Agenda Item: 5

Meeting of:	**Welsh Church Act Estate Committee**
Date of Meeting:	**Monday, 10 October 2022**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	**Investment Update**
Purpose of Report:	To progress the Welsh Church Act Estate Investment Strategy Proposals
Report Owner:	Report of the Director of Corporate Resources
Responsible Officer:	Matt Bowmer Head of Finance/ Section 151 officer
Elected Member and Officer Consultation:	Not applicable
Policy Framework:	Not applicable

Executive Summary:

The Welsh Church Act Trust (WCA) currently holds £1.732m (£1.878m as at 31st March 2022) in Investments which are managed on a discretionary basis by Evelyn Partners (formerly Tilney).

The Charity Commission has extensive guidance on Trustee's duty of care for investments including a responsibility to review Investments and Investment Management arrangements. At the meeting in January 2022 the Committee approved a proposal to appoint Link Group who are the Vale of Glamorgan Council's Treasury Management Advisors to support officers in identifying a suitable mix of funds for investment.

Link have carried out some statistical review and circulated questionnaires for completion to a long list of Investment Funds that met the broad criteria of a Collective Fund that would be suitable for a Charitable Investment of less than £2m.

The outcome of this review has identified CCLA as the most suitable performer in this analysis.

In the context of the current uncertain economic circumstances the timing of this move is quite crucial and advice will need to be sought on the timing of withdrawal and the timing of entry to the CCLA investment.

Recommendations

1. That Members note the reduction in investment value to £1.732M as at the date of the most recent valuation.
2. That Members accept the outcome of the review identifying CCLA as the most suitable provider for the Committee's investment.
3. That Members discuss the Collective investment fund options of Ethical Fund vs a Standard Fund as set out in the report and agree an approach.
4. That Members agree a delegated authority to Head of Finance in consultation with the Chair of the Welsh Church Act Committee to enable withdrawal from existing investments with Evelyn Partners and investment with CCLA to be progressed in the context of uncertain market conditions, and that Members note that this approach may require some delay to allow for some market recovery.

Reasons for Recommendations

1. To ensure that Members are updated on the current Investment Portfolio performance and make up.
2. To update Members on the Outcome of the investment options review carried out by Link Asset Management.
3. To ensure that a Collective Investment Fund is entered into in accordance with the Investment Policy agreed with Welsh Church Act Trustees.
4. To enable Council Officers to respond to changing market conditions in accordance with Investment Advice with Welsh Church Act Investments.

1. Background

1.1 The Welsh Church Act Estate Committee has delegated authority to manage the trust's affairs in accordance with "The Scheme" the Welsh Church Act Estate as vested in the Council.

1.2 The WCA Trust currently holds £1.905m (£1.857m as at 31st March 2021) in Investments which are managed on a discretionary basis by Tilney Investment Planning Ltd.

1.3 A number of legal requirements are set out for Trustees to consider when managing investments in the document The Charities and Investment Matters a Guide for Trustees which can be accessed on the Charity Commission Website. The document sets out that :-

Trustees have overall responsibility for the investment of a charity’s funds. This means that Trustees have a crucial role to play in making strategic decisions about how to use a charity’s assets to achieve its aims. However, trustees may choose to delegate day to day decisions about investments to a third party; and

If trustees can demonstrate that they have considered the relevant issues, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions, or for adopting a particular policy.

1.4 The document also notes that Trustees must "review Investments (and their investment manager) from time to time, changing them if necessary".

1.5 At the meeting of 4th October 2021 as part of the Welsh Church Act Investment Strategy Review it was proposed that the investments for the Trust should be moved to a collective investment fund approach in line with other Welsh Church Act Investments held by other Welsh Local Authorities.

1.6 At the meeting of 31st January 2022 it was resolved to appoint Link Group to carry out a review of potential Collective Investment Funds that could be utilised by the Vale of Glamorgan Welsh Church Act.

1.7 This review was completed during July on data for the period to 31st March 2022 and is included at Appendix 1 and Appendix 2.

2. Key Issues for Consideration

2.1 The current investments of the Welsh Church Act fund are managed on a discretionary basis by Evelyn Partners formerly Tilney and were valued at £1.732M at 26th September 2022 with a book cost of £1.658M. The recent market conditions have seen significant variation in value on the past 12 months from £1.905M in January 2022 to £1.732M in the most recent valuation.

2.2 The composition of the current investment portfolio is set out below;

	Portfolio %	£'000
Equities - UK Collectives	14%	245
Equities - North America Collectives	5%	82
Equities - Europe Collectives	2%	38
Equities - Asia Pacific Collectives	4%	68
Equities - International Collectives	23%	401

Investment Grade Corporate Bonds	17%	298
Government Fixed Income	3%	51
Fixed Income	2%	32
Real Assets -Property	10%	166
Absolute Return	16%	277
Commodity	3%	46
Cash	2%	29
	100%	1,732

2.3 In response to the current and developing economic crisis Evelyn Partners have taken the following actions to manage the fund;

Include some Commodity (Gold) within the fund.

Reduce exposure to property investments within the fund.

2.4 At the meeting of 4th October 2021 as part of the Welsh Church Act Investment Strategy Review it was proposed that the investments for the Trust should be moved to a collective investment fund approach in line with other Welsh Church Act Investments held by other Welsh Local Authorities. This approach should increase Investment returns because the fund would be paying reduced investment management fees as a result of a collective investment approach.

2.5 A key consideration for the management of Welsh Church Act Investments will be the timing of the proposed change whether the fund is retained in its current investment fund to allow for some recovery of value or withdrawn to proceed with the Committee's Investment proposals.

Review of Collective Investment Alternatives

2.6 At Welsh Church Act Committee in January Committee a proposal to appoint Link Group to carry out the following review was approved.

2.7 As part of the approach it was proposed that the advisers would provide support in the distribution, collation and review of a detailed questionnaire to a long list of collective income fund providers and provide a précis of the findings. As part of this evaluation of the questionnaire Link Group undertook a thorough analysis of the funds to ensure that only funds meeting the Trust's criteria are identified for further consideration. Key areas of analysis are identified below.

- Fund Management company and proposed Fund Management team
- Research into fund-specific strategies

− Investment process and risk management techniques, including liquidity risk
− Environment, Social and Governance (ESG) and related Stewardship considerations
− Past performance analysis in relation to peers and associated benchmarks
− Current portfolio composition
− Forward-looking expectations of performance
− Fee analysis

2.8 The evaluation was completed in August 2022 and has been brought back to Committee with recommendations for review. Whilst the analysis has been carried out on March 2022 data it is felt that the results of the review are still valid. Members should note the increasing complexity of the current investment market and horizon which will impact the potential for returns and will also impact the composure of the funds as fund managers respond to the current market conditions. The detailed analysis is attached at Appendix 1 and Appendix 2 to this report.

2.9 The following Investment Funds were included in the analysis and meet the Welsh Church Act's requirements in terms of minimum investment fund and return and time horizon expectations.
- Artemis Monthly Distribution Fund
- ASI Diversified Income Fund
- CCLA - COIF Charities Investment Fund
- CCLA - COIF Charities Ethical Investment Fund
- Legal & General Multi-Index Income Fund 5
- M&G Episode Income Fund

2.10 All the Investment Funds reviewed include a summary of their Environment and Social Governance Principals with some a fundamental basis of the fund such as CCLA - COIF Charities Ethical Investment Fund and some representing a consideration that whilst important ESG factors may have a material impact on long terms returns of asset classes.

2.11 Set out in the analysis is a broad spectrum of consideration of the investment outlook with details of how risks will be mitigated which is out of date in the current economic environment.

2.12 The Table below is drawn from Appendix 2 and sets out the Net Return Performance over the funds included in the analysis.

	1M (%)	3M (%)	6M (%)	1YR (%)	3YR (%) *	5YR (%) *	Fund Size (£m)
Artemis (May 2012)	2.92	-1.16	3.12	8.36	6.84	4.39	687.19
ASI (Sep 2016)	0.38	-2.67	0.12	7.28	4.53	3.03	187.05
CCLA - CEIF (Dec 2009)	3.31	-4.48	1.65	11.56	11.47	10.14	1,948.00
CCLA - CIF (Jan 1963)	2.93	-4.66	1.57	11.63	11.53	10.28	3,537.00
LGIM (Oct 2015)	1.72	-2.81	-0.75	3.65	5.00	4.04	98.21
M&G (Nov 2010)	2.07	-1.43	1.23	7.30	5.79	4.50	653.36

2.13 From the analysis above green represents the highest value and red the lowest. CCLA standard are stand out performers in the medium term however the Ethical Investment Fund matches the performance very closely. They represent the largest funds and are well established. As was noted by the previous bench marking undertaken by Officers are widely used and are utilised by our comparator authorities to manage their Welsh Church Act Investment Funds.

2.14 The following table sets out the Net Performance of the Fund since 2017 CCLA demonstrates a competitive Average Monthly Return % and better comparators return per unit of risk.

	Average Monthly Return (%)	Maximum Monthly Return (%)	Minimum Monthly Return (%)	Volatility (%)	Return per Unit of Risk (%) *
Artemis	0.41	6.79	-14.18	2.70	0.15
ASI	0.28	4.58	-11.02	2.02	0.14
CCLA - CEIF	0.85	6.27	-8.06	2.71	0.31
CCLA - CIF	0.86	5.67	-7.96	2.67	0.32
LGIM	0.38	7.28	-12.07	2.55	0.15
M&G	0.42	9.11	-12.37	2.53	0.17

2.15 If the Committee were to proceed with an investment with CCLA it should determine whether to invest in the Ethical fund or the Standard fund.
- CCLA - COIF Charities Investment Fund
- CCLA - COIF Charities Ethical Investment Fund

Over the short term the Ethical Fund out performs the Standard Investment Fund however over the medium term the standard fund generates higher returns.

2.16 CCLA - COIF Charities Investment Fund still has strong ESG principles but probably has a larger investment universe than the Ethical Fund. The Fund has ethical investment policy which restricts:
- Companies involved in production of armaments, including landmines, cluster munitions, chemical or biological weapons.
- Companies involved in production of tobacco products.
- Companies that generate more than 10% of revenue from online gambling or production of adult entertainment.
- All companies must not score MSCI rating of B or below. Comply / explain approach applies.
- Substantiated allegations of non-conformity with the UN Global Compact
- Third party funds screened against Ethical Investment Criteria.

2.17 The CCLA - COIF Charities Ethical Investment Fund has a far greater level of restrictions as would be expected as set out below.
- Fund has ethical investment policy which restricts:
- Companies that derive more than 5% of their revenue from extraction of energy (thermal) coal or oil sands.
- Companies that generate more than 10% of revenue from extracting or refining coal, oil or gas.
- Companies involved in high carbon businesses. Minimum standards for engagement process.
- Companies involved in electrical utilities. No investment in companies that cannot align with Paris Climate Change agreement.
- Companies involved in strategic military sales (10% revenue), civilian firearms (10% revenue) and production of nuclear weapons.
- Companies involved in production of armaments, including landmines, cluster munitions, chemical or biological weapons.
- Tobacco (10% revenue).
- Alcohol (10% revenue).
- Gambling (10% revenue).
- Adult entertainment (10% revenue).
- Companies involved in high interest lending (10% revenue).
- Specific client restrictions on Sanctity of Life – single-purpose abortifacients
- Companies in priority sector and chooses to conduct testing on animals.
- Breast milk substitutes – companies that do not meet FTSE4GOOD criteria.
- All companies must not score MSCI rating of B or below. Comply / explain approach applies.
- Substantiated allegations of non-conformity with the UN Global Compact

- Oppressive regimes (sovereign debt)
- Third party funds screened against Ethical Investment Criteria.

2.18 Whilst the returns are similar across the two funds it should be considered that if Members which to proceed with an investment in CCLA whether it would be the Standard Fund or the Ethical Fund.

2.19 A Key consideration in the context of the current market uncertainty will be the timing of any move in the context of current market conditions. Link propose that should Trustees opt to proceed with the investment with CCLA or any investment fund outlined in the analysis that the onboarding process should be commenced but that an open dialogue around the timing of investments and whether it is better to delay or drip feed investments into the fund, Link will support Officers in these conversations.

2.20 A key element that should be set out as part of the onboarding process is the reporting and training requirements for Committee, so a more detailed monitoring process could be requested in the first year. For instance Members may wish for an annual update at Committee supplemented by quarterly electronic updates to Members.

2.21 Subject to its approval by Members to proceed it is requested that a Delegated Authority is granted to Head of Finance in consultation with the Chair of Welsh Church Act Committee to progress proposals to enable Council Officers to respond to the developing market conditions in accordance with investment advice.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Trusts actions need to comply with Charity Law and its decisions are independent of the Councils obligations under the Well-Being of Future Generations Act

4. Climate Change and Nature Implications

4.1 The Investment Funds being considered clearly document the Environmental, Social and Governance considerations associated with the investments.

5. Resources and Legal Considerations

Financial

5.1 As detailed in the body of the report

Employment

5.2 There are no direct employment implications.

Legal (Including Equalities)

5.3 This report is submitted in accordance with the statutory requirements of the Charities Acts' 1993 and 2011 and the Charities (Accounts and Reports) Regulations 2008.

6. Background Papers

Multi-Asset Income Fund Selection Questionnaire Analysis

Vale of Glamorgan Council – Welsh Church Act Fund

July 2022

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1. Artemis Monthly Distribution Fund

1.1 Fundamentals

1. Main Contact
1.1. Victoria Heffer, Head of Institutional Business
1.2. Stephen Baines (fixed income), James Davidson (equity) & Jacob de Tusch-Lec (equity), Fund Managers

2. Experience of Fund Managers
2.1. SB began career in 2004 at Baillie Gifford. Before joining Artemis in 2019 he worked for 5yrs at Kames Capital, where he co-managed High Yield Bond Fund and Short-Dated High Yield Global Bond Fund. At Artemis, manages “global high yield” strategies as well as bond element of this fund.
2.2. JD joined Baillie Gifford as analyst in US equities team. Then moved to Morgan Grenfell, where he was an analyst and manager of US equities before 13yrs at Bank of America Merrill Lynch where he co-founded and later ran global equity sales team. In 2013 he became portfolio manager at JP Morgan where he ran global equity income portfolios. Joined Artemis global income team in 2018 and co-manages this fund.
2.3. JTL has over 20yrs experience. Began at BankInvest, moved to Merrill Lynch in 2002 and Artemis in 2005, where he managed a UK equity strategy until June 2010. Managed this fund since inception (May 2012), with original bond manager and latterly SB.

3. Basic Details
3.1. Company Registration Number – 1988106
3.2. Independent and owner-managed, firm began in 1997. Limited Liability Partnership with 30 partners, comprising fund managers and other key individuals. Owned by UK-based management team and Affiliated Managers Group (AMG), US international investment management company. This is a financial partnership where AMG takes share of revenues but is not involved in day-to-day running of the business.
3.3. Employs 220 people and manages £29bn across range of funds, two investment trusts, and both pooled and segregated institutional portfolios. Manages £893m in Multi-Asset Funds (March 2022)
3.4. No investigation or fines by regulators in last three years.

