

# SUSTAINABILITY REPORT

## Sustainable Managed Portfolio Service (SMPS)

July 2023

For existing investors only

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# Recent developments

## EU Deforestation-Free Regulation

Companies must prepare for the incoming EU Deforestation-free regulations ('EUDR') which stipulates they have to be able to fully trace their supply chains for certain products. Firms have 18 months from 29 June 2023 to evidence that certain commodities they sell into the EU or export from the EU do not come from deforested land.

The regulation applies to the following commodities: cattle, coffee, cocoa, rubber, palm oil, wood and soya. It also applies to products derived from those commodities, such as furniture, leather, paper and chocolate. Companies must implement the appropriate changes now, as from 30 December 2024 it will be prohibited to sell these on the EU market if they are not deforestation-free. The new regulation is one of the world's toughest rules on deforestation and marks an important point in protecting global forests and biodiverse areas. The move from the EU came after voluntary efforts by companies have failed to have much of an effect. Significantly, EUDR also covers legal deforestation and degradation as a report by the Forest Policy Trade and Finance Initiative found that 30% of commercial agriculture deforestation was legal. The regulation also allows for regular checks to be carried out by national authorities, and for private third parties to monitor and submit concerns too.

There has already been pushback from consumer goods companies with large, complex supply chains. Italian coffee company Lavazza's chairman pointed out the large number of intermediaries in coffee supply chains and the challenge of reachable contacts and geolocation data for small plantations. The lead negotiator for the law for the EU responded that the difficulty is acknowledged, but provisions have been made in the law for small holder farmers to comply with requirements. It's certainly a monumental challenge, but after decades of voluntary pledges failing to make an impact this is a welcome development in tackling one of the leading causes of climate change.

## Artificial Intelligence

Artificial intelligence is a ubiquitous topic nowadays both in the strategies of industry leaders and as a dinner party subject. It is also a concept that has been debated in Environmental, Social and Governance (ESG) circles; AI applications have the potential to

enhance productivity and improve human lives but at what cost?

In the creative sphere there are some complicated potential legal and regulatory repercussions to the fast development of AI models. Many in the industry have decried machine learning models and neural networks that have scraped, used, or transformed their work without permission. Polish artist Greg Rutkowski, who is one of the most popular prompts on AI art generation websites like Lensa and Stable Diffusion, has had his work used in AI "more than Picasso"<sup>1</sup>, and receives no compensation for the generated images using his style as a reference. Misinformation is another risk being weighed in investing and policy circles. AI-generated 'deepfakes' are becoming more sophisticated and lifelike, and harder to detect their false nature at first sight. Deepfakes are digitally altered photos or videos that replace a person with someone else (such as a politician or other public figure). They can be used to spread misinformation campaigns, political scandal or damage reputations. Nations such as the US and UK have begun to enact laws and standards relating to these technologies in response.

Yet there is more to AI than the aforementioned risks. There are plenty of opportunities for AI to make the world a much better place. There are high hopes for the use of AI models in the healthcare sector in applications such as diagnosing cancer and drug discovery, where computers can operate faster and more efficiently than humans across huge data sets. There are also plenty of applications in tracking, forecasting and analysing the impacts of climate change. Algorithms can examine images from satellites to monitor deforestation or temperature shifts, returning useful data to people to make policy decisions or take action. Some have fretted over students using Chat-GPT to write essays and answer homework questions, but AI also has the potential to transform education for good as well. It could free up teachers from some administration, allowing them to spend more time with students. Some education systems are already using AI to adapt learning materials to suit students' needs depending on how their individual learning is progressing.

Similar to the development of the internet and the mobile phone, AI is going to touch many sectors and has the potential to transform some industries. There is still lots to be done to maximise the opportunities and to limit the risk of harm from the technological step change.

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<sup>1</sup> [AI: Digital artist's work copied more times than Picasso - BBC News](#)

# Fund in focus – Schroder BSC Social Impact Trust



Schroder BSC Social Impact Trust (SBSI)<sup>2,3</sup> was added to the conservative and cautious models in early 2023. It is an investment trust managed by Big Society Capital (BSC)<sup>4</sup>, a UK social impact investment specialist which was co-founded by Sir Ronald Cohen, co-founder of private equity group Apax Partners Worldwide LLC in the 1970s and current Chairman of the Global Steering Group for Impact Investment and The Portland Trust. In its first 10 years, BSC, alongside its co-investors, made over £2.6bn available to over 2,000 social enterprises and charities<sup>5</sup>.

The trust aims to deliver a return of Consumer Price Inflation plus 2% net of fees over three to five year rolling periods alongside measurable positive social outcomes. These objectives are given equal weight. Investments are focused in three areas: high impact housing, debt for social enterprises and social outcomes contracts. The resulting portfolio is a combination of direct investments, co-investments and funds.

