – 50% and is only released if the project is fully funded.

What's the tax position?

UK residents investing in Energise Africa projects can benefit from tax free returns by holding their solar investments within an Innovative Finance ISA up to their annual allowance of £20,000. The IFISA was launched in 2016 to allow Peer to Peer or lending platforms to utilise the ISA scheme.

What track record do you have and how much money have you raised to date?

Since Energise Africa launched in August 2017 it has raised over £3 million in investment for pioneering solar businesses, enabling them to provide affordable payment plans for solar access of 25,000 rural families in Kenya, Uganda, Tanzania and Mozambique.

How risky is this investment and how do you manage the risks?

Ethex and Lendahand select the solar businesses we list on the panel very carefully. Only when companies pass our comprehensive credit risk and due diligence process will they be listed. That said investing in Energise Africa businesses involves risks, including the loss of all your invested capital and illiquidity. Investing in Energise Africa should only be done as part of a diversified portfolio and you never invest more than you can afford to lose.

How do investors go about investing?

Anyone interested in investing can do this easily via www.lendahand.co.uk, simply

1. Choose a solar project that you want to lend money to.
2. Lend money to a business by investing in a bond from as little as £50 (some of which can also be held in an IFISA wrapper)
3. The solar companies who receive the investment create new opportunities through the provision of clean energy for African families through an affordable 'Pay as you go' monthly financing plan
4. Investors receive their money back every 6 months and can track the social, environmental and financial impact of their investment via their own personalised online wallet.

Investing on Lendahand.co.uk involves risk, including the loss of all of your invested capital, illiquidity (the inability to sell assets quickly or without substantial loss in value), and it should be done only as part of a diversified portfolio.

Never invest more than you can afford to lose and never make investment with borrowed monies. Investment opportunities on this platform are targeted solely at investors who understand these risks and for whom investments are suitable. Please read our full risk warning on our website before deciding to invest.

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