4. Fund Details
4.1. Proposed fund – Artemis Monthly Distribution Fund
4.2. £686m at end-March 2022.
4.2.1. Approximately 1,240 active investors, including direct and those via platforms
4.2.2. Less than 1% internal monies, otherwise external investors.
4.2.3. Largest 10 investors account for 25.37%.
4.2.4. 66.61% advisory, with remainder split between D2C, Life & Pensions, Platform, LA Treasury and Wealth Manager.
4.2.5. Fund and share class launched in May 2012.
4.3. Benchmark – IA Mixed Investment 20-60% sector.
4.4. Target performance – Aim to generate monthly income, combined with some capital growth over a five-year period.
4.5. Investment Time Horizon – medium to long term investment time horizon.
4.6. Offers both accumulation and income share classes.

1.2 Fees & Transaction Details

1.1. For Share Class I management fee of 0.75% and OFC of 0.86%. A 15bps fee rebate would be applied making the management fee 0.60% and OFC 0.71%
1.2. Minimum initial investment size: £250,000.00
1.3. Minimum subsequent transactions size: £500.00
1.4. Minimum holding size: N/A
1.5. Settlement period for sales and purchases is T+4.
1.6. Income paid monthly.

1.3 Asset Class Details

1.1. May invest in following assets:
1.1.1. Bonds (of any credit quality) – 40% to 80%

1.1.2. Company Shares – 20% to 60%
1.1.3. Can invest in alternative such as near cash, other transferable securities, other funds managed by Artemis (up to 10%), third party funds and money market instruments. However, currently does not use these instruments
1.1.4. Derivatives for efficient portfolio management to reduce risk and manage the fund efficiently. Not currently used.
1.2. 9% was invested in renewables at end-March 2022. Spending more time focusing on ESG factors in recent years, so may see exposure to companies involved in transition to a green economy increase over the medium term, due to weight of potential new assets that will come to market to make the transition happen.

1.4 Investment Process

1.1. Seeks to foster an environment that allows the following objectives to be achieved:
1.1.1. Ensure blend of portfolio (equities / bonds) follows co-ordinated and considered asset allocation strategy.
1.1.2. Allow each manager to fully exercise skill and judgement over his part of portfolio, leveraging investment process already in place for his dedicated asset class fund.
1.1.3. Co-ordinate bond and equity portfolio investments in portfolio construction so that risks and exposures can be managed at fund level and to ensure fund invests in most attractive part of capital structure of a portfolio holding
1.1.4. In context of prevailing market conditions, generate best income for investors without undue risk to capital.
1.2. Fixed Income – allocates tactically between gilts, corporate and high yields bond with view to generating good income. Tends to a bias towards high yield and corporate bonds as expects these to outperform government bonds over the interest rate cycle. Minimum 30% exposure to fixed income and cash. Typically, fund will hold 60% in fixed income and 40% in equities.
1.2.1. Flexibility to invest across entire bond universe, including overseas. Tends to focus on UK and European names. Any currency exposure hedged back to sterling.
1.2.2. Returns generated in four ways:
1.2.2.1. Active allocation across quality spectrum, driven by economic cycle and outlook for defaults. Increase to higher quality bonds when economy worsening. Can use alternatives to add extra returns and manage risk, but typically smaller allocation
1.2.2.2. Duration decisions – bias lies in range of 0-10yrs and driven by manager's expectations of short-term interest rates and slope of yield curve. For efficiency purposes, futures overlay program can be used to adjust duration.
1.2.2.3. Sector and stock screening – identifies undervalued opportunities, by analysing relative value between sectors and between stocks by looking at spreads vs average for similar rated bonds. Aims to add value through sector selection in investment grade and focusses more on stock selection in high yield
1.2.2.4. Stock selection – undertakes credit assessment of each individual investment. Credit cycle of gearing and debt reduction guides a contrarian investment philosophy. Prefer companies that are essentially sound businesses with strong franchises in attractive industries but may have over-geared and are now prioritising debt reduction.
1.2.2.5. Adopts materiality-based approach to ESG integration – assesses factor which do or could have an impact on value (positive or negative). Remains principled but pragmatic with regards to shifting attitudes. The focus is on the financial impact these factors can have. Collaborate closely with Equity Income team – engaging with companies to challenge and improve practices and vote accordingly.
1.3. Equities – allocates between geographies and sectors. 20% to 60% equity exposure.
1.3.1. Equity component of fund benchmark is MSCI AC World (NR) Index. As such, manager has flexibility to invest worldwide and targets both developed and emerging markets. Process based on fundamental research to identify companies with strong financial credentials, attractive valuations and the ability to offer and above-average dividend yield.
1.3.2. Quantitative screening applied to some 8,000 stocks based primarily on market capitalisation. Comprehensive and highly systematic screening with over 30 filters, primarily focussing on free cash flow and dividend characteristics, to generate stock level investment ideas. Stock-picking and portfolio construction driven by fundamental analysis and judgement, following investment idea generation.
1.3.3. Sector and country weightings applied in tandem with top-down macro-economic overlay. Stock-picking alone fails to take account important global trends and associated opportunities and can expose portfolio to certain risks.
1.3.4. Overlay operates at two levels – country / regional manager monitors leading economic factors and research to identify deviations from market expectations that are not fully priced in; Sector

level is relative performance and valuation of quality, value and cyclical yield stocks in context of economic cycle and investor trends. Combined, help with stock idea generation and positioning of portfolio most appropriately in context of market developments.

1.3.5. Before investing, manager completes stock level due diligence to ensure reported characteristics are fair reflection of company strength. Validating outputs from screening process and see whether growth prospects and equity risks are discounted in the valuation. Core objective is free cash flow as percentage of company market value and compare this with its bond equivalent or risk-free cash returns.

1.3.6. Information sourced from wide range, including global brokers, regular meetings with industry and stock analysts, meeting competitors to investments and attending industry conferences. Where appropriate, will also meet with company management.

1.3.7. ESG factors increasingly having a bearing on these aspects of fund's approach, such as risks posed to free cashflow, or future opportunities resulting in attractive valuations. Also engage with companies pre and post investment. Covers investigating wide-ranging factors which will either enhance or detract from cashflow expectations, such as governance and stewardship of capital.

1.4. Portfolio Construction – bond / equity managers meet regularly to share views of sectors and stocks and direct exposure within fund in coordinated way. Focus on bond to equity yield ratio at sector level to identify divergent views. Then look for opportunities to exploit relative value.

1.5. Also consider at company level, to ensure not over-exposed via both bonds and equity positions. Also assess most attractive position in capital structure which generates best yield for fund, so may invest in either equity or bond, depending where one provides distinct value and yield.

1.6. Managers also look at interest rate sensitivity of combined portfolio, so if own longer-dated bonds, will avoid equity "bond proxies" and vice versa. Also consider sector breakdowns to ensure not over-exposed. Look to ensure fund is diversified, but focused portfolio is benchmark aware, not benchmark driven. Typically constructed from around 150-200 holdings.

1.5 Risk & Operational Management

1.1. Overall responsibility for managing risk is with Artemis' Management Committee (MC). Determines nature and extent of risks that firm is willing to take to achieve strategic objectives. Supported by members of the Executive Committee, who have primary responsibility for identifying, assessing and managing risks in their area of the business. MC delegated certain responsibilities to Compliance, Risk and Internal Audit Committee (CRIAC), which monitors and oversees effectiveness of risk management systems and internal controls.

1.2. Chief Risk Officer chairs Risk and Compliance Committee which meets monthly. Role is to ensure design and implementation of appropriate risk management systems and internal controls. Investment Risk team reports to Chief Risk Officer and are responsible for production and interpretation of all investment risk reporting as well as providing technical expertise.

1.3. Uses FactSet multi-asset risk model to model predicted risk (fund and benchmark volatility, tracking error) and to decompose this risk into standard factors – style, sector and country. These factors also used to decompose ex-post performance. Ex-ante risk statistics are not considered a formal part of investment process but are seen as a useful residual.

1.4. Trades executed through independent dealing desk, with portfolio guidelines and restrictions embedded into in-house order management system – Charles River. This provides 3 levels of pre-trade checks when dealing – warning, deal requires clearance, complete prohibition.

1.5. Oversight Team monitors end-of-day checks to ensure fund adheres to guidelines.

1.6. All portfolios also monitored daily for market risk and exposures by independent investment risk function reporting to Chief Risk Officer. All strategies also formally reviewed each quarter by independent investment risk team and monthly by Investment Committee, chaired by Chief Investment Officer. Review concentrates on relative exposures to key fundamental factors, ex-post and ex-ante risk statistics, plus stress tests and Value at Risk (VaR). Portfolios analysed in numerous ways to ensure that no unintended risks have built up.

1.6 Reporting

1.1. Portfolio breakdowns can be provided monthly.

1.2. Happy to discuss any specific client reporting requirements.

1.3. Victoria Heffer is your designated Client Director, with support from dedicated person in Distribution Client Services team, who are responsible for all reporting.

1.7 Ring-Fencing

1.1. No details provided.

1.8 Stress Testing & Liquidity

1.1. Testing part of monthly reviews. Each test selected to represent realistic but extreme market event, either through historic tests or defining factor moves within the risk model. These large moves are parametrised against probability distribution of the factor chosen which in turn is parametrised against history of factor selected.

1.9 Environmental, Social and Governance

1.1. Stewardship covers all activities which look to promote the long-term success of investments made on behalf of clients. Investment Committee is responsible for oversight.
1.2. Became signatory to 2021 UK Stewardship Code last year and been a signatory to the Code since 2010.
1.3. Freedom of management of funds means each team selects, manages and incorporates relevant ESG factors in a way best suited to its specific investment approach. For this fund, integration of ESG is part of due diligence on each issuer and company from a financial materiality perspective as well as through explicit exclusions. Support international conventions on cluster munitions and anti-personnel mines. Due to potential impact on fund manager and fund management companies of UK Proceeds of Crime Act (2002), companies directly related to cannabis manufacturing are also excluded.
1.4. Fixed income – corporate governance is an essential part of corporate analysis, with several high profile business failures the result of dominant or control of boardroom by an individual or small group of connected parties. Environmental and social impact of a company's activities is integrated into stock selection. ESG factors are influencing investment decisions and are set to become more prevalent. Work with stewardship team to help shape ESG framework. Use information provided by 3rd parties but do not outsource decision-making process. Direction of travel rather than ESG rating drive investment returns, with poorly scored companies making positive commitment to change often outperforming better rated companies. ESG is a tool to improve analysis and stock selection, not a constraint.
1.5. Equities – use a number of materiality frameworks and research providers to guide ESG risk and opportunity assessments. Includes SASB, MSCI, Sustainalytics, TruValue Labs and sell-side research, which help supplement own research and engagement. Work closely with stewardship team on a range of activities:
   1.5.1. Incorporating wider set of ESG factor risks and opportunities into investment process
   1.5.2. Monitoring and escalating issues with companies and exercising shareholder rights at company meetings.
   1.5.3. Working collaboratively to develop and promote best practice internally and across the industry.
1.6. While fund does not reflect the aims of the charity itself, dividends and income payments from investments would deliver regular monthly income, which in turn can be used to grant money to wide range of good causes the charity supports.
1.7. Company has had its own Charitable Foundation for over 15yrs and gives a proportion of revenues away each year. Supports "core" charities in the UK and internationally in the areas of health, poverty, education and the environment and also makes donations to global disasters and emergencies when they occur. Won the Outstanding Community Contribution award at the Fund Europe Awards 2021.

1.10 Outlook

1.1. For the rest of 2022 and into early 2023, conscious that a significant paradigm shift could be underway. For first time in many years, inflation likely to remain elevated above central bank targets, which has and will lead to further tightening of monetary policy. As a result, investments that have performed well in recent years may not continue to do so in this new environment. Best performing in recent years was speculative growth companies. Already evidence that this bubble is deflating as real interest rates increase.
1.2. By contrast, this strategy focusses on more stable and predictable income-generating investments. These companies often have long histories of generating positive cash flows through a variety of economic cycles. Believe that these companies are well-placed to deliver positive total returns against a backdrop of modestly higher inflation and interest rates.

1.3. Able to reposition portfolio quickly in response to market changes because of inherent liquidity of fund's assets. Aided by small team and short reporting lines, which they see as an important differentiating point versus committee structure employed by many other funds.

2. ASI Diversified Income Fund

2.1 Fundamentals

1. Main Contact

1.1. Peter Woodberry-Watts, Head of Liquidity Sales.
1.2. Sean Flanagan, Investment Director, Diversified Assets.

2. Experience of Fund Managers

2.1. SF taking over management of the fund and the "Head" role from Mike Brooks, current Head of Diversified Assets, who will retire at the end of 2022. Joined Aberdeen Asset Management in 2015 from Standard Life Investments, where he was an Investment Manager in the Multi-Asset and Macro Investing team. Previously worked for Aegon and Moore Europe Capital Management. Has 15yrs investment experience.
2.2. Identifies 6 other individuals as key to fund and members of the Diversified Assets Team (currently led by MB), including ESG analyst. Also draws on broad resources of the firm, including research team, and works collaboratively with Investment teams across the business. Specialist portfolio construction and investment risk teams also key functions in building and managing the fund.

3. Basic Details

3.1. Company Registration Number – SC108419
3.2. Aberdeen Asset Managers Limited (operating under the abrdn brand) is a subsidiary of abrdn plc. Parent company business is structured around three vectors, investments (where it manages c.£464bn - December 2021), advisers (£76bn) and personal (£14bn). Just under 5,000 staff, of which 753 are investment professionals.
3.3. Been managing multi-asset mandates since 1985 and multi-asset growth strategy since 2011. As at March 2022 managed £1.6bn through Diversified Assets team, including fund being proposed.
3.4. Due to nature of such matters, does not comment on regulatory investigations. However, has not received any fines or regulatory reprimands in past 3yrs.

4. Fund Details

4.1. Proposed fund – ASI Diversified Income Fund. Originally launched in November 2006 as Aberdeen Managed Distribution Fund, relaunched in September 2016 as Aberdeen Diversified Income Fund, renamed to current fund in August 2019.
4.2. Suggested share class launched in September 2016.
4.3. £187.1m as at March 2022.
4.3.1. 669 registered holders, 100% external.
4.3.2. Top 10 investors held 73% of the fund as at the end of March 2022.
4.3.3. 68.7% Pension Fund/Institutional clients, with 26.8% Wholesale (typical holdings of less than £100k) and 4.5% "other" clients.
4.4. Benchmark – no official one.
4.5. Target Performance – fund aim is Cash (1m LIBOR) + 5% pa gross of fees over rolling 5yr period, with expected volatility of well below that of equity (MSCI World Index). No target yield, but historic yield has been 4.28%.
4.6. 5yr suggested minimum investment time horizon.
4.7. Offers both accumulation and income share classes.

2.2 Fees & Transaction Details

1.1. Share class I, Annual Management Charge (AMC) of 0.60%, Ongoing Charge (OCF) of 0.77%
1.2. Minimum initial investment size: £1,000,000
1.3. Minimum subsequent transactions size: £50,000
1.4. Minimum holding size: £50,000.00
1.5. Purchases and sales can be made on any UK business day.
1.6. Settlement period is T+3.
1.7. Income calculated monthly as at the last calendar day with distributions paid on the last business day of the following month.

2.3 Asset Class Details

1.1. Diverse range of asset classes, substantially directly invested, either through segregated "sleeves" managed by specialist investment teams within firm or through use of listed investment trusts that provide access to diversifying sources of return in a liquid structure. Some pooled funds are used for efficient portfolio management.

1.1.1. Equities – split between “core” and “satellite” allocations.

1.1.1.1. “Core” is an internally managed passive portfolio with strong focus on sustainable investment. Targets higher dividend yield that the global equity index and total return in line with the index. Significantly lower carbon footprint (target 50% of benchmark), higher green revenues (target 150% of benchmark) and excludes tobacco, coal and controversial weapons.