The high impact housing exposure is via property funds that provide homes for vulnerable groups of people, including those experiencing domestic abuse or homelessness. The UK has a widespread shortage of affordable homes and the crisis disproportionately affects the most disadvantaged in society. There are fears that the cost of living crisis will put further strain on the UK's limited housing stock. SBSI invests in three types of housing which are supported by different government funding

streams: supported housing for people with specific needs, transitional housing for those who are temporarily vulnerable, and general needs social housing to address the chronic undersupply. Investments are across high quality counterparties, the other party involved in the transaction, with well-established track records in the sector.

The trust also invests in debt and equity for social enterprises, primarily through funds and co-investments which provide capital to charities and social organisations that provide essential services across health and social care, education and employment areas.

Social outcomes contract exposure is via funds which provide upfront capital for social organisations, with returns received as micropayments as and when pre-determined milestones are achieved. The capital allows the delivery of better, personalised solutions, which are particularly important to the success of tackling homelessness, family therapy and children's services, driving a greater overall positive impact alongside larger savings for the government. As an example, SBSI's interest in Bridges Social Outcomes Fund II provides personalised family, health, education and transitional housing services via organisations such as West London Zone<sup>6</sup>, which works with children and young people in West London and the Refugee Better Outcomes Partnership<sup>7</sup> which provides one-to-one support for refugees to facilitate their transition out of asylum accommodation and into communities.

## Impact highlights<sup>8</sup>

- ✓ £87m committed to 168 UK organisations with an average track record of 30 years
- ✓ Reached over 276,000 people, at least 94% of whom are disadvantaged or vulnerable
- ✓ 27,000 affordable, decent homes funded
- ✓ £98m (cumulative) savings and social outcome benefits for households and the UK government

SBSI represents a unique opportunity in the UK retail market to gain access to private social impact investments in the UK. It traded at a 10% discount to net asset value, the value of the funds' assets less any liabilities, at 30th June 2023.

<sup>2</sup> [Schroder BSC Social Impact Trust plc \(schroders.com\)](https://www.schroders.com)

<sup>3</sup> 2022 Impact Report [compbsc-impact-report-web6.pdf \(schroders.com\)](https://www.schroders.com)

<sup>4</sup> [Big Society Capital](https://www.bigsocietycapital.com)

<sup>5</sup> [Big Society Capital Ten Years of Investing for Impact.pdf \(cdn.ngo.org\)](https://www.cdn.ngo.org) p.4

<sup>6</sup> [West London Zone](https://www.westlondonzone.com)

<sup>7</sup> [Good Finance Podcast: The Refugee Better Outcomes Partnership | Good Finance](https://www.goodfinance.com)

<sup>8</sup> July 2023 Investor Update [PowerPoint Presentation \(schroders.com\)](https://www.schroders.com)

# Equity

Fund name	Region	Top 5 holdings	What the fund does
Jupiter Responsible Income	UK	<ul style="list-style-type: none"> <li>• AstraZeneca</li> <li>• Unilever</li> <li>• GSK</li> <li>• National Grid</li> <li>• Legal &amp; General</li> </ul>	<p>An income fund which seeks to outperform the FTSE4Good UK Index over the longer term through owning UK-listed companies (predominantly large caps) which behave in a financially, socially and environmentally responsible manner.</p> <p><b>Why we own it:</b> Differentiated UK fund from our other holdings, with a quality/defensive bias. The manager has a background working in the finance and public sectors, bringing a unique perspective to the role.</p>
Liontrust UK Ethical	UK	<ul style="list-style-type: none"> <li>• Compass Group</li> <li>• Intertek</li> <li>• Paragon</li> <li>• Softcat</li> <li>• Ashtead</li> </ul>	<p>A multi-cap growth-focused strategy which is managed under the Liontrust Sustainable Future umbrella. It looks for well-managed companies which are exposed, through their products and services, to the transformative changes associated with structural growth themes.</p> <p><b>Why we own it:</b> A UK fund with a growth tilt, seeking early innovators, with a management team that specialise in sustainable investing. With a focus on innovation, the fund has a meaningful tilt towards mid and small cap UK companies.</p>
Royal London Sustainable Leaders Trust	UK	<ul style="list-style-type: none"> <li>• AstraZeneca</li> <li>• Compass Group</li> <li>• SSE</li> <li>• London Stock Exchange</li> <li>• Rentokil</li> </ul>	<p>A mid and large cap, quality biased fund which looks for companies that are deemed to be making a positive contribution to society. 80% of the portfolio must be in UK shares, but there is potential for some overseas exposure with the remainder.</p> <p><b>Why we own it:</b> A core UK fund that invests in high quality companies which the manager deems to be making a positive contribution to society. The portfolio is mostly large, liquid names, with the option to invest up to 20% outside of the UK.</p>
Trojan Ethical Income	UK	<ul style="list-style-type: none"> <li>• RELX</li> <li>• Unilever</li> <li>• Reckitt Benckiser</li> <li>• Compass Group</li> <li>• Experian</li> </ul>	<p>A predominantly large cap, quality-biased fund which invests in UK-listed companies with sustainable business models and are likely to exhibit limited downside risks. Relatively extensive use of the 30% budget to invest outside of the UK.</p> <p><b>Why we own it:</b> A UK-focused fund, with some international equity exposure, with more focus on yield than our other UK funds. This fund typically has a bias to liquid, large cap companies. The fund excludes sectors like natural resources and tobacco.</p>