1.1.1.2. “Satellite” allocations for investments that should generate additional return and/or improve diversification. One current holdings in this.

1.1.2. Private Equity – exposure to the illiquidity premia available via closed-end listed vehicles.

1.1.3. Property – accessed via Real Estate Investment Trusts (REITs). Currently focussed on sectors that are less economically dependent, including student and social housing. Key return driver is lease income.

1.1.4. Infrastructure – listed, closed-end funds, including renewable infrastructure (wind farms and solar farms), social infrastructure assets, eg schools and hospitals and core infrastructure (including transport assets), to provide exposure to underlying asset-linked cashflows (eg lease payments, asset usage, subsidies etc) but with potential for daily liquidity.

1.1.5. High Yield – typically accessed from portfolio managed by firm’s credit team. Currently, do not believe these investments are sufficiently attractive relative to other opportunities.

1.1.6. Loans – specialist funds to give diversified access to corporate loans (floating rate, senior secured) issued by non-investment grade entities. Less liquid than high yield debt, but loans typically have stronger covenants and exhibit better recovery rates in event of default. Currently, do not believe these investments are sufficiently attractive relative to other opportunities.

1.1.7. Asset Backed Securities – Funds managed by specialist managers used to target risk-adjusted returns via investing in particular sub-asset classes, eg UK mortgages and CLOs.

1.1.8. Emerging Market Bonds – currently focussed on local currency bonds, managed by firm’s Emerging Market bond team.

1.1.9. Absolute Return – potentially includes range of strategies, such as Absolute Return Bonds, alternative risk premia and systemic strategies. No exposure currently and has not used these for a number of years.

1.1.10. Insurance Linked – securities largely derived from activity – premiums written and claims made – in specific natural catastrophe insurance markets, so offer attractive diversification benefits compared to more economically sensitive investments. Used via specialist investment companies which cover broad spread of insurance.

1.1.11. Special Opportunities – Range of niche opportunities, currently includes music, healthcare and precious mining royalties, litigation finance and shipping.

1.2. Derivatives – fund designed to be core investment solution, does not rely on complex derivative strategies. Used for efficient portfolio management, hedge portfolio when cost efficient to do so and currency management.

1.3. 11.8% in renewable infrastructure companies. Been long-term holders of assets in this sector based on fundamental views. Anticipate weighting will vary over time due to market pricing, attractive opportunities to add / reduce. As universe of these instruments grows over time, expect to maintain material holding and conceivably increase if and when attractive opportunities arise.

2.4 Investment Process

Based around 3 broad stages:

1.1. Strategic Framework setting (semi-annually) – Global Strategy Team leads on forecasting, using economic forecasts, implied market views and assumptions on historical trends and mean reversion. Provides well-informed macro view and drivers of asset class returns. Have model for expected returns for each asset class, focussing on 3, 5 and 10yr outlook. Key inputs into rigorous optimisation process that also takes account of volatility and correlation of asset class returns. Provides initial frame in setting broad asset allocation, then add in pragmatic issues such as liquidity risk, risks not captured by the model and niche asset class opportunities that are less easy to model. Forward-looking scenario analysis is key part of risk management approach. Provides useful base to challenge base-case assumptions with respect to asset class correlations and individual market liquidity. Analysis also informed by varied research inputs, including global economic modelling, investment bank and institutional forecasts. These provide well-informed view of macro-economic outlook, drivers of asset class returns and shorter-term opportunities. Overall result provides base case view of where world heading over various time periods, implications for investment returns for broad range of asset classes and resulting indicative portfolios to meet objectives of the fund.

1.2. Asset Selection – Fund has significant flexibility of how it can gain exposure to different opportunities either internally, leveraging management expertise across broad range of asset classes, or via third parties, in particular, niche asset classes or more “alpha” orientated strategies. ESG analysis forms important element of the process. Internal implementation also helps to reduce costs. Fund can also use listed investment companies to gain exposure to less liquid asset classes, such as real estate, infrastructure and less liquid credit strategies (including loans). Lower returning assets, such as government bonds that are often used as diversifier typically do not feature as they fail to offer an expected return commensurate with objectives of the fund. Range of diversifying assets available allows creation of a fund with an expected volatility well below that of equities without using these lower returning assets.

1.3. Ongoing Review – While fund is positioned with a longer-term, 5yr view, outlook for different asset classes will change over time. Leverages insights of other specialist teams across firm as well as Research Team, to track market developments, looking for opportunities to build positions, or rotate away from holdings. Helps to enhance returns and better manage risk in the portfolio. Where invested in listed investment company will also conduct daily monitoring premium/discount it is trading at, relative to underlying net asset value. Trim exposures where seen as too expensive and move to position in a discount. Also conduct regular meetings with the managements of companies to maintain a high degree of knowledge and to challenge, where appropriate, including on ESG factors.

1.3.1. Monitoring process also includes tracking of quantitative risk metrics, reassessment of forward-looking scenarios and monthly oversight by Diversified Assets Review Group – forum for peer review of team’s view, fund positioning and performance.

2.5 Risk & Operational Management

Based around 4 pillars:

1.1. Diversification principles – necessary element reducing volatility in the short term and reducing reliance on any one asset class over medium to longer term. Longer term modelling used to establish strategic framework and diversification considerations part of day-to-day decision making of the fund.

1.2. Risk Models – although acknowledge limitations of these, still a valuable input into broader process. Provide efficient, clear and objective view on portfolio’s risk exposure at any given time.

1.3. Scenario analysis – risk models do contain certain historic stress test scenarios, also need to consider how portfolio / investments may react to certain hypothetical situations. Process harnesses experience of investment team and broader insights from across company. Helps ensure that portfolio is resilient to wide range of scenarios that might play out over time. Recent discussions addressed impact of China hard landing, global pandemic and North Korea war.

1.4. Peer review – investment process designed to source views from across business. Peer review process includes oversight from monthly Diversified Assets Review Group as well as independent risk team and liquidity stress tests by the dealing desk.

1.5. Investment Risk & Oversight Team responsible for monitoring of Investment Guidelines and reporting of exceptions, together with any other significant issues, to investment managers. All portfolios screened in order to monitor positions against investment guidelines and suitability of investments held or to be acquired. Where possible, guidelines coded into Charles River / thinkFolio, which provides pre and post-trade checks. Any exceptions recorded in SHIELD (electronic breach database) and corrective actions monitored by Operational Risk, Investment Control and Compliance Departments.

2.6 Reporting

1.1. Factsheet – working day 10-15 after each month end.
1.2. Quarterly newsletter – working day 15 after quarter end.
1.3. Quarterly webcast – typically third week after quarter end.
1.4. Joanna Mitchell would be appointed as Client Manager.

2.7 Ring-Fencing

1.1. Fund structured as a UCITS Open Ended Investment Company, regulated by the FCA.

2.8 Stress Testing & Liquidity

1.1. Risk models do include certain historic stress tests, it is important to also consider how investments may behave in future extreme scenarios. Approach built upon viewpoints captured from across investment team an economic and research group. Recent discussions have included One China, Tax Increase, Growth-led Inflation, Stagflation, Climate Change and Vaccine Escape.

1.2. Liquidity monitored by the Diversified Assts team and via semi-annual stress tests conducted by central dealing team.

1.3. Fund has a guideline that only 10% can be held in instruments that are not daily tradeable. Also, across all abrdn investment funds, cannot hold more than 10% of the market cap of any listed stock and maximum of 6% holding in a listed investment across DA funds.

1.4. Estimate that 57% of portfolio could be sold within one week and c.97% within one month while maintaining portfolio integrity.

2.9 Environmental, Social and Governance

1.1. Consider ESG factors within asset classes as well as in the asset allocation process. Diversified Assets team supported in this be centralised Stewardship and ESG investment team.

1.2. Analyse risks and opportunities, including ESG factors, for every investment made and encourage ESG best practice amongst companies invested in. Also sent these guidelines to all major brokers that typically bring new listed companies to market. See this as best point to influence. Conducted 2,217 meetings (assume across whole of the fund management company…not just this fund) in 2021. Broad experience is that progress is often slow, but can be made, especially if it is of concern to broad number of investors.

1.3. Contend that ESG factor have a material impact on long-term returns of asset classes. Therefore, the assessment of these forms a key part of risk / return assumptions used in the Strategic Asset Allocation process, which sets the shape of the fund.

1.4. Listed alternative – produce a separate ESG research note for each investment opportunity, where assign a 1-5 score to each factor. While the score on its own does not drive investment decision, a low score makes it far less likely it would be used. Key focus is on governance and corporate behaviour.

1.5. Listed equities – core approach is through use of Sustainable Core Equity Strategy. Has a portfolio ESG score of 110%, carbon footprint of 50% and green revenues of 150% of MSCI AC World Index. Also excludes tobacco, coal, aerospace and defence, and companies involved in severe controversies. Managed by Quantitative Investment Strategies team and been developed with ESG team.

1.6. Emerging Market Debt – believes that sovereign creditworthiness best assessed by taking holistic view of ESG and political factors. Using combination of scores and direction of travel, team assess whether these factors have been fully priced in and thus, whether bond is good value. Exclude sovereigns with lowest ranking governance and political scores but may choose to invest in low-ranking countries where direction of travel is positive.

1.7. ASI rated Tier 1 signatory to 2012 Stewardship Code and strong supporter of principles set out in new, 2021 code. No mention how it is rated under the new code.

1.8. Signatories of UN PRI, Global Investor Statement on Climate Change and Net Zero Asset Managers initiative.

1.9. Manages over £2.3bn for UK charities and has its own charitable foundation. Allow employees 3 days volunteering leave each year as well as partnering with both local and national charities to improve environmental and social outcomes.

2.10 Outlook

1.1. Outlook for global economy has become more precarious. Many central banks more hawkish and tightening monetary policy. This substantially increases risk of over-tightening cycle and consequently probability of a recession. As such, remains relatively cautious on many traditional asset classes and see more compelling prospects in a number of alternative asset classes, including:

1.1.1. Infrastructure assets (attractive and reliable yield with links to inflation)

1.1.2. Asset backed securities (higher spread than similar risk corporate bonds and are floating rate)

1.1.3. Emerging market bonds (attractive returns and diversification benefits)

1.1.4. Some property investments (attractive returns and diversification benefits)

1.1.5. Variety of special opportunities, such as royalty-related assets.

1.2. Return expectations for current portfolio is 7% (gross) / 6% excess return over cash. (not made clear, but think this is 5yr annual returns)

3. CCLA - COIF Charities Investment Fund

3.1 Fundamentals

1. **Main Contact**
   1.1. Heather Lamont, Client Investment Director
   1.2. James Ayre and Charlotte Ryland, Co-Heads Investments, Equity.

2. **Experience of Fund Managers**
   2.1. CCLA Investment team has 3 pillar structure, with collegiate approach allowing it to retain and attract the best investment talent at all levels and give each component greater autonomy and flexibility in managing portfolios and meeting investor objectives. Overall investment team consists of 28 professionals with average 18yrs industry experience.
   2.1.1. Investment – led by CR (25yrs total industry experience, 6 with CCLA) and JA (24yrs total industry experience, 15 with CCLA). Responsibility for all equity investments and day-to-day management of the fund. 11 team members.
   2.1.2. Investment Solutions – led by Tim Matthews (who joined CCLA in 2017). Responsible for setting asset allocation views and determining how they are implemented across funds. Discretionary fund solutions, 3rd party manager selection, alternatives and the cash and property report this this component. 9 team members.
   2.1.3. Sustainability – led by James Corah. Focus on driving change through active stewardship, to support ESG integration into investment process and responsible for delivery of manager's "good investment" beliefs and all systemic sustainability initiatives. 8 team members.

3. **Basic Details**
   3.1. Company Registration Number - 611707
   3.2. CCLA is a specialist fund manager providing services to charities and local authorities founded in 1958. The current ownership of the business is as follows: CBF Investment Fund 54%, COIF Charities Investment Fund 22%, Local Authority Mutual Investment Trust 13%, Executive Directors and Employees 11%.
   3.3. Manages £7bn in multi-asset portfolios, all sterling denominated. Been managing such funds for over 60yrs. Five funds which account for 50% of CCLA's total assets under management
   3.4. Not been subject to any fines by its regulators in the last three years.

4. **Fund Details**
   4.1. Proposed fund – COIF Charities Investment Fund
   4.2. £3,537m as at end-March 2022.
   4.2.1. 11,527 active investors.
   4.2.2. 100% external investors.
   4.2.3. Largest 10 investors accounted for 19.48%.
   4.2.4. 100% charities.
   4.2.5. Fund launched in January 1963.
   4.3. Benchmark composed of the following:
   4.3.1. MSCI World Index 75%
   4.3.2. Markit iBoxx £ Gilts 15%
   4.3.3. MSCI UK Monthly Property Index 5%
   4.3.4. Sterling Overnight Index Average (SONIA) 5%
   4.4. Target performance of CPI + 5%. Objective to provide long-term total return comprising growth in capital and income.
   4.5. Investment time horizon of 5yrs.
   4.6. Offers both income and accumulating share classes.

3.2 Fees & Transaction Details

1.1. Ongoing Charges Figure (OCF) 1%. Comprises:
1.1.1. Annual management charge 0.6%
1.1.2. Other costs 0.14%
1.1.2.1. Fund Management Fee (FMF) of 0.74%
1.1.3. Plus, underlying investment costs 0.26%, which are the pro-rata charges of relevant underlying investments (eg funds, LLPs)
1.2. Minimum initial investment size: £1,000
1.3. Minimum subsequent transactions size: none
1.4. Minimum holding size: none

1.5. Weekly dealing (Thursday) for subscriptions received by 5pm on preceding business day.

3.3 Asset Class Details

1.1. Global equities
1.2. Commercial property
1.3. Fixed interest
1.4. Cash
1.5. Non-traditional assets such as infrastructure, leasing and alternative energy.
1.6. Limits
1.6.1. Total equities – minimum 50%, maximum 85%, strategic asset allocation 75%. Within this, no more than 10% emerging markets
1.6.2. Fixed interest – minimum 0%, maximum 50%. Within this, no more than 25% gilts / sovereign credit and also 25% in index-linked securities.
1.6.3. Cash / near-cash – up to 10%, with strategic asset allocation of 5%.
1.6.4. Alternatives – up to 35%, with strategic asset allocation of 20%, which includes:
1.6.4.1. Property – up to 10%
1.6.4.2. Contractual and other income – up to 25%
1.6.4.3. Absolute return funds – up to 10%
1.6.4.4. Private equity – up to 10%
1.6.4.5. Commodities – up to 5%
1.6.4.6. Infrastructure and operating assets – up to 15%
1.7. Fund may occasionally use currency hedging to control the risk that the pound appreciates, diminishing capital value and attendant cash flows from non-sterling assets.
1.8. 3.23% invested in renewable energy (March 2022). Conscious that current environment of high electricity prices presents good opportunity for the sector to deliver strong earnings, but also presents heightened risk of government intervention. Consequently, expect allocation may shift in the short term but over medium term, expect to maintain exposure with likely tilt towards project developers.