# Equity (continued)

Fund name	Region	Top 5 holdings	What the fund does
Brown Advisory US Sustainable Growth	US	<ul style="list-style-type: none"> <li>• NVIDIA</li> <li>• Microsoft</li> <li>• Amazon</li> <li>• Visa</li> <li>• UnitedHealth Group</li> </ul>	<p>A growth strategy that invests in a concentrated portfolio of US companies with outstanding business models and sustainability drivers. The managers favour quality companies which are helping to drive positive change.</p> <p><b>Why we own it:</b> A concentrated portfolio of mid and large-cap US companies which the manager believes have sustainable business models in both a financial and ESG sense, which adds value for shareholders. We like the fund's strong growth style.</p>
Stewart Investors Asia Pacific Sustainability	Asia Pacific-ex Japan	<ul style="list-style-type: none"> <li>• Tube Investments of India</li> <li>• Mahindra &amp; Mahindra</li> <li>• Unicharm</li> <li>• CSL</li> <li>• Voltronic Power Technology</li> </ul>	<p>A very well-established Asia Pacific-ex Japan equity strategy. It focuses on quality companies which meet the fund's sustainable criteria and has historically been overweight in India and underweight in China.</p> <p><b>Why we own it:</b> Mainly invests in large and mid-sized companies where the majority of company activities take place in Asia Pacific ex Japan. We like the team's preference for defensive, quality companies and as well as sustainable characteristics.</p>



# Equity (continued)

Fund Name	Region	Top 5 Holdings	What the fund does
Alquity Future World	Emerging Markets	<ul style="list-style-type: none"> <li>• TSMC</li> <li>• Tencent</li> <li>• SK Hynix</li> <li>• Minor International</li> <li>• Lemon Tree Hotels</li> </ul>	<p>A style agnostic, but valuation aware, approach to investing in emerging and frontier markets. The strategy focuses on companies that have attractive growth prospects and contribute to a more sustainable future.</p> <p><b>Why we own it:</b> An emerging and frontier markets fund with sustainability at the heart of its process. The portfolio is of 50-75 names that have the potential to deliver attractive risk adjusted returns over 3-5 years and also have high ESG standards.</p>
Atlas Global Infrastructure	Global	<ul style="list-style-type: none"> <li>• Enel</li> <li>• Terna</li> <li>• Edison International</li> <li>• SES SA</li> <li>• United Utilities</li> </ul>	<p>A valuation-driven, high conviction global equity strategy that invests in listed infrastructure and utility companies. Assessing climate change risks and exposure to the energy transition are key to the approach.</p> <p><b>Why we own it:</b> A concentrated portfolio of 18-30 listed infrastructure and utility companies, with a team that is keenly focused on valuation. The fund is run with a long-term view and particular attention is paid to companies' exposure to climate change and the energy transition under differing scenarios.</p>
Baillie Gifford Responsible Global Equity Income	Global	<ul style="list-style-type: none"> <li>• Novo Nordisk</li> <li>• Microsoft</li> <li>• Watsco Inc</li> <li>• Fastenal</li> <li>• Procter &amp; Gamble</li> </ul>	<p>An income seeking strategy which invests in companies that are expected to grow their dividends in a responsible, resilient manner, resulting in a stable long term income, as well as some capital growth.</p> <p><b>Why we own it:</b> A global equity strategy which focuses on both capital growth and income generation. ESG is fully integrated in the investment process and the team has a dedicated ESG analyst who works on forward-looking sustainability assessments of current and potential holdings.</p>
CT Responsible Global Equity	Global	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Linde</li> <li>• Mastercard</li> <li>• Accenture</li> <li>• Roper Technologies</li> </ul>	<p>The fund aims to deliver long term capital growth through investing in global companies that are screened against defined sustainable criteria. The manager incorporates ESG factors into their valuation of companies and screens on both a product basis but also on a company conduct basis.</p> <p><b>Why we own it:</b> It has a long history of considering ESG factors as part of the investment process. The team believe that 'ESG momentum' is a key generator of excess returns. The fund is also advised by the Advisory Council chaired by the Archbishop of Canterbury which provides external input on responsible investment matters.</p>

# Equity (continued)

Fund name	Region	Top 5 holdings	What the fund does
Federated Hermes Sustainable Global Equity	Global	<ul style="list-style-type: none"> <li>• Microsoft</li> <li>• NVIDIA</li> <li>• Novo Nordisk</li> <li>• Mastercard</li> <li>• Thermo Fisher Scientific</li> </ul>	<p>A balanced approach to seeking companies which have a reduced environmental footprint versus the benchmark. It favours companies with quality growth characteristics whose activities are expected to help to achieve a more sustainable world.</p> <p><b>Why we own it:</b> A core sustainable fund in terms of style, though the team seeks more of a balanced approach than many peers in terms of growth characteristics. This fund is also benchmark agnostic providing diversification in what can be a concentrated universe of sustainable equities.</p>
Impax Environmental Markets	Global	<ul style="list-style-type: none"> <li>• PTC</li> <li>• Clean Harbors</li> <li>• Littelfuse</li> <li>• Spirax-Sarco</li> <li>• Northland Power</li> </ul>	<p>An investment company which invests in predominantly small and medium sized companies which provide cleaner or more efficient delivery of basic services of energy, water and waste. At least 50% of a company's revenue must be derived from environmental themes.</p> <p><b>Why we own it:</b> The fund provides exposure to a number of key long term environmental themes necessary for a more sustainable global society. Portfolio companies typically offer products and services relating to clean energy, the circular economy, water, sustainable food systems, cleaner transport and energy efficiency.</p>
RobecoSAM Smart Materials	Global	<ul style="list-style-type: none"> <li>• Onto Innovation</li> <li>• PTC</li> <li>• IPG Photonics</li> <li>• Teradyne</li> <li>• Owens Corning</li> </ul>	<p>A fund which focuses on investing in companies that are transforming the manufacturing supply chain through sustainable innovation and process technologies. Resource scarcity and sustainability considerations are key considerations within the investment process.</p> <p><b>Why we own it:</b> This fund provides a balance of exposure between companies that make the use of natural resources more efficient and those that will benefit from increased global demand for specific materials that are critical to more sustainable global infrastructure, Industry and supply chains.</p>
Schroders Global Sustainable Value Equity	Global	<ul style="list-style-type: none"> <li>• Panasonic</li> <li>• Nikon</li> <li>• Intel</li> <li>• GSK</li> <li>• Henkel AG &amp; Co</li> </ul>	<p>A valuation-driven approach which seeks ESG leaders that are both delivering a positive societal benefit and are best-in-class relative to their industry peers.</p> <p><b>Why we own it:</b> A value style approach adding useful style diversification as the majority of funds are tilted towards quality growth. The managers have a robust investment process in which ESG factors are fully integrated.</p>



# Fixed income

Fund name	Region	Top 5 holdings	What the fund does
Aegon Global Short Dated Climate Transition Fund	Global	<ul style="list-style-type: none"> <li>• Pfizer 4.45% 05/26</li> <li>• American Medical Systems 0.75% 03/25</li> <li>• Intesa Sanpaolo 7% 11/25</li> <li>• SSE 1.25% 04/25</li> <li>• Haleon 3.125% 03/25</li> </ul>	<p>A short-dated global credit fund which takes a benchmark agnostic approach to delivering Cash +1.25% with low volatility, via bonds with expected maturity of less than 4 years from issuers which are managing their ESG and climate transition risks.</p> <p><b>Why we own it:</b> A short duration corporate bond portfolio (c. 2 years) with an experienced management team. It takes a robust approach to ESG and considering issuers' exposure to climate transition risks and their level of preparedness.</p>
Brown Advisory Global Sustainable Total Return	Global	<ul style="list-style-type: none"> <li>• Inter-American Development Bank 0.875% 04/26</li> <li>• UK Treasury 0% 10/23</li> <li>• UK Treasury 0% 07/23</li> <li>• UK Treasury 0% 07/23</li> <li>• Government of Japan 0.005% 02/24</li> </ul>	<p>A global strategic bond fund which actively allocates across liquid fixed income and currencies with the intention of delivering annual returns of cash plus 2-3% with low volatility. Issuers must appropriately manage ESG risks and have strong or improving sustainable opportunities.</p> <p><b>Why we own it:</b> The fund has a duration range of 3-5 years and a volatility target of 4-6%. The managers take a long term, benchmark agnostic approach to the global credit investment universe with a focus on fundamentals and ESG factors.</p>
Liontrust Sustainable Future Monthly Income Bond	Global	<ul style="list-style-type: none"> <li>• UK Treasury 6% 12/28</li> <li>• Barclays 8.407% 11/32</li> <li>• Cooperatieve Rabobank 4.625% 05/29</li> <li>• NatWest 7.416% 06/33</li> <li>• AT&amp;T 7.0% 04/10</li> </ul>	<p>A sterling corporate bond fund which is managed under Liontrust's Sustainable Future umbrella and seeks exposure to issuers which are positively exposed to transformative themes and avoids those causing damage to society and the environment.</p> <p><b>Why we own it:</b> The fund offers a higher yield, and actively manages duration alongside a strong focus on ESG within the credit analysis process.</p>
TwentyFour Sustainable Short-Term Bond Income	Global	<ul style="list-style-type: none"> <li>• US Treasury Bills 0% 10/23</li> <li>• UK Gilt 0.625% 07/25</li> <li>• US Treasury Bills 0% 08/23</li> <li>• Pension Insurance Corporation 07/24</li> <li>• Orange 5% Perp</li> </ul>	<p>A global short-dated credit fund which aims to deliver a return of cash +2.5% with low volatility. It invests in issuers that contribute to sustainable economic activity and score favourably in relation to ESG, especially carbon risk.</p> <p><b>Why we own it:</b> A low volatility short duration bond fund with a proprietary ESG scoring system and the exclusions of key sin sectors.</p>