3.4 Investment Process

1.1. Philosophy – investing in quality asset with sustainable and growing cash flows at attractive valuations will lead to outperformance over the long-term. Approach focusses on drivers and delivery of free cash flow and its growth. This ensures income distributions are sustainable and linked to underlying economic progress of assets.
1.1.1. Focus on ESG – fully integrate ESG factors into stock selection and portfolio construction process. Rate all companies' exposure and methods of managing ESG risk before making an investment. Monitor risks continually and engage directly with companies. Received highest possible grade (A+) in most recent Principles for Responsible Investment survey for approach to stewardship, ESG and wider responsible investment strategy.
1.1.2. Focus on secular growth and free cash flow generation – believes that returns are driven by fundamental factors, and in order to outperform, adopt a long-term approach, exploiting under-valuation of cash flows and identifying investments trading below intrinsic value. Portfolio has focus on long-term secular trends operating regardless of economic backdrop and are constructed to benefit from growth in free cash flow over time.
1.1.3. Focus on managing risk – disciplined but flexible and entrepreneurial in seeking to add value and to control risk. Diversified portfolio and, as complements to mainstream equities, were early investors in assets such as infrastructure, student accommodation and energy efficiency.
1.2. Investment process drives wholly integrated approach to meeting needs of clients and achieving satisfactory long-term real returns:
1.2.1. Placing active ownership at heart of process.
1.2.2. Fully integrating assessment of both financial and extra-financial risk into decision-making.
1.2.3. Aligning the way invested with client's objective, values and beliefs.
1.3. Look for assets where:
1.3.1. Underlying returns are linked to progress of real economy.
1.3.2. There is no reliance on the risks of excessive operational or financial gearing or transient and fragile skill to add value.
1.4. Has rolling cycle of research to determine outlook for assets and instruments. Periodic review of macro-themes, return drivers and risk factors – formally updated each year, and otherwise by changes in politico-economic conditions. For market level returns, risk and co-movement, formally re-cast multiple time period projections quarterly. Model returns under different scenarios to understand how portfolios may behave in different market conditions. Formal monthly cycle of

meetings, with top-down focus, while weekly meetings focus on individual stocks and news flow and portfolios.

1.5. Portfolio construction

1.5.1. Equity portfolio construction focusses on building portfolios that are well diversified in terms of returns and nature of risks. Designed to be resilient in both normal and unexpected market conditions, while taking long-term view on growing real returns. Focus on offsetting risks and limiting dependence on individual securities, sectors, industries and other factors such as commodity prices, currency movements and government policies.

1.5.2. Seek companies with strong sustainable Cash Returns On Invested Capital (CROIC). Strong and rising cash flows allows investment for the future and growing dividends. Two tier approach; quantitative screen based on CRIOC, operational and financial stability, earnings and accounting quality and ESG risks and opportunities. Typically generates a list of c.150-200 companies of interest. Qualitative stage considers sector and thematic trends, macro and industry factors and company specifics, such as corporate governance. Used to ensure that quant stage is correct and sustainable. This stage also involves direct contact with company management and industry experts. Typically leads to portfolio of 80-100 stocks.

1.5.3. Portfolio mandate focussed on long-term real value of capital, so currently hold no bonds, achieving diversification through assets such as infrastructure. Favours directly held assets within the fund, thus limited exposure to alternate funds, except for property, where direct holding would be inappropriate. Also use funds for specialist asset classes where access best achieved through funds run by specialist managers. Before using such funds, ensure that current and future assets are ethically compliant, net returns are going to be appropriate, regulatory compliance, risk cognisance and management are embedded in operations and contracts are appropriate and reasonable.

1.5.4. Alternatives – Infrastructure investments generally provide contractual cash flow, often predetermined, and may provide higher degree of certainty than conventional equities. Many of these also have in-built inflation protection. Examples include care homes, renewable energy projects, aircraft leasing and marine asset finance.

1.5.5. ESG risk factors integrated through whole investment process and given as much weight as traditional financial metrics in investment opportunity analysis. Use data from 3rd party providers, including MSCI, Sustainalytics, FTSE and Credit Suisse, supplemented by in-house analysis. As a result of this process, equity portion of the fund has better than benchmark corporate governance ratings and carbon footprint that is approximately one third of MSCI World Index.

3.5 Risk & Operational Management

1.1. Has a permanent, independent Investment Risk Management function, which implements the firm’s risk management policy and monitors and reports the risk level of portfolios to Investment Risk Committee.

1.2. Functional and hierarchical separation of risk management function from operating units and safeguards against conflicts of interest to ensure that risk management activities are carried out independently.

1.3. Controls applied on an ongoing basis to live portfolios and are modelled for potential transactions.

1.3.1. Structural constraints on asset allocations reflect objectives and requirements of investors.

1.3.2. Common sense tests to avoid strategies or assets that cannot be easily understood and where source of size of expected returns / risks are not transparent and reasonable.

1.3.3. Due diligence approach intended to provide detailed understanding of risk and returns of candidate assets.

1.4. Risk monitoring tools used are the following:

1.4.1. Bloomberg AIM for pre-trade checking of the impact of proposed transactions on overall portfolio structure and characteristics.

1.4.2. Credit Suisse HOLT to monitor the quantitative characteristics of the portfolio and implications of possible transactions.

1.5. Portfolio risk analytics used to estimate how the portfolio may behave under various scenarios such as an equity bear market, an increase in yields, or a large currency move.

1.6. Price volatility is only a proxy for risk and statistical models may underestimate extreme events. Assets which appear uncorrelated and which diversify risk in normal market conditions may become more correlated when markets are stressed. For this reason, also use price behaviour / covariances from previous market corrections as part of the investment programme.

3.6 Reporting

1.1. Quarterly factsheets, fund report and accounts, Key information documents, fund profiles and scheme particulars all available on website. This also has pricing and valuation tool to allow up-to-date valuation at any time. Currently developing an online client portal, expected to go live later this year.
1.2. Provides trustee development programmes, including training, to help trustees meet their obligations both in set events and bespoke services for individual clients. Can advise on sub-fund reporting, trends in governance, investment policy and on ethical and responsible investment.
1.3. Undertake all investment administration, including tax reclaim.
1.4. Any support would come from Client Services team, with dedicated support from Heather Lamont, Client Investment Director.

3.7 Ring-Fencing

1.1. No connection between assets of the fund and CCLA. Do operate client money accounts in order to protect investors proceeds when required and subject to client money rules. Subject to annual audit carried out by external firm which files a report to the FCA.

3.8 Stress Testing & Liquidity

1.1. Systems allow testing of portfolio against specific events and against combination of circumstances which accompanied past periods of volatility and market weakness.
1.2. Use Bloomberg Portfolio & Risk Analytics to test against potential and historic macro-events. Analysis is available to clients on request.
1.3. Approach is to maintain established programme of testing, the results of which give comfort that portfolio is prudently structured to meet objectives.

3.9 Environmental, Social and Governance

1.1. Fund has ethical investment policy which restricts:
1.1.1. Companies involved in production of armaments, including landmines, cluster munitions, chemical or biological weapons.
1.1.2. Companies involved in production of tobacco products.
1.1.3. Companies that generate more than 10% of revenue from online gambling or production of adult entertainment.
1.1.4. All companies must not score MSCI rating of B or below. Comply / explain approach applies.
1.1.5. Substantiated allegations of non-conformity with the UN Global Compact
1.1.6. Third party funds screened against Ethical Investment Criteria.
1.2. Majority of restrictions outlined above applied through standard and bespoke data feeds provided by MSCI.
1.3. Signatory to Stewardship Code. Response available online.
1.4. Delivery of sustainable long-term returns is a central requirement of clients, many of whom have multigenerational investment time horizons. Experience suggests that, over time, changing regulation, legislation and consumer preference will render unsuitable corporate activities unprofitable. This will damage share price performance and undermine ability of clients to protect interests of future beneficiaries. Begin, therefore, by screening out companies involved in least suitable activities – those that cause harm to planet or communities or who pursue unsustainable business practices. Then assess remaining entities on their resilience to ESG risks.
1.5. Do not see ESG factors as being separate from any other investment factor. ESG is integrated into everything manager does.
1.6. Believe that companies with poorest standards of governance or inadequate systems for managing high environmental or social issues, often contain risks that are not compensated and thus best avoided. Therefore, carefully assess ESG standards of all companies, across all asset classes and all portfolios.
1.7. Fund only available to UK charity investors, created to ensure that investors can access suitable investments at a reasonable cost. Fund has charitable status, therefore retains same benefits, such as no stamp duty. Also has special tax status for US equity income, meaning pays only 4% withholding tax, compared to standard rate for charities of 15%.

3.10 Outlook

1.1. 2022 begun in a negative fashion as markets react to higher inflation and likely reversal of quantitative easing with selloff in risk assets. Three key issues to address:

1.1.1. Persistence of supply chain disruption from pandemic

1.1.2. Extent of policy reaction

1.1.3. Impact of the property clampdown and continued COVID lockdowns on Chinese economy.

1.2. Base case is that global economy set for another year of above trend growth but that various headwinds will mean growth moderates in second half of 2022. Also expect easing of supply chain issues and improvement in labour participation in next six months to help bring inflation down towards long term trends. Also notes there is a negligible risk of recession (not stated whether global or UK…expect it is the former) but will be a “bumpy ride” as markets adjust to changing central bank narratives.

1.3. While still some fundamental reasons to be constructive on risk assets, expect lower returns in 2022 compared to two prior years. Fund has moved underweight equities and raised cash levels as a response to managing within risk budget of the mandate. As well as raising cash levels, fund has started to introduce a more defensive tilt within equities, and continues to focus on quality, secular growth, and sustainability. Still prefer real assets with dependable cash flow streams, growing ahead of inflation, to bonds, which look particularly vulnerable.

1.4. Portfolio fully flexible, so should assessment of probable future returns change, then it would be reorientated over a day or so.

4. CCLA - COIF Charities Ethical Investment Fund

4.1 Fundamentals

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   1.2. James Ayre and Charlotte Ryland, Co-Heads Investments, Equity.

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   3.1. Company Registration Number - 611707
   3.2. CCLA is a specialist fund manager providing services to charities and local authorities founded in 1958. The current ownership of the business is as follows: CBF Investment Fund 54%, COIF Charities Investment Fund 22%, Local Authority Mutual Investment Trust 13%, Executive Directors and Employees 11%.
   3.3. Manages £7bn in multi-asset portfolios, all sterling denominated. Been managing such funds for over 60yrs. Five funds which account for 50% of CCLA's total assets under management
   3.4. Not been subject to any fines by its regulators in the last three years.

4. **Fund Details**
   4.1. Proposed fund – COIF Charities Ethical Investment Fund (Ethical Fund)
   4.2. £1,948m as at end-March 2022.
   4.2.1. 1,642 active investors.
   4.2.2. 100% external investors.
   4.2.3. Largest 10 investors accounted for 26.74%.
   4.2.4. 100% charities.
   4.2.5. Fund launched in December 2009.
   4.3. Benchmark composed of the following:
   4.3.1. MSCI World Index 75%
   4.3.2. Markit iBoxx £ Gilts 15%
   4.3.3. MSCI UK Monthly Property Index 5%
   4.3.4. Sterling Overnight Index Average (SONIA) 5%
   4.4. Target performance of CPI + 5%. Objective to provide long-term total return comprising growth in capital and income.
   4.5. Investment time horizon of 5yrs.
   4.6. Offers both income and accumulating share classes.

4.2 Fees & Transaction Details

1.1. Ongoing Charges Figure (OCF) 1%. Comprises:
1.1.1. Annual management charge 0.6%
1.1.2. Other costs 0.14%
1.1.2.1. Fund Management Fee (FMF) of 0.74%
1.1.3. Plus, underlying investment costs 0.26%, which are the pro-rata charges of relevant underlying investments (eg funds, LLPs)
1.2. Minimum initial investment size: £1,000
1.3. Minimum subsequent transactions size: none
1.4. Minimum holding size: none

1.5. Weekly dealing (Thursday) for subscriptions received by 5pm on preceding business day.

4.3 Asset Class Details

1.1. Global equities
1.2. Commercial property
1.3. Fixed interest
1.4. Cash
1.5. Non-traditional assets such as infrastructure, leasing and alternative energy.
1.6. Limits
1.6.1. Total equities – minimum 50%, maximum 85%, strategic asset allocation 75%. Within this, no more than 10% emerging markets
1.6.2. Fixed interest – minimum 0%, maximum 50%. Within this, no more than 25% gilts / sovereign credit and also 25% in index-linked securities.
1.6.3. Cash / near-cash – up to 10%, with strategic asset allocation of 5%.
1.6.4. Alternatives – up to 35%, with strategic asset allocation of 20%, which includes:
1.6.4.1. Property – up to 10%
1.6.4.2. Contractual and other income – up to 25%
1.6.4.3. Absolute return funds – up to 10%
1.6.4.4. Private equity – up to 10%
1.6.4.5. Commodities – up to 5%
1.6.4.6. Infrastructure and operating assets – up to 15%
1.7. Fund may occasionally use currency hedging to control the risk that the pound appreciates, diminishing capital value and attendant cash flows from non-sterling assets.
1.8. 5.65% invested in renewable energy (March 2022). Conscious that current environment of high electricity prices presents good opportunity for the sector to deliver strong earnings, but also presents heightened risk of government intervention. Consequently, expect allocation may shift in the short term but over medium term, expect to maintain exposure with likely tilt towards project developers.

4.4 Investment Process

1.1. Philosophy – investing in quality asset with sustainable and growing cash flows at attractive valuations will lead to outperformance over the long-term. Approach focusses on drivers and delivery of free cash flow and its growth. This ensures income distributions are sustainable and linked to underlying economic progress of assets.
1.1.1. Focus on ESG – fully integrate ESG factors into stock selection and portfolio construction process. Rate all companies' exposure and methods of managing ESG risk before making an investment. Monitor risks continually and engage directly with companies. Received highest possible grade (A+) in most recent Principles for Responsible Investment survey for approach to stewardship, ESG and wider responsible investment strategy.
1.1.2. Focus on secular growth and free cash flow generation – believes that returns are driven by fundamental factors, and in order to outperform, adopt a long-term approach, exploiting under-valuation of cash flows and identifying investments trading below intrinsic value. Portfolio has focus on long-term secular trends operating regardless of economic backdrop and are constructed to benefit from growth in free cash flow over time.
1.1.3. Focus on managing risk – disciplined but flexible and entrepreneurial in seeking to add value and to control risk. Diversified portfolio and, as complements to mainstream equities, were early investors in assets such as infrastructure, student accommodation and energy efficiency.
1.2. Investment process drives wholly integrated approach to meeting needs of clients and achieving satisfactory long-term real returns:
1.2.1. Placing active ownership at heart of process.
1.2.2. Fully integrating assessment of both financial and extra-financial risk into decision-making.
1.2.3. Aligning the way invested with client's objective, values and beliefs.
1.3. Look for assets where:
1.3.1. Underlying returns are linked to progress of real economy.
1.3.2. There is no reliance on the risks of excessive operational or financial gearing or transient and fragile skill to add value.
1.4. Has rolling cycle of research to determine outlook for assets and instruments. Periodic review of macro-themes, return drivers and risk factors – formally updated each year, and otherwise by changes in politico-economic conditions. For market level returns, risk and co-movement, formally re-cast multiple time period projections quarterly. Model returns under different scenarios to understand how portfolios may behave in different market conditions. Formal monthly cycle of

meetings, with top-down focus, while weekly meetings focus on individual stocks and news flow and portfolios.

1.5. Portfolio construction

1.5.1. Equity portfolio construction focusses on building portfolios that are well diversified in terms of returns and nature of risks. Designed to be resilient in both normal and unexpected market conditions, while taking long-term view on growing real returns. Focus on offsetting risks and limiting dependence on individual securities, sectors, industries and other factors such as commodity prices, currency movements and government policies.