# Fixed income (continued)

Fund name	Region	Top 5 holdings	What the fund does
Vanguard US Government Bond Index (hedged)	US	<ul style="list-style-type: none"> <li>• US Treasury Note 2.625% 07/29</li> <li>• US Treasury Note 4.125% 11/32</li> <li>• US Treasury Note 3.5% 02/33</li> <li>• US Treasury Note 2.75% 08/32</li> <li>• US Treasury Note 2.875% 05/32</li> </ul>	<p>Passive US government bond fund, hedged back to sterling.</p> <p><b>Why we own it:</b> A large, liquid fund that provides access to US government bonds with maturities over a year. This particular fund has low tracking error and a lower cost than many passive peers.</p>
CG Dollar Fund (hedged)	UK	<ul style="list-style-type: none"> <li>• US I/L 0.75% 02/45</li> <li>• US I/L 1.375% 02/44</li> <li>• US I/L 0.625% 02/43</li> <li>• US I/L 0.75% 02/42</li> <li>• US I/L 1.0% 02/46</li> </ul>	<p>An actively managed bond fund seeking capital appreciation and income growth via US Government index-linked bonds</p> <p><b>Why we own it:</b> The fund provides us with exposure to US index-linked government bonds and reflects our preference for active management in this space with an experienced team.</p>

# Alternatives

Fund name	Region	Sub-asset class	What the fund does
Cordiant Digital Infrastructure	Europe, North America	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>An investment company which pursues a mid-market 'buy and build' strategy to owning core digital economy assets in Europe and North America. The focus is on telecommunications towers, fire-optic networks and data centres.</p> <p><b>Why we own it:</b> Managed by an extremely experienced team offering exposure to assets which provide the 'plumbing of internet'; 2 national champion digital infrastructure businesses in Poland (Emitel) and Czech Republic (CRA), and a data interconnect centre in Manhattan, New York City (HIX). The team also pay significant attention to ESG and impact.</p>
International Public Partnership	UK, North America, Europe, Australia	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>The company invests predominantly in operational social or public infrastructure assets across the UK, Europe, North America and Australia. It focuses on availability based Private Finance Initiative/Public-Private Partnership assets and regulated assets, including Thames Tideway, an upgrade to London's sewage system.</p> <p><b>Why we own it:</b> A best-in-class infrastructure investment company which benefits from inflation-protected contracts which should support a growing dividend over time. This is a high-quality portfolio of assets managed by an experienced team at Amber Capital, with a keen eye on sustainability.</p>
Octopus Renewables Infrastructure	UK, Europe	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>An investment company which invests in a diversified portfolio of renewable energy assets across Europe, the UK and Australia. There is a focus on operational assets given the yield requirement, but the fund also has meaningful exposure to construction assets, as well as some limited exposure to developers.</p> <p><b>Why we own it:</b> A well-diversified portfolio of renewables assets in Organisation for Economic Co-operation and Development countries, with a focus on Europe. Construction exposure adds to the return profile of the vehicle relative to peers and should result in asset growth over time.</p>

# Alternatives (continued)

Fund Name	Region	Sub-asset Class	What the fund does
The Renewables Infrastructure Group	UK, Europe	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>A large, liquid and well-established investment company which owns predominantly operational renewable energy assets across Europe and the UK. The majority of the assets are wind farms and solar photovoltaics (PV) parks, which are managed by co-manager, Renewable Energy Systems Group (RES).</p> <p><b>Why we own it:</b> Exposure to assets with attractive income characteristics and a good degree of inflation protection. The co-management arrangements between InfraRed and RES ensure strong operational and financial management.</p>
SDCL Energy Efficiency Income	UK, Europe, North America, Australasia	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>The company invests in a diversified range of operational energy efficiency projects with both private and public counterparties. Assets range from LED lighting to onsite combined heat and power generation, with a common theme of energy demand reduction and usage.</p> <p><b>Why we own it:</b> Project returns are largely derived from availability-style revenue streams and demand risk is low. We believe this is the highest quality energy efficiency vehicle in the market and should enjoy an attractive income stream, as well as asset growth opportunities.</p>
Supermarket Income REIT	UK	<ul style="list-style-type: none"> <li>Real assets</li> </ul>	<p>This REIT owns a UK portfolio of omnichannel supermarket assets which are leased to the UK's largest supermarket operators (all of which have robust emissions reduction targets), on a long-term, inflation-linked basis.</p> <p><b>Why we own it:</b> The fund is dedicated to investing supermarket properties and aiming to provide long term inflation-linked income and capital appreciation. Tenants have net zero targets, and the company benefits from an experienced, governance focused board. The company is also focused on increasing its own reporting around sustainability.</p>
Schroder BSC Social Impact Trust	UK	<ul style="list-style-type: none"> <li>Alternative assets</li> </ul>	<p>This investment trust, managed by Big Society Capital, targets CPI+2% alongside measurable positive social outcomes through a diversified portfolio of fund interests, co-investments and direct investments in private social impact investments in the UK.</p> <p><b>Why we own it:</b> A unique opportunity to gain exposure to an asset class which offers portfolio diversification benefits alongside genuine social impact in the UK.</p>

# Alternatives (continued)

Fund Name	Region	Sub-asset Class	What the fund does
JPMorgan Global Macro Sustainable	Global	<ul style="list-style-type: none"> <li>Absolute Return</li> </ul>	<p>A targeted absolute return multi-asset fund which seeks to benefit from macro and industry themes, whilst also minimising capital losses. The team can invest in sustainable securities, currencies and can also use derivatives.</p> <p><b>Why we own it:</b> An absolute return fund aiming to deliver positive excess returns over cash in a variety of market environments. The team use positive screens to amplify names highly exposed to sustainable funds, and also consider ESG risk when investing in sovereign bonds.</p>
Trojan Ethical	Global	<ul style="list-style-type: none"> <li>Absolute Return</li> </ul>	<p>A conventional, long-only multi-asset fund which invests in inflation-linked government bonds, equities, gold and cash, subject to the manager's ethical exclusion criteria.</p> <p><b>Why we own it:</b> A multi-asset fund which allocates between equities, physical gold and inflation-linked government bonds. This fund seeks to avoid certain sectors through an exclusions policy.</p>
Invesco Physical Gold ETC		<ul style="list-style-type: none"> <li>Gold</li> </ul>	<p>An Exchange Traded Commodity product that tracks the performance of the physical gold price.</p> <p><b>Why we own it:</b> A cost efficient structure for exposure to physical gold. 100% of the gold bars held at the depository are minted post-2012, so are in adherence with the LBMA Responsible Gold Guidance in relation to ethical mining standards which seek to avoid contributing to conflict or human rights abuses.</p>

This is not advice to invest in any stocks mentioned. Sources for the funds' information are the factsheets of the relevant company.

# Product involvement

## Any Tie<sup>9</sup>

	Sustainable Conservative	Sustainable Cautious	Sustainable Balanced	Sustainable Growth	Sustainable Adventurous	Sustainable Maximum Growth
Adult entertainment	0.0	0.0	0.0	0.0	0.0	0.0
Alcohol	0.0	0.0	0.0	0.0	0.0	0.0
Animal welfare*	7.0	8.3	10.1	11.7	13.4	16.2
Firearms	0.0	0.0	0.0	0.0	0.0	0.0
Cluster munitions	0.0	0.0	0.0	0.0	0.0	0.0
Conventional weapons	0.0	0.0	0.0	0.0	0.0	0.0
Gambling	0.0	0.0	0.0	0.0	0.0	0.0
Land mines	0.0	0.0	0.0	0.0	0.0	0.0
Palm oil	0.0	0.0	0.0	0.0	0.0	0.0
Nuclear weapons	0.0	0.0	0.0	0.0	0.0	0.0
Thermal coal	0.0	0.0	0.0	0.0	0.0	0.0
Tobacco	0.0	0.0	0.0	0.0	0.0	0.0

## % Revenue<sup>10</sup>

	Sustainable Conservative	Sustainable Cautious	Sustainable Balanced	Sustainable Growth	Sustainable Adventurous	Sustainable Maximum Growth
Adult entertainment	0.0	0.0	0.0	0.0	0.0	0.0
Alcohol	0.1	0.1	0.1	0.1	0.1	0.1
Conventional weapons	0.0	0.0	0.0	0.0	0.0	0.0
Firearms	0.0	0.0	0.0	0.0	0.0	0.0
Gambling	0.0	0.0	0.0	0.0	0.0	0.0
GMO	0.0	0.0	0.0	0.0	0.0	0.0
Nuclear Power	0.1	0.1	0.1	0.1	0.1	0.1
Tobacco	0.0	0.0	0.0	0.0	0.0	0.0
Fossil Fuel-related**	0.3	0.3	0.3	0.4	0.4	0.4

**\*Animal Welfare:** The animal welfare flag encompasses animal testing, which is used by healthcare and consumer goods businesses. The majority of our exposure is via healthcare companies, some of which are mandated by regional law and regulation to test on animals prior to human testing.