1.5.2. Seek companies with strong sustainable Cash Returns On Invested Capital (CROIC). Strong and rising cash flows allows investment for the future and growing dividends. Two tier approach; quantitative screen based on CRIOC, operational and financial stability, earnings and accounting quality and ESG risks and opportunities. Typically generates a list of c.150-200 companies of interest. Qualitative stage considers sector and thematic trends, macro and industry factors and company specifics, such as corporate governance. Used to ensure that quant stage is correct and sustainable. This stage also involves direct contact with company management and industry experts. Typically leads to portfolio of 80-100 stocks.

1.5.3. Portfolio mandate focussed on long-term real value of capital, so currently hold no bonds, achieving diversification through assets such as infrastructure. Favours directly held assets within the fund, thus limited exposure to alternate funds, except for property, where direct holding would be inappropriate. Also use funds for specialist asset classes where access best achieved through funds run by specialist managers. Before using such funds, ensure that current and future assets are ethically compliant, net returns are going to be appropriate, regulatory compliance, risk cognisance and management are embedded in operations and contracts are appropriate and reasonable.

1.5.4. Alternatives – Infrastructure investments generally provide contractual cash flow, often predetermined, and may provide higher degree of certainty than conventional equities. Many of these also have in-built inflation protection. Examples include care homes, renewable energy projects, aircraft leasing and marine asset finance.

1.5.5. ESG risk factors integrated through whole investment process and given as much weight as traditional financial metrics in investment opportunity analysis. Use data from 3rd party providers, including MSCI, Sustainalytics, FTSE and Credit Suisse, supplemented by in-house analysis. As a result of this process, equity portion of the fund has better than benchmark corporate governance ratings and carbon footprint that is approximately one third of MSCI World Index.

4.5 Risk & Operational Management

1.1. Has a permanent, independent Investment Risk Management function, which implements the firm's risk management policy and monitors and reports the risk level of portfolios to Investment Risk Committee.

1.2. Functional and hierarchical separation of risk management function from operating units and safeguards against conflicts of interest to ensure that risk management activities are carried out independently.

1.3. Controls applied on an ongoing basis to live portfolios and are modelled for potential transactions.

1.3.1. Structural constraints on asset allocations reflect objectives and requirements of investors.

1.3.2. Common sense tests to avoid strategies or assets that cannot be easily understood and where source of size of expected returns / risks are not transparent and reasonable.

1.3.3. Due diligence approach intended to provide detailed understanding of risk and returns of candidate assets.

1.4. Risk monitoring tools used are the following:

1.4.1. Bloomberg AIM for pre-trade checking of the impact of proposed transactions on overall portfolio structure and characteristics.

1.4.2. Credit Suisse HOLT to monitor the quantitative characteristics of the portfolio and implications of possible transactions.

1.5. Portfolio risk analytics used to estimate how the portfolio may behave under various scenarios such as an equity bear market, an increase in yields, or a large currency move.

1.6. Price volatility is only a proxy for risk and statistical models may underestimate extreme events. Assets which appear uncorrelated and which diversify risk in normal market conditions may become more correlated when markets are stressed. For this reason, also use price behaviour / covariances from previous market corrections as part of the investment programme.

4.6 Reporting

1.1. Quarterly factsheets, fund report and accounts, Key information documents, fund profiles and scheme particulars all available on website. This also has pricing and valuation tool to allow up-to-date valuation at any time. Currently developing an online client portal, expected to go live later this year.
1.2. Provides trustee development programmes, including training, to help trustees meet their obligations both in set events and bespoke services for individual clients. Can advise on sub-fund reporting, trends in governance, investment policy and on ethical and responsible investment.
1.3. Undertake all investment administration, including tax reclaim.
1.4. Any support would come from Client Services team, with dedicated support from Heather Lamont, Client Investment Director.

4.7 Ring-Fencing

1.1. No connection between assets of the fund and CCLA. Do operate client money accounts in order to protect investors proceeds when required and subject to client money rules. Subject to annual audit carried out by external firm which files a report to the FCA.

4.8 Stress Testing & Liquidity

1.1. Systems allow testing of portfolio against specific events and against combination of circumstances which accompanied past periods of volatility and market weakness.
1.2. Use Bloomberg Portfolio & Risk Analytics to test against potential and historic macro-events. Analysis is available to clients on request.
1.3. Approach is to maintain established programme of testing, the results of which give comfort that portfolio is prudently structured to meet objectives.

4.9 Environmental, Social and Governance

1.1. Fund has ethical investment policy which restricts:
1.1.1. Companies that derive more than 5% of their revenue from extraction of energy (thermal) coal or oil sands.
1.1.2. Companies that generate more than 10% of revenue from extracting or refining coal, oil or gas.
1.1.3. Companies involved in high carbon businesses. Minimum standards for engagement process.
1.1.4. Companies involved in electrical utilities. No investment in companies that cannot align with Paris Climate Change agreement.
1.1.5. Companies involved in strategic military sales (10% revenue), civilian firearms (10% revenue) and production of nuclear weapons.
1.1.6. Companies involved in production of armaments, including landmines, cluster munitions, chemical or biological weapons.
1.1.7. Tobacco (10% revenue).
1.1.8. Alcohol (10% revenue).
1.1.9. Gambling (10% revenue).
1.1.10. Adult entertainment (10% revenue).
1.1.11. Companies involved in high interest lending (10% revenue).
1.1.12. Specific client restrictions on Sanctity of Life – single-purpose abortifacients.
1.1.13. Companies in priority sector and chooses to conduct testing on animals.
1.1.14. Breast milk substitutes – companies that do not meet FTSE4GOOD criteria.
1.1.15. All companies must not score MSCI rating of B or below. Comply / explain approach applies.
1.1.16. Substantiated allegations of non-conformity with the UN Global Compact
1.1.17. Oppressive regimes (sovereign debt)
1.1.18. Third party funds screened against Ethical Investment Criteria.
1.2. Majority of restrictions outlined above applied through standard and bespoke data feeds provided by MSCI.
1.3. Signatory to Stewardship Code. Response available online.
1.4. Delivery of sustainable long-term returns is a central requirement of clients, many of whom have multigenerational investment time horizons. Experience suggests that, over time, changing regulation, legislation and consumer preference will render unsuitable corporate activities unprofitable. This will damage share price performance and undermine ability of clients to protect interests of future beneficiaries. Begin, therefore, by screening out companies involved in least suitable activities – those that cause harm to planet or communities or who pursue unsustainable business practices. Then assess remaining entities on their resilience to ESG risks.

1.5. Do not see ESG factors as being separate from any other investment factor. ESG is integrated into everything manager does.
1.6. Believe that companies with poorest standards of governance or inadequate systems for managing high environmental or social issues, often contain risks that are not compensated and thus best avoided. Therefore, carefully assess ESG standards of all companies, across all asset classes and all portfolios.
1.7. Fund only available to UK charity investors, created to ensure that investors can access suitable investments at a reasonable cost. Fund has charitable status, therefore retains same benefits, such as no stamp duty. Also has special tax status for US equity income, meaning pays only 4% withholding tax, compared to standard rate for charities of 15%.

4.10 Outlook

1.1. 2022 begun in a negative fashion as markets react to higher inflation and likely reversal of quantitative easing with selloff in risk assets. Three key issues to address:
1.1.1. Persistence of supply chain disruption from pandemic
1.1.2. Extent of policy reaction
1.1.3. Impact of the property clampdown and continued COVID lockdowns on Chinese economy.
1.2. Base case is that global economy set for another year of above trend growth but that various headwinds will mean growth moderates in second half of 2022. Also expect easing of supply chain issues and improvement in labour participation in next six months to help bring inflation down towards long term trends. Also notes there is a negligible risk of recession (not stated whether global or UK…expect it is the former) but will be a “bumpy ride” as markets adjust to changing central bank narratives.
1.3. While still some fundamental reasons to be constructive on risk assets, expect lower returns in 2022 compared to two prior years. Fund has moved underweight equities and raised cash levels as a response to managing within risk budget of the mandate. As well as raising cash levels, fund has started to introduce a more defensive tilt within equities, and continues to focus on quality, secular growth, and sustainability. Still prefer real assets with dependable cash flow streams, growing ahead of inflation, to bonds, which look particularly vulnerable.
1.4. Portfolio fully flexible, so should assessment of probable future returns change, then it would be reorientated over a day or so.

5. Legal & General Multi-Index Income Fund 5

5.1 Fundamentals

1. **Main Contact**
   1.1. Katherine George – Sales Manager, Strategic Partnerships (Retail).
   1.2. Justin Onuekwusi (Head of Retail Multi-Asset Funds), Andrzej Pioch (Fund Manager), Francis Chua (Fund Manager).

2. **Experience of Fund Managers**
   2.1. Asset Allocation team (AAT) combines economic and multi-asset research capabilities with portfolio management groups. 34 in team with average 15yrs experience.
   2.2. Within AAT, Multi-Asset Funds team is responsible for management and growth of Multi-Index fund range. Team brings experience across investment management, investment consulting, banking and academia, working with pension funds, insurers and retail clients.
   2.3. Emiel van den Heiligenberg (Head of Asset Allocation) is responsible for asset allocation strategy and macro research. Ultimate decision maker in the team and signs off every trade recommendation or change of view within the team. Portfolio managers ultimately have decision on whether to implement view changes and appropriate sizing of trades.

3. **Basic Details**
   3.1. Company Registration Number - 119272
   3.2. Legal & General Group plc is a leading financial services company, offering broad range of services to institutions and individuals. FTSE-100 constituent.
   3.3. LGIM is a private limited company and as such a self-contained legal entity.
   3.4. As at December 2021, managed £78bn in multi-asset strategies. Managed such portfolios since 1970s.
   3.5. For reasons of confidentiality, do not comment on the specifics of their regulatory engagement.

4. **Fund Details**
   4.1. Proposed fund – Legal & General Multi-Index Income 5 – Class I Inc.
   4.2. £98.21m as at end-March 2022.
   4.2.1. As at March 2022 - 46 investors, all external. 19% corporate, and 91% nominee.
   4.2.2. 10 largest investors accounted for 84% of exposure.
   4.2.3. Fund and share class launched in October 2015.
   4.3. Benchmark – no formal benchmark.
   4.4. Target – is to provide combination of income and capital growth and to keep fund within the pre-determined risk profile. Potential gains and losses likely to be limited by objective of staying within its particular risk profile.
   4.5. Investment time horizon – at least 5yrs.
   4.6. Offers both accumulation and income share classes.

5.2 Fees & Transaction Details

1.1. 0.31% Ongoing Charges Figure (OCF).
1.2. Minimum initial investment size: £1,000,000
1.3. Minimum subsequent transactions size: £20,000
1.4. Minimum holding size: n/a
1.5. Daily dealing, with settlement period of T+4.
1.6. Income paid semi-annually.

5.3 Asset Class Details

1.1. Invests in bonds (government and corporate), shares, money market instruments, cash, permitted deposits and indirectly to alternative assets classes (such as commodities) and property.
1.2. At least 75% will be invested in collective investment schemes (i.e. funds), with at least 50% in index tracker schemes managed by LGIM.
1.3. Fund only uses derivatives for efficient portfolio management purposes. This includes
1.3.1. Hedging purposes
1.3.2. To reduce transaction and other investment costs
1.3.3. Where most efficient and effective way of gaining / disposing exposure
1.3.4. To generate income or capital in a specified manner – ie with no or an acceptably low, level of risk).

1.4. Only small proportion of fund allocated to companies that derive revenues from green energy but look to increase that over time. They have just introduced the new L&G Quality Dividend ETFs for their regional equity allocation which exclude coal miners (alongside controversial weapons and UN Global Compact violators).

5.4 Investment Process

1.1. Fund range is actively-managed, straightforward and cost-effective multi-asset funds designed to meet clients' growth and income needs, while covering a range of risk appetites. Each fund in the range reflects following investment beliefs:
1.1.1. Risk is compensated in the long run – important to have a long-term investment time horizon.
1.1.2. Objective-drive asset allocation – based on client objectives, risk preferences and constraints with aim of maximising risk-adjusted returns
1.1.3. Cost effectiveness is paramount to maximising risk-adjusted returns.
1.1.4. Risk focussed and accountable – risk management is central and incorporated at every stage of the investment process.
1.2. As a result, funds in the range are managed around the following five key pillars:
1.2.1. Suitability – funds' risk rating are currently based on Distribution Technology Dynamic Planner Model (but can also be mapped against other risk profilers).
1.2.2. Active asset allocation – managed dynamically by experienced team which monitors funds and adjusts asset allocation over time. Each change aims to enhance the return or protect the downside, while maintaining a level of risk which reflects the risk target.
1.2.3. Diversification – reducing risk concentrations provides multiple sources of return across asset classes, economic regions and currency exposures to limit adverse effects of any particular risks.
1.2.4. Cost effectiveness – use of in-house index-tracking funds as primary portfolio constituents keeps fees low
1.2.5. Engagement – never abstain unless technically impossible to vote. In 2018, supported 85% of climate change reporting resolutions, more than double the average for top 5 asset managers. Refuse to invest in companies that are not doing enough to tackle climate-related risks, which is captured in manager's Climate Impact Pledge.
1.3. Funds are designed to help advisers work more efficiently with their clients, as each fund will always remain within a pre-determined risk profile. Funds are diversified portfolios that are managed to adhere to particular risk profile. Specialists in Asset Allocation team continually monitors portfolios and dynamically adjust allocation in line with their medium to long term views, while ensuring risk profiles do not change.
1.4. Investment approach has distinct stages:
1.5. Risk Profile: Fund aims to remain consistent with specific risk profile characteristics by remaining within expected volatility bands. Volatility estimated using current target asset allocation and 15yr historical volatilities and correlations of underlying asset classes:
1.5.1. L&G Multi-Index Income 5 – 8.4%-10.5% volatility around mean expected return.
1.6. Long Term Asset Allocation (LTAA)
1.6.1. Established by fund managers, essentially strategic asset allocation with an investment time horizon of 5-10yrs. Takes into consideration latest research and uses input from economists and strategists within AAT.
1.6.2. Designed to be consistent with targeted risk profile. Acts as starting point from which dynamic asset allocation is applied to create the target allocation. Updated on annual basis (or more frequently if required).
1.6.3. Quantitative stage – models thousands of different portfolios based on key core asset classes, using sophisticated techniques to filter out undesirable combinations. Team then takes an average of these portfolios with best risk/return trade-off, which are then combined to provide "base" portfolio. Includes recalibration of historical asset market returns to current conditions.
1.6.4. Qualitative Stage – considers mix within each broad asset class to ensure that fund does not have undue concentrated risk in any one geographical region or to any one source of risk.
1.7. Dynamic Asset Allocation (DAA) – considers factors that are likely to influence markets but are not reflected in long-term asset allocation. These are medium term risks (beyond 1yr), rather than short term issues. Three main factors considered:
1.7.1. Fundamental returns tilts updated on monthly basis to take account of changes in prospective returns given market conditions. Considers current yields and other indicators. Estimates of current prospective returns from each asset class are blended with LTAA using proprietary risk allocation model.
1.7.2. Medium term views – measures prospective returns on asset classes by considering those factors that could influence over this time period. Could include major macro-economic trends, significant mis-valuations, or policy actions such as quantitative easing.

1.7.3. Tail Risk – how is portfolio exposed to large downside risks. Uses Tail Risk Engine, which incorporates lessons from the past, deepening the scenario pool, reverse stress testing and forward-looking macro scenarios.