**\*\*Fossil Fuel-related:** Fossil fuel-related relates to Utilities holdings which have some residual fossil-fuel power generation, and which the team believes are important in the transition to a Net Zero economy

<sup>9</sup> Moderately restrictive screen – MSCI ESG Manager to 30 June 2023

<sup>10</sup> Excludes sovereign bonds, MW ESG TOPS and Real Assets



# Impact reports and further information

Where available we have provided links below to the stewardship and impact reports of the funds that we hold. These are more common with the equity funds where voting and influencing corporate strategy is more feasible. Fixed income and alternative funds tend to provide broader, longer term policy disclosures as annual measurement of impact is more difficult. If you have particular interest in the ESG qualities, sustainable goals and engagement targets of these funds then please visit their websites and reports below for further information.

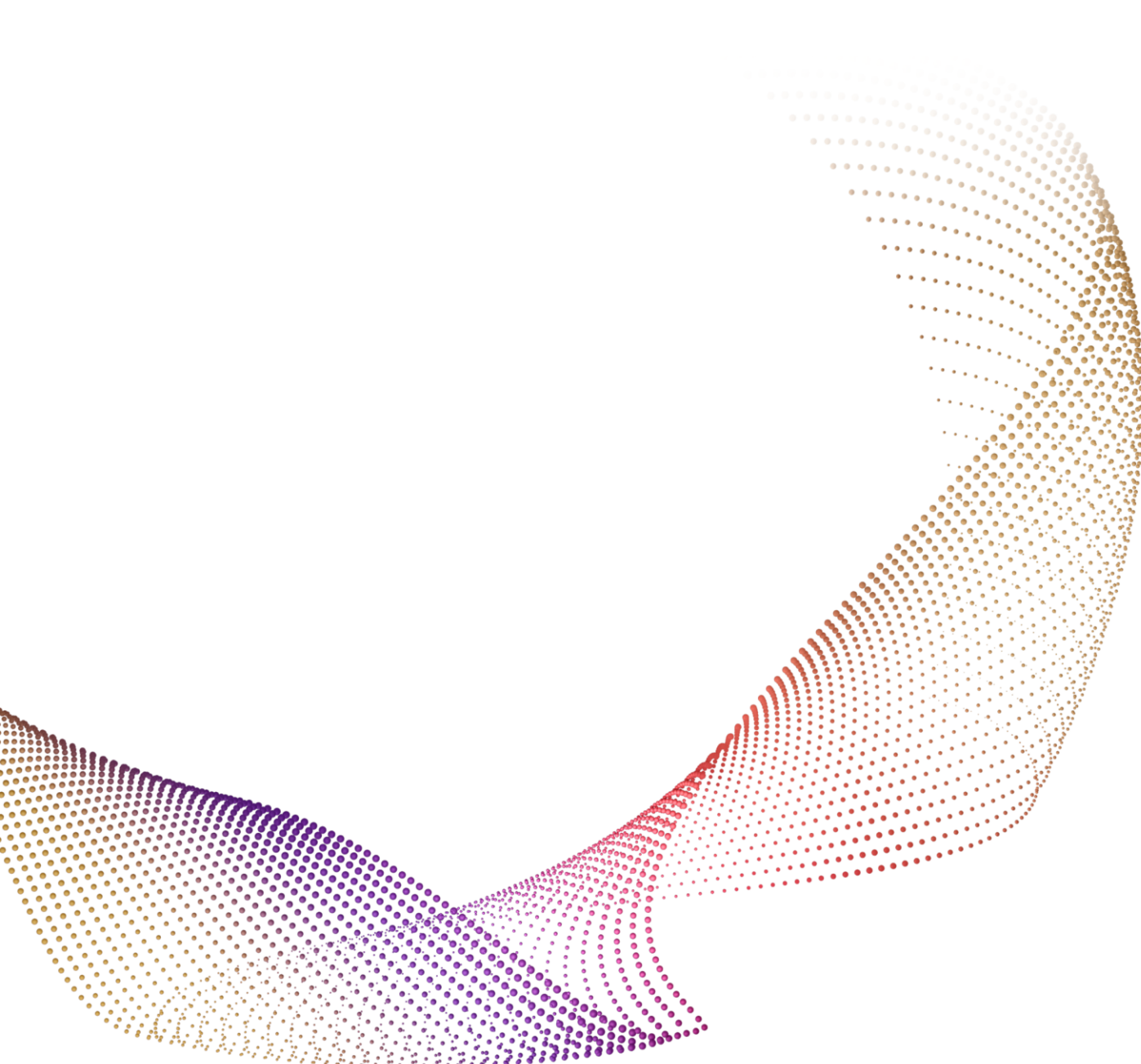
Fund name	Further information and impact report (where available):
Jupiter Responsible Income	<a href="#">Jupiter Responsible Income Fund   Share Price &amp; Factsheet (jupiteram.com)</a> Group level annual stewardship report published on website.
Liontrust UK Ethical	<a href="#">Sustainable Investment documents   Liontrust Asset Management PLC</a> Annual sustainable review and engagement reviews
Royal London Sustainable Leaders Trust	<a href="#">Sustainable Fund Range - Royal London</a> Group level climate policy and Just Transition involvement are available on the website. RLAM also publishes a cost of living crisis report.
Trojan Ethical Income	<a href="#">Q1-2023-Responsible-Investment-Report.pdf (taml.co.uk)</a> Group level quarterly responsible investment report
Brown Advisory US Sustainable Growth	<a href="#">2022 Impact Report: Large-Cap Sustainable Growth Strategy   Brown Advisory PowerPoint Presentation (brownadvisory.com)</a> Strategy level annual impact report
Stewart Investors Asia Pacific Sustainability	<a href="#">ESG/Sustainability fund reporting (stewartinvestors.com)</a> Climate Report published annually for the strategy plus monthly fund level reporting in relation to human development and climate change solutions pillars
Alquity Future World	<a href="#">Alquity Impact Report 2023 - Alquity</a> Group level annual impact report
Atlas Global Infrastructure	<a href="#">ESG - atlas (atlasinfrastructure.com)</a> Group level annual responsible investment report
Baillie Gifford Responsible Global Equity Income	<a href="#">ESG   UK Intermediaries   Baillie Gifford</a> Group level stewardship annual report, as well as TCFD climate report and environmental policy available
CT Responsible Global Equity	<a href="#">CT Responsible Global Equity Strategy - Impact Report.pdf (columbiathreadneedle.com)</a> Strategy level annual ESG profile and impact report
Federated Hermes Sustainable Global Equity	<a href="#">EOS Stewardship   Federated Hermes Limited (hermes-investment.com)</a> Group level engagement report, published quarterly
Impax Environmental Markets	<a href="#">Impact Reporting - Investment Philosophy - Impax Asset Management (impaxam.com)</a> Annual impact report
RobecoSAM Smart Materials	<a href="#">Sustainability Report (robeco.com)</a> Group level annual sustainability report
Schroders Global Sustainable Value Equity	<a href="#">Sustainability analysis in practice - Schroders global - Schroders</a> Group level sustainable investment report, published quarterly
Aegon Global Short Dated Climate Transition Fund	<a href="#">Aegon Global Short Dated Climate Transition Fund   Strategies &amp; Funds   Aegon Asset Management (aegonam.com)</a> Group level sustainability and impact policy available, alongside article of aligning financial and climate obligations in fixed income portfolios.
Brown Advisory Global Sustainable Total Return	<a href="#">Global Sustainable Total Return Bond Fund (GBP)   Brown Advisory</a> Articles on how Brown Advisory incorporate impact and climate change action into their fixed income funds. The firm also details its sustainable investing practices and progress in their annual PRI assessment report.
Liontrust Sustainable Future Monthly Income Bond	See 'Liontrust UK Ethical' for group level report
TwentyFour Sustainable Short-Term Bond Income	<a href="#">Whitepapers   TwentyFour Asset Management (twentyfouram.com)</a> TwentyFour has published a variety of white papers on sustainability in fixed income
Cordiant Digital Infrastructure	<a href="#">ESG &amp; Impact - Cordiant Digital Infrastructure Limited (cordiantdigitaltrust.com)</a> Responsible investment policy and impact goals

INPP	<a href="#">Results, reports, presentations and circulars   INPP (internationalpublicpartnerships.com)</a> Annual sustainability report
Octopus Renewables Infrastructure	<a href="#">ESG   Octopus Renewables   Infrastructure Trust (octopusrenewablesinfrastructure.com)</a> Impact strategy and policy
The Renewables Infrastructure Group	<a href="#">Sustainability - TRIG (trig-ltd.com)</a> Annual sustainability report
SDCL Energy Efficiency Income	<a href="#">ESG   SEEIT (seeitplc.com)</a> Annual ESG report
Supermarket Income REIT	<a href="#">Sustainability – Atrato Supr (supermarketincomereit.com)</a> ESG policy, EPC ratings and strategy and materiality assessment available
Schroder BSC Social Impact Trust	<a href="#">Schroder BSC Social Impact Trust plc (schroders.com)</a> Annual impact report, interactive map of portfolio assets and articles on impact investments
JPMorgan Global Macro Sustainable	<a href="#">JPM Global Macro Sustainable C (acc) - GBP (hedged)   J.P. Morgan Asset Management (jpmorgan.com)</a> Exclusion policy, ESG disclosures and engagement/voting statements available as well as sustainable investing insights
Trojan Ethical	See 'Trojan Ethical Income'

**The value of investments and the income from them can fall as well as rise and the investor may not receive back the original amount invested. Past performance is not a guide to future performance.**

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