1.8. Implementation of asset allocation and rebalancing – AAT provides target asset allocations to Allocation Strategy Management team to implement and manage cash flows thereof. Portfolios typically monitored daily and normal practice to rebalance automatically when an asset class moves outside its permitted limits.

1.9. Fund predominantly uses LGIM passive funds through its tracking products. Only look to change selected funds where benefits will outweigh costs. Do consider active funds, where appropriate for asset classes where active management has ability to add value or suitable passive fund is not available. Overall principle is to access the asset class in most cost-efficient way possible. Using in-house tracking funds also provides clients with transparent view of holdings and that there is no need to second guess the strategy of underlying fund when determining target asset allocation.

5.5 Risk & Operational Management

1.1. Target risk profiles for funds set by Distribution Technology (DT), based on historic return and volatility of different asset types. Use experience and in-house assumptions for expected risk and return, together with research and allocation guidelines from DT to set diversified asset allocation for each fund to ensure it has broad risk stability and remain inside risk profile.

1.2. Pre-trade – uses proprietary portfolio management tool. Orders raised and checked against business rules before being executed, while fund managers monitor cash and positions on a daily basis. Team also works with Global Trading team to provide pre-trade and holdings analysis, liquidity and market intelligence profiling and behavioural analysis to retain alpha, mitigate risk and increase implementation efficiency.

1.3. Managing portfolio risk

1.3.1. Investment Risk team maintains appropriate limit framework with exposure monitored daily. Formal reports provided to fund managers, business heads and senior management on daily / weekly basis and to Investment Risk Sub-Committee monthly. Potential breaches analysed and investigated by dedicated portfolio monitoring analysts.

1.3.2. Each portfolio has a Control Summary Report which outlined regulatory, client and portfolio-level management objectives and restrictions. These are hard-coded into LGIM investment compliance engine (MIG21) which is supplied with positional information and market data each morning. MIG21 applied rule set against this and any breaches analysed and investigated by dedicated portfolio monitoring analysts. Guideline Management and Control Team responsible for maintaining and monitoring CSR and reports / escalates any breaches of mandate restrictions, regulatory requirements and other portfolio constraints.

1.3.3. Uses broad range of analytics, including risk-factor sensitivities, value at risk (VAR), tracking error and stress scenarios to ensure portfolios are in line with set objectives.

1.3.4. Key risk tool is proprietary Tail Risk Engine which estimates portfolio's downside risk through approaches outlined above and in Stress Testing section below.

1.3.5. Multi-Asset team also calculates forward-looking standard deviation using both parametric and non-parametric methods. Due to important of maintaining targeted risk band (as established by DT), team also monitors estimated standard deviation provided by DT.

1.3.6. Risk of each fund also calculated by independent Risk Team. Measures both risk relative to benchmark allocation (tracking error) as well as on an absolute basis (standard deviation). Risk is calculated using security look-through of fund holdings in the UBS Delta system.

5.6 Reporting

1.1. Provide monthly and quarterly commentary, ad hoc updates and factsheets for all investors through Fund Centre (accessible through website). This also includes daily prices, performance and asset allocation.

1.2. Have regular events where managers give updates to clients and, where possible, can arrange face-to-face meetings or conference calls with relevant fund management team.

1.3. Primary relationship would be with Katherine George.

5.7 Ring-Fencing

1.1. Assets held within segregated account with trustee – Northern Trust Global Services PLC. Trustee responsible for safekeeping of all property of fund and duty of care to ensure each fund is managed with the provisions of COLL sourcebook relating to pricing of, and dealing in, units and relating to the income of the funds.

5.8 Stress Testing & Liquidity

1.1. Uses both historical and predicted future scenarios to assess impact on funds. Tail Risk Engine used for testing to provide downside risk estimates. Uses four approaches:
1.1.1. Lessons from the past (historical scenarios)
1.1.2. Deepening the scenario pool (historical scenarios recalibrated / resampled)
1.1.3. Reverse stress testing (worst possible historical return period estimated for each portfolio, which is important for multi-asset funds where differences in asset allocation may imply that portfolios are sensitive to different market conditions)
1.1.4. Forward-looking macro scenarios – at present, Eurozone sovereign crisis, US Fed rate increases, China hard landing, oil shocks and Japanese fiscal crisis.

5.9 Environmental, Social and Governance

1.1. Fund does not have explicit ESG overlay…does so in Future World Index Funds.
1.2. However, AAT considers material risks that apply to funds, which includes ESG risks. In a diversified fund, ESG risks more likely to come from sectors, country or global risks and to a lesser extent from individual companies. So focus on former. Considered as part of setting Strategic Asset Allocations, choice of asset class implementation approach and when establishing investment views.
1.3. Both LGIM ESG scores and active ESG views are available. Team participate in LGIM Thematic Working Groups, which allows them to draw on research and analysis of long-term macro themes such as energy, technology, demographics, politics and inclusive capitalism.
1.4. Key pillar of overall corporate approach is active ownership, where use scale as a major investor to encourage companies to develop resilient strategies, think longer-term and consider their stakeholders:
1.4.1. Company engagement – climate change, remuneration and diversity.
1.4.2. Using voting rights globally, one voice across all funds.
1.4.3. Addressing risks and opportunities which are systemic and long term.
1.4.4. Seeking to influence regulators and policymakers.
1.4.5. Collaborating with other investors and stakeholders.
1.5. Does not see question on how fund accords with charitable purposes as applicable.

5.10 Outlook

1.1. Expects fund's return to be in line with its objective. Forecasts below show how expectations become more certain over the long term.
1.2. Multi-Index Income 5 Performance Forecast (May 2022 market assumptions):
1.2.1. 1yr – 5.1% median, with 90% confidence of 20.0% to -11.9% (per annum)
1.2.2. 5yr – 4.8% median, with 90% confidence of 11.2% to -2.7% (per annum)
1.2.3. 10yr – 4.9% median, with 90% confidence of 9.6% to -0.8% (per annum)
1.3. Market view is that we are currently "early cycle" and as such expect strong returns for equity markets. Thus, slightly positive on risk assets with a preference for equities over corporate bonds.

6. M&G Episode Income Fund

6.1 Fundamentals

1. **Main Contact**
   1.1. Sam Collings, Sales Director, Institutional Distribution
   1.2. Steven Andrew, Fund Manager, Multi Asset.

2. **Experience of Fund Managers**
   2.1. SA – joined M&G in 2005 as member of portfolio strategy and risk team before moving to multi-asset team. Has been lead manager on the fund since inception (November 2010) and is deputy fund manager of the Sustainable Multi Asset Fund. Began career at Bank of England in 1987 and then worked at F&C Asset Management and Merrill Lynch before joining M&G.
   2.2. Maria Municchi is deputy fund manager of the fund and lead manager of the Sustainable Multi Asset Fund. Previously worked at Barings and UBS Asset Management.
   2.3. Wider team includes 13 fund managers, who are all economists, with average investment experience of over 20yrs. Large amount of research conducted within the team, so while SA is ultimately responsible for all investment decisions for this fund, he is constantly testing and sharing ideas with other multi-asset managers, fund managers' assistants and investment specialists.

3. **Basic Details**
   3.1. Company registration detail: 11444019
   3.2. Listed on London Stock Exchange under new corporate name of M&G plc in October 2019.
   3.3. Independent company with 2 wholly owned, regulated subsidiaries – M&G Group Limited, who is the asset manager and Prudential Assurance Company Limited who is the asset owner.
   3.4. Multi Asset team responsible for over £11.2bn of assets as at end-December 2021.
   3.5. Firm is engaged in regular dialogue with its regulators and is, from time to time, involved in various regulatory matters. Outcome of these cannot be predicted with certainty but company believes that their ultimate outcome will not have a material adverse effect on its financial conditions, results of operations or cash flows.

4. **Fund Details**
   4.1. Proposed fund – M&G Episode Income Fund
   4.2. £653.35m at end-March 2022.
   4.3. Unable to provide investor numbers as majority of investors are via platforms who do not disclose client details.
   4.3.1. 91.9% external, 8.1% internal.
   4.3.2. 10 largest investors account for 69.2%.
   4.3.3. Fund launched November 2010. Share class launched August 2019.
   4.4. Benchmark – none.
   4.5. Target Performance – generate growing level of income over any 3yr period through investment in a range of global assets. Provide capital growth of 2-4% pa over any 3yr period.
   4.6. Investment Time Horizon – 3-5yrs.
   4.7. Offers both accumulation and income share classes.

6.2 Fees & Transaction Details

1.1. Ongoing Charges Figure of 0.55%%, which may vary from year to year and excludes portfolio transaction costs. Bulk of fee is the Annual Charge, which may be discounted depending on the size of the overall fund.
1.2. Minimum initial investment size: £500,000
1.3. Minimum subsequent transactions size: £10,000
1.4. Minimum holding size: n/a
1.5. Settlement period T+3
1.6. Income paid monthly.

6.3 Asset Class Details

1.1. Based around IA Mixed Investment 20-60% sector requirements with additional internal guidelines. Fund comprises 60% fixed income securities, 30% equity and 10% other investments, such as property-related securities, convertibles or other M&G funds.
1.2. Equity – expected range 20-50% collectives and direct combined. Maximum 50% (internal guideline only).

1.3. Fixed Income – expected range 40-80% (including cash), minimum 30%
1.3.1. Max 75% in any G7 countries
1.3.2. Max 40% in investment grade countries
1.3.3. Max 20% in sub-investment grade countries
1.3.4. No hard limit on fixed income allocation - must be net long Fixed Income with no negative duration permitted at the fund level.
1.4. Other – expected range 0-20% primarily indirect exposure to property. May invest up to 10% in another fund.
1.5. May seek to minimise currency risk through combination of diversification and hedging. More than 70% of fund will be sterling assets or hedged back to sterling. May also use derivatives for efficient portfolio management.

6.4 Investment Process

1.1. Cornerstone of investment process is to establish which income-generating assets currently appear attractively or unattractively priced and, crucially, why.
1.2. Idea generation blends strategic valuation analysis with tactical assessment of behavioural factors to identify best fit assets. Broken down into 3 key stages.
1.3. Strategic Assessment: valuation stage
1.3.1. Valuation framework provides objective examination of investment universe. Create "neutrality" position which is what team considers to be fair value for wide range of global assets in light of historical expected returns, economic theories and investor preferences. This is then compared with real yields within a valuation framework. Helps prevent managers falling victim to emotional biases they are looking to exploit. Asset seen as "cheap" if real yield below neutrality, or "expensive" if above.
1.4. Tactical Assessment: behavioural stage
1.4.1. Valuation stage judges relative pricing, this stage then identifies what is driving it. There may be valid reason, or it could be due to behavioural factors, is investors reacting emotionally and therefore ignoring more important normal/fundamental factors. Team tries to identify 3 factors to help recognise behavioural events, known as "Episodes".
1.4.1.1. Focus on single story – market participants draw their attention to a single specific event and disregard other information.
1.4.1.2. Inconsistent responses – market behaves differently from the manner suggested by economic developments.
1.4.1.3. Rapid price movement – of any asset class, up or down, suggesting an ill-considered response which managers would expect to correct over the medium-to-long term.
1.5. Portfolio construction
1.5.1. If team establishes that price movements are inconsistent with true value, then manager may decide to take a position. Then decide to own asset and in what proportion in order to best meet fund's return and risk aspirations, within fund's specific constraints.
1.5.2. Exposures determined through top-down approach, with individual holdings identified via a quantitative and objective process. To minimise risk, weights are kept to maximum of 1.5% equities and 1% corporate bonds. These are internal guidelines and subject to change.
1.5.3. Equities – quantitative screening uses Credit Suisse HOLT database to identify liquid dividend-paying equities across the globe. HOLT uses normalised balance sheet data to easily compare companies from different regions. Names are then scored per sector according to dividend paid, potential for dividend growth, ability of company to keep paying dividend and cheapness / expensiveness of the share price. Equities ranked in quartiles and according to which region / sector manager is looking to invest in. Also uses M&G equity resources and capabilities by speaking to analysts and fund managers.
1.5.4. Corporate Credit – investment decision based on desired duration and credit risk characteristics in context of overall portfolio.
1.5.5. Government Debt – selected according to fund manager's macro view, always taking account of income objective of portfolio. Decision focussed on desired position on yield curve in context of both overall portfolio and prevailing macroeconomic backdrop. Holdings are globally diversified.
1.5.6. Other Securities – can be used to express manager's views and achieved desired exposures subject to ability of the fund to deliver targeted level of income.
1.6. Income Monitoring – uses proprietary system, Horizon, to assess at any time the prospective income of the fund by adding new holdings or selling existing ones.
1.7. Currency selection – fund holds at least 70% in sterling (or hedged back). For remainder, manager looks to constrain each currency exposure to 3% although dollar, euro and yen can be up to 5%.

6.5 Risk & Operational Management

1.1. Correlations & risk management - risk is best considered as probability of losing money over a significant period of time. Volatility measures how much an asset price may move in either direction over time. Maintaining diversified portfolio to minimise volatility is sensible but also recognise that statically holding variety of asset classes based on assumption that they will each have a different impact on portfolio risk by consistently behaving in a particular way may not provide effective diversification. Important to challenge correlation patterns and not simply rely on historical data. Must maintain an objective view of asset valuations and also take into account human behaviour and investor psychology on asset pricing and movements. Taking some risk can be helpful, even essential, in meeting investment goals as long as sufficient compensation is anticipated. Therefore, managers are looking to add value by taking right amount of risk at the right price.

1.2. Monitoring of investment risk – responsibility of the fund manager but supported by independent team of risk analysts and monitoring professionals. Independent teams run risk models that provide daily and monthly risk monitoring and analysis reports to determine whether the fund remains within its specific risk parameters.

1.3. Risk analysis – Risk Analysis team undertakes quantitative modelling and analysis providing support and challenge to investment management process. Carry out a monthly review with focus on its sensitivity to core market risk factors, sector and issuer concentration. Pay particular attention to any derivative activity and any implied leverage or shorting.

1.4. Risk monitoring – Risk Monitoring team responsible for monitoring scheduled risk limits. Daily review of fund's value at risk (VAR) results and compares these with limits. Compliance / non-compliance reported to managers and M&Gs compliance monitoring unit. Work closely with Risk Analysis team and share systems but have separate reporting lines reflecting their different priorities.

1.5. Risk management process has 3 key objectives:

1.5.1. Monitor each fund's overall risk position against specified limit established in line with its objectives and investment policy.

1.5.2. Provide effective analysis on portfolio construction focussing on risk concentration. Risk analysis, risk sensitivities, stress tests and scenario analysis.

1.5.3. Provide oversight for senior management that funds are being managed in line with mandates and ensuring that adequate debate on risks takes place between fund managers and senior management teams.

1.6. Risk systems – uses BlackRock Aladdin risk system. Enterprise-wide and woven into various interfaces that can be used by many parts of the business. Industry standard multi-asset model that can estimate risk figures based on varying time horizons and data frequencies.

6.6 Reporting

1.1. Monthly fund review

1.2. Quarterly fund report

1.3. Annual and Interim Fund Reports

1.4. Sam Collings would be dedicated Client Relationship Manager. He is part of the UK Institutional Client Service team.

6.7 Ring-Fencing

1.1. No details provided.

6.8 Stress Testing & Liquidity

1.1. Stress testing integral part of risk monitoring as detailed above through use of Aladdin system which can set up specific historic or future scenarios to run against fund construction.

6.9 Environmental, Social and Governance

1.1. Fund is not a dedicated ESG strategy but is characterised as ESG integrated, meaning that all financially material ESG factor are considered in investment analysis and investment decision. Also excludes cluster munitions and anti-personnel mines as per firmwide exclusion policy. ESG integrations means:

1.1.1. Sustainability risks are identified and evaluated, with material ESG risk factors incorporated into investment thesis.
1.1.2. Evidence is captured of ESG research and ESG integration.
1.2. ESG integration ESG integration does not mean:
1.2.1. Certain sectors, countries and companies are prohibited from investment.
1.2.2. Every ESG consideration for every company or issuer must be assessed and valued.
1.2.3. Every investment decision is affected by ESG considerations.
1.2.4. Major changes to the investment process are necessary.
1.2.5. Portfolio returns are sacrificed to perform ESG integration techniques.
1.3. Integrated into this fund via asset allocation and portfolio construction processes (top-down) and at implementation and portfolio analysis level (bottom-up). Approach inspired by UNPRI discussion paper on "Embedding ESG issues into strategic asset allocation frameworks".
1.4. Assess and consider not all ESG factors but those that are material to the financial outcome. Can be index, sector, country or company-specific and are condensed in a single score. Uses MSCI data (via Aladdin system) to observe absolute, sector relative and specific E, S and G scores. Valuation observations for all different asset classes is then accompanied by an illustration of the material ESG factors of the relevant markets.
1.5. Materiality of factors on financial returns might vary depending on investment time horizon, while also important to consider ESG "trend" (improving or deteriorating) of a particular investment.
1.6. Qualitative data gathered through stewardship and sustainability team and reports of different ESG providers.
1.7. Aim of ESG analysis is to help fund managers assess if they are being adequately compensated for taking on these financially material ESG risks.
1.8. Fund not constituted as exclusively a charity pooled fund, but any charity with corporate status can invest. Core element of the fund is to produce a growing income stream and capital growth of 2-4% per annum over any 3yr period for its investors.

6.10 Outlook

1.1. Fundamental backdrop for corporate profits seems positive as economies switched back on and COVID restrictions removed. Equities and other risk assets also experiencing substantial tailwind of policy supports from government and central banks. However, many parts of equity markets look fully valued.
1.2. Further, in recent months has seen signs of a potential pickup in inflation as demand rebound causes supply bottlenecks and pushes prices higher. This is why fund currently fairly balanced, albeit with slight bias towards risk. Currently favours range of diversified global equities, particularly those exposed to economic recovery, together with emerging market bonds.
1.3. However, also appropriate to hold meaningful position in more defensive assets to offset possibility of a reversal in equity markets. Thus, has sizable position in long-dated US government bonds, complemented with bonds from Portugal. Believes this stance gives ability to benefit from further gains in equities and also scope to respond to any tactical investment opportunity that materialises.
1.4. Strongly committed to approach for generating income, which is to have correct asset allocation in order to grow capital, while targeting reasonable yield. Believes this should ultimately result in attractive total return. Given very strong outlook for corporate earnings, suspects that current forecasts for dividend payments this year are too low, which would support fund's distribution.

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Multi-Asset Income Fund Selection Statistical Analysis

Vale of Glamorgan Council – Welsh Church Act Fund

July 2022

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1. Notes Before Proceeding

- Please note that 'as at' indicates at the end of the month unless otherwise stated.

- MAIF = Multi-Asset Income Fund.

- Please consider the effects of various times frames for statistical measurement. Several funds have an established history whilst some have very little. This can make analysis difficult on a straight side-by-side basis. Some information does cover the same periods, but also bear in mind that some funds do differ naturally via varying objectives.

- Some funds have provided performance figures combining figures for longer running share classes and the suggested share class in order to show how it has performed over a longer period of time. Information on the funds that have done this can be found below in the text in brackets after the fund's name which shows the share class launch date.

- Gross figures are before charges, net is after.

- Please refer to the qualitative document to understand fund structure.

- Volatility has been calculated using standard deviation. This is the variation of data from its mean. One standard deviation is typically expected to show around 65% of data either side of the mean, whilst two and three would be 95 and 99% respectively.

- Due to the number of funds involved in the selection process, we have shortened the names of the funds that have been put forward for this process in order to help with formatting. They are the following:

    - Artemis: Artemis Monthly Distribution Fund – Class I Inc *(May 2012)*
    - ASI: ASI Diversified Income Fund – Class I Inc *(Sep 2016)*
    - CCLA – CEIF: COIF Charities Ethical Investment Fund - Inc *(Dec 2009)*
    - CCLA - CIF: COIF Charities Investment Fund - Inc *(Jan 1963)*
    - LGIM: Legal & General Multi-Index Income 5 Fund – Class I Inc *(Oct 2015)*
    - M&G: M&G Episode Income Fund – Class PP Inc *(Aug 2019 – performance figures before this are for I Inc launched in Nov 2010)*

2. Overview of Data

Figure 2.01 – MAIFs Net Return Performance, Latest or as at March 2022:

	1M (%)	3M (%)	6M (%)	1YR (%)	3YR (%) *	5YR (%) *	Fund Size (£m)
Artemis (May 2012)	2.92	**-1.16**	**3.12**	8.36	6.84	4.39	687.19
ASI (Sep 2016)	**0.38**	-2.67	0.12	7.28	**4.53**	**3.03**	187.05
CCLA - CEIF (Dec 2009)	**3.31**	-4.48	1.65	11.56	11.47	10.14	1,948.00
CCLA - CIF (Jan 1963)	2.93	**-4.66**	1.57	**11.63**	**11.53**	**10.28**	**3,537.00**
LGIM (Oct 2015)	1.72	-2.81	**-0.75**	**3.65**	5.00	4.04	**98.21**
M&G (Nov 2010)	2.07	-1.43	1.23	7.30	5.79	4.50	653.36

* Annualised values.

** Green indicates the highest figure in the column, whilst red indicates the lowest.

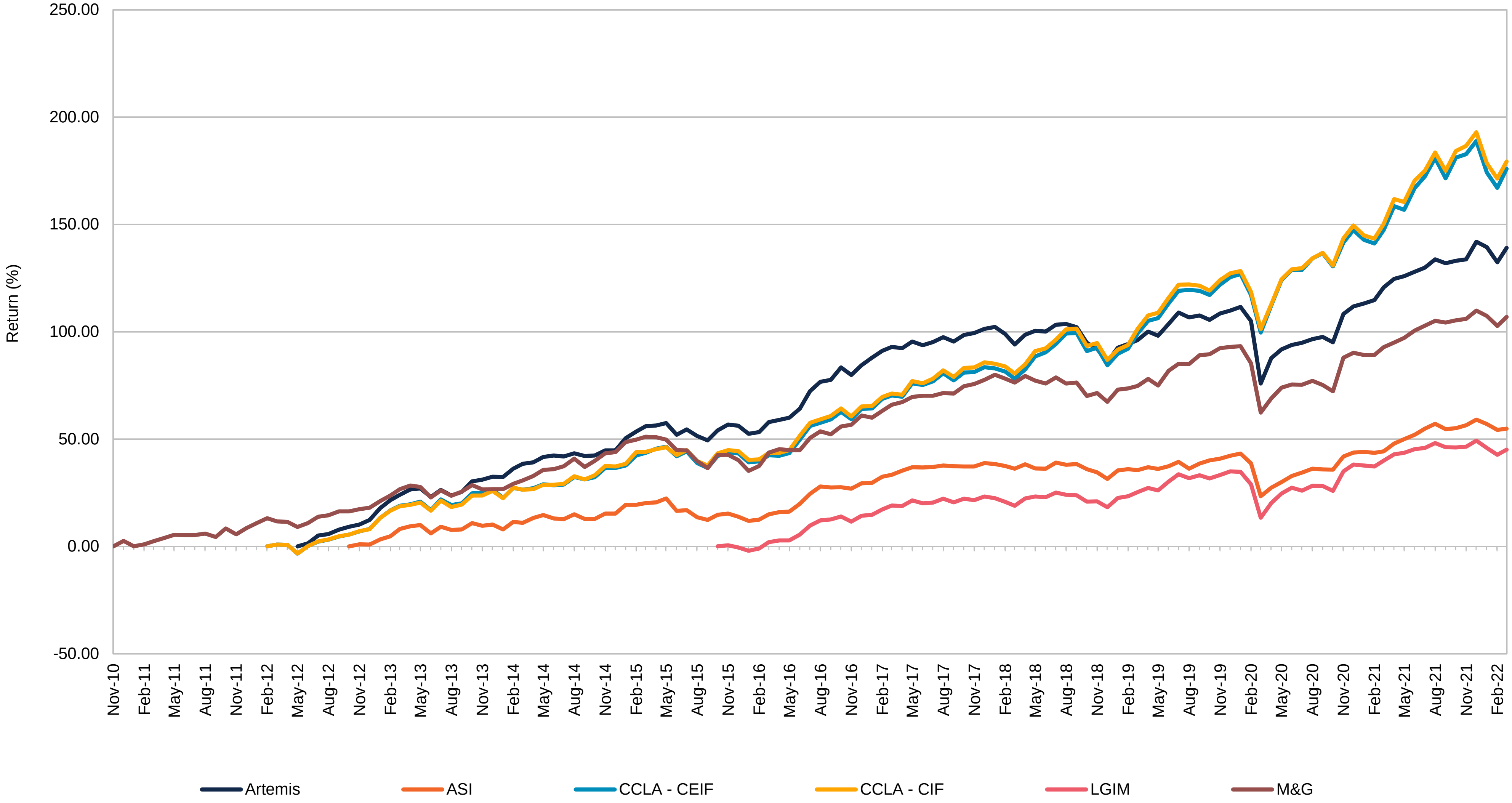
*** Dates in brackets underneath each fund name represents the launch date of the fund.

Figure 2.02 – MAIFs Net Performance Breakdown, since March 2017:

	Average Monthly Return (%)	Maximum Monthly Return (%)	Minimum Monthly Return (%)	Volatility (%)	Return per Unit of Risk (%) *
Artemis	0.41	6.79	-14.18	2.70	0.15
ASI	0.28	4.58	-11.02	2.02	0.14
CCLA - CEIF	0.85	6.27	-8.06	2.71	0.31
CCLA - CIF	0.86	5.67	-7.96	2.67	0.32
LGIM	0.38	7.28	-12.07	2.55	0.15
M&G	0.42	9.11	-12.37	2.53	0.17

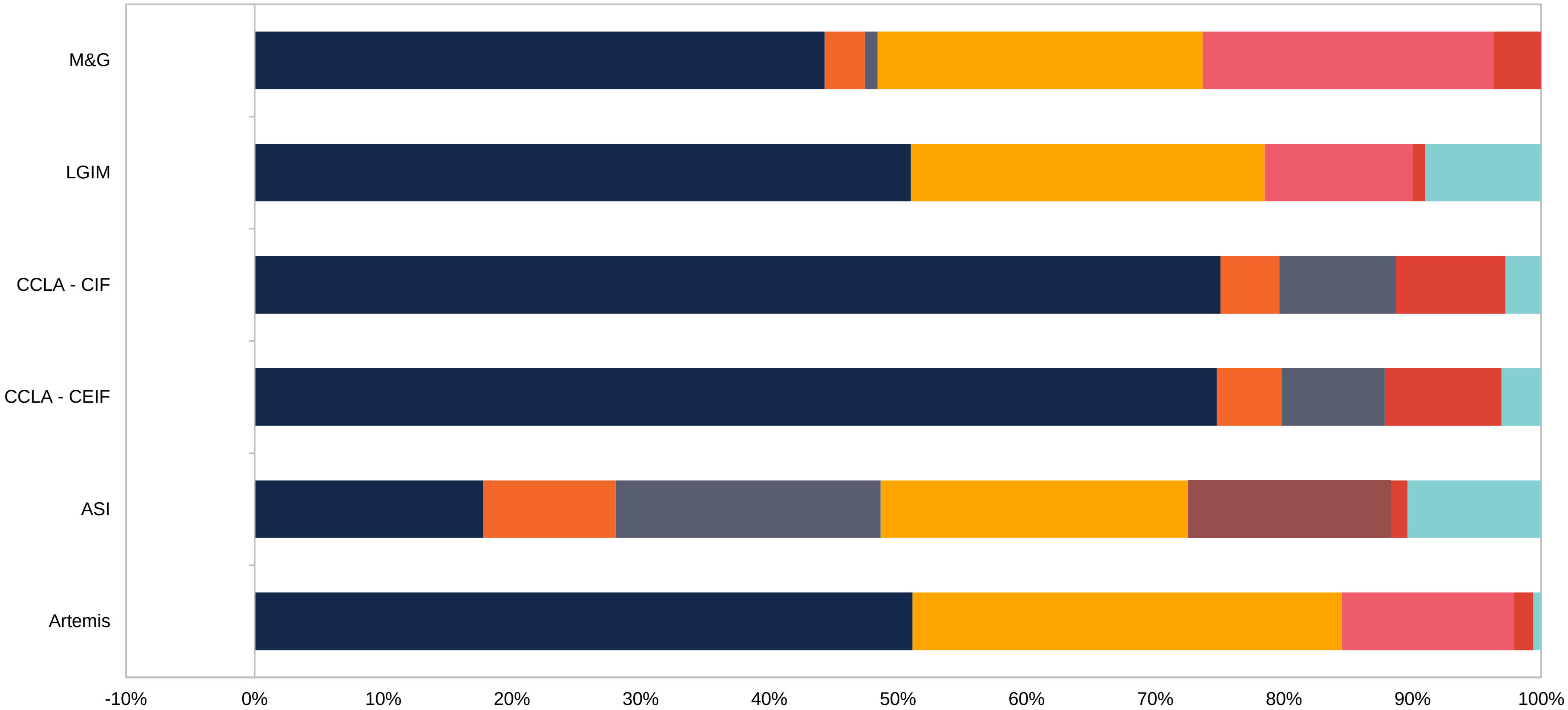
* The return per unit of risk is calculated by dividing the average monthly performance by the standard deviation (volatility) of the returns during this period.

Figure 2.03 – Cumulative Monthly Net Return Performance, as at March 2022:



Artemis: 139.12%   ASI: 54.82%   CCLA – CEIF: 175.92%   CCLA - CIF: 179.29%   LGIM: 45.08%   M&G: 106.85%

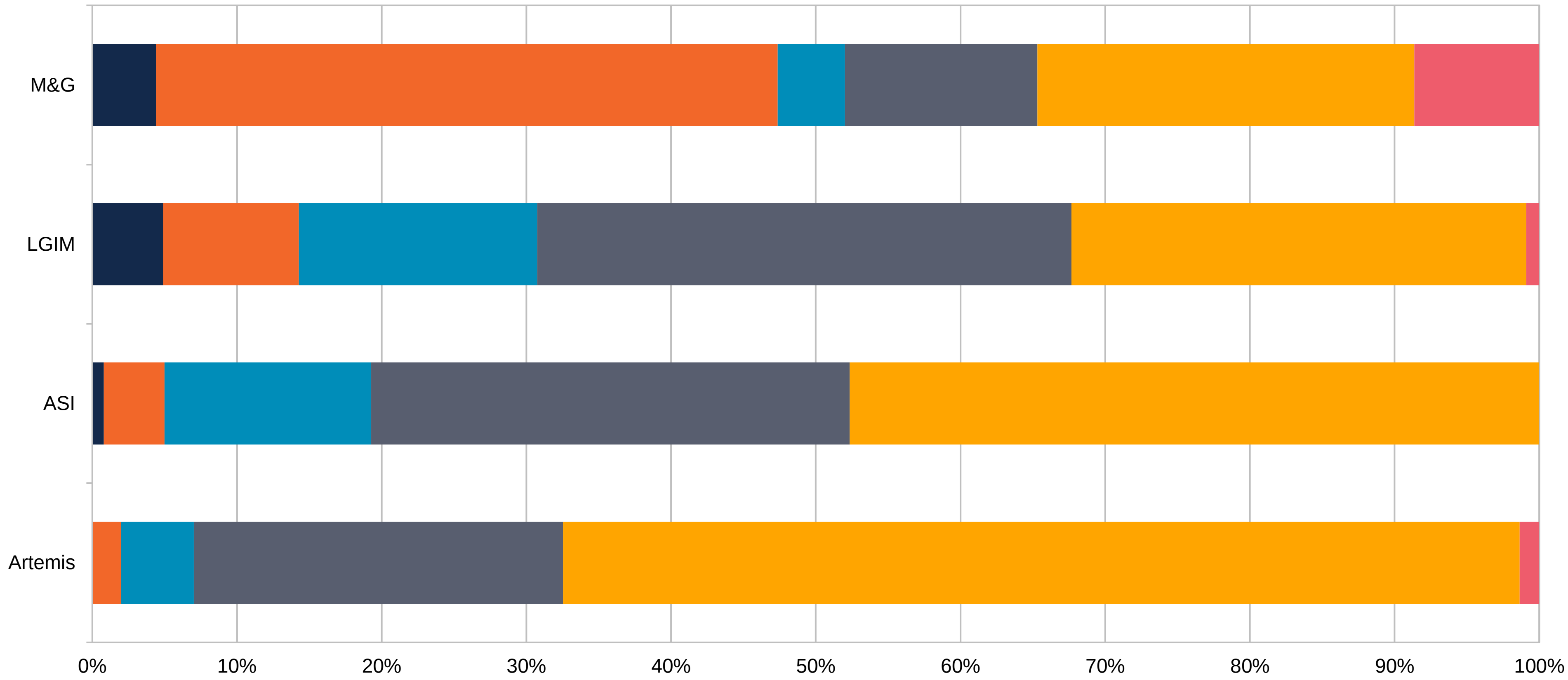
Figure 2.04 – MAIFs Asset Holdings Split, Latest or as at March 2022:



	Artemis	ASI	CCLA - CEIF	CCLA - CIF	LGIM	M&G
Equity	51.14	17.78	74.78	75.08	51.00	44.32
Property	0.00	10.29	5.04	4.58	0.00	3.10
Infrastructure	0.00	20.58	8.03	9.06	0.00	1.00
EM Debt and/or High Yield	33.37	23.88	0.00	0.00	27.50	25.29
Fixed income (other)	13.41	0.00	0.00	0.00	11.50	22.59
ABS	0.00	15.78	0.00	0.00	0.00	0.00
Cash and/or Derivatives	1.49	1.30	9.07	8.52	1.00	3.70
Other	0.60	10.39	3.08	2.76	9.00	0.00

* Across all assets, the following funds were invested in renewable energy-related instruments: Artemis (9.00%), ASI (11.8%), CCLA – CEIF (5.65%), CCLA – CIF (3.23%)

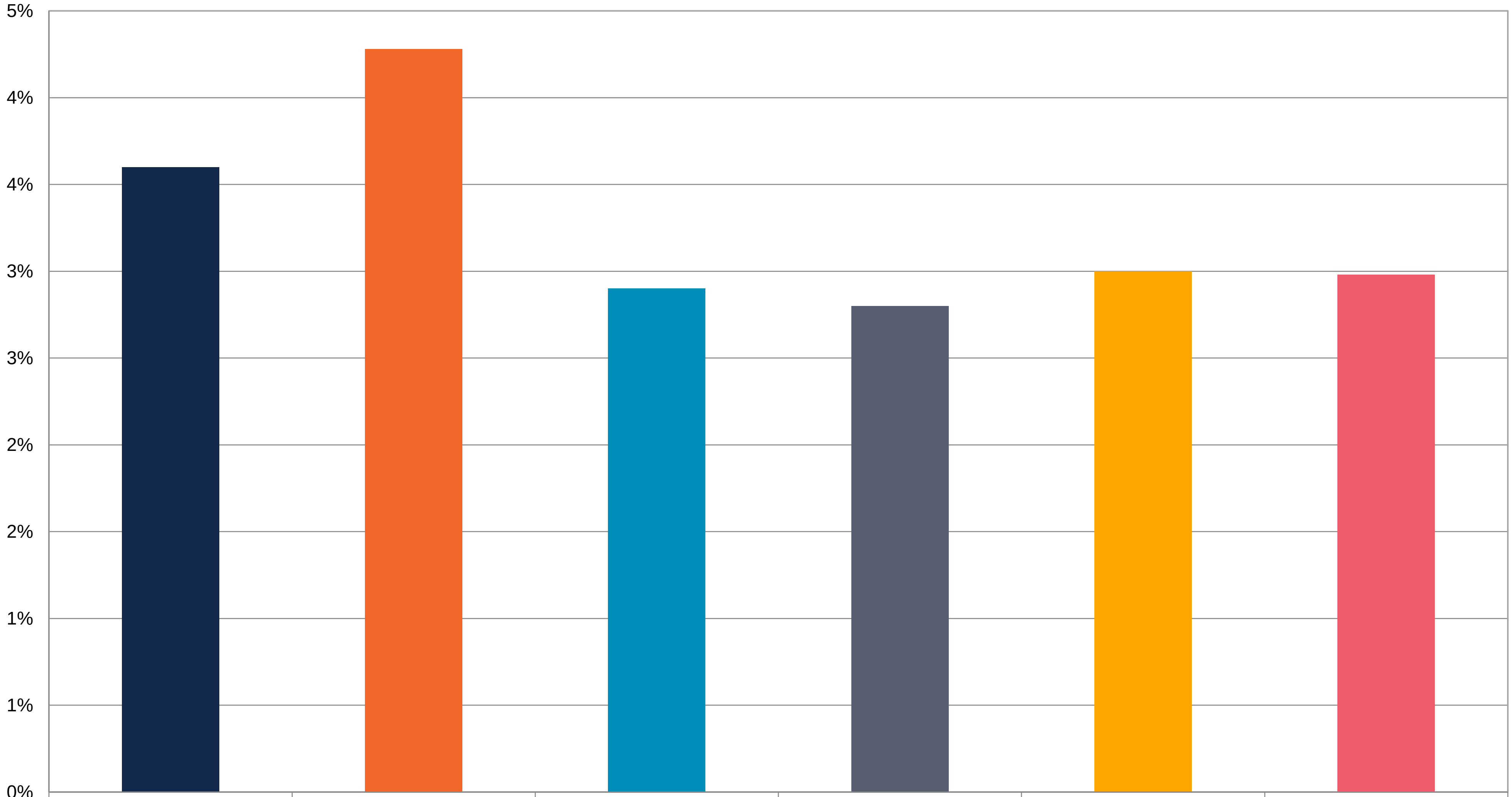
Figure 2.05 – MAIFs Credit Quality of Fixed Income, Latest or as at March 2022:



	Artemis	ASI	LGIM	M&G
AAA	0.00%	0.80%	4.89%	4.41%
AA	2.00%	4.20%	9.38%	42.96%
A	5.02%	14.29%	16.47%	4.64%
BBB	25.52%	33.07%	36.93%	13.31%
BB and lower	66.10%	47.65%	31.44%	26.04%
NR	1.36%	0.00%	0.90%	8.64%

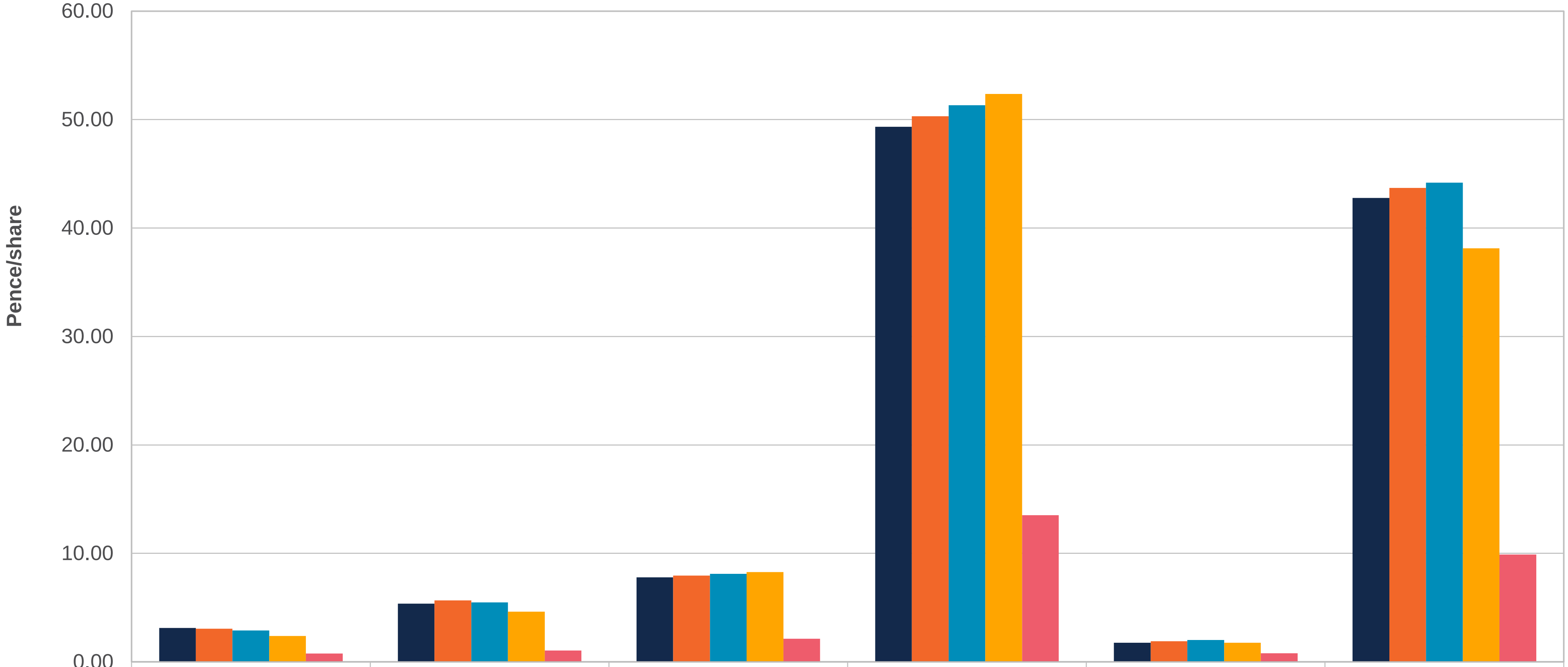
* Please note, CCLA – CEIF and CCLA – CIF were unable to provide credit rating data as there are currently no fixed income assets in either fund.

Figure 2.06 – MAIFs Current Yields, as at March 2022:



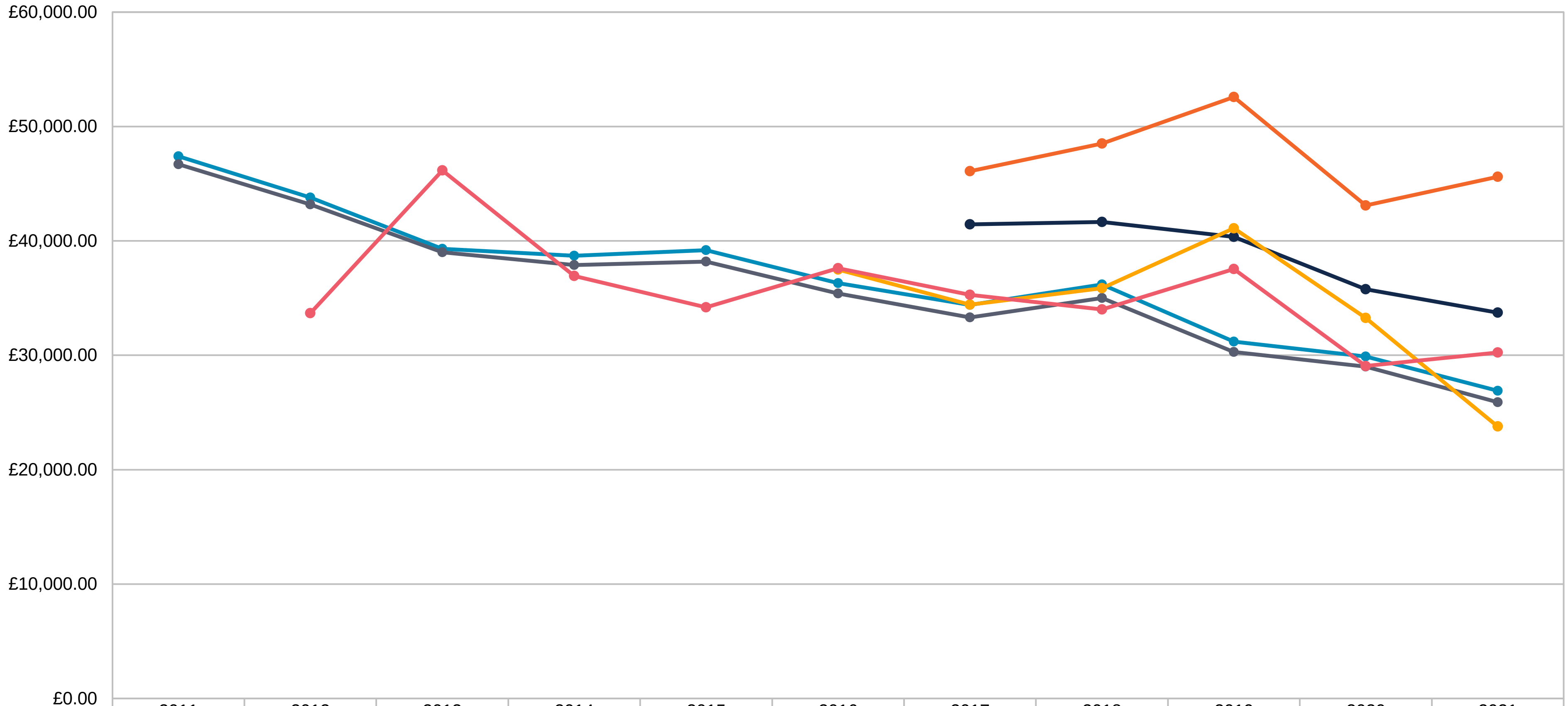
	Artemis	ASI	CCLA - CEIF	CCLA - CIF	LGIM	M&G
Yield	3.60%	4.28%	2.90%	2.80%	3.00%	2.98%

Figure 2.07 – MAIFs Historical Distributions, Latest or as at March 2022:



	Artemis	ASI	CCLA - CEIF	CCLA - CIF	LGIM	M&G
2017	3.11	5.37	7.79	49.33	1.75	42.78
2018	3.05	5.67	7.96	50.32	1.89	43.69
2019	2.88	5.49	8.11	51.33	2.01	44.18
2020	2.39	4.63	8.27	52.36	1.77	38.13
Mar-22	0.76	1.04	2.12	13.52	0.78	9.89

Figure 2.08 – MAIFs Total Distribution if £1m Invested at the Start of Each Full Calendar Year, from 2011 to 2021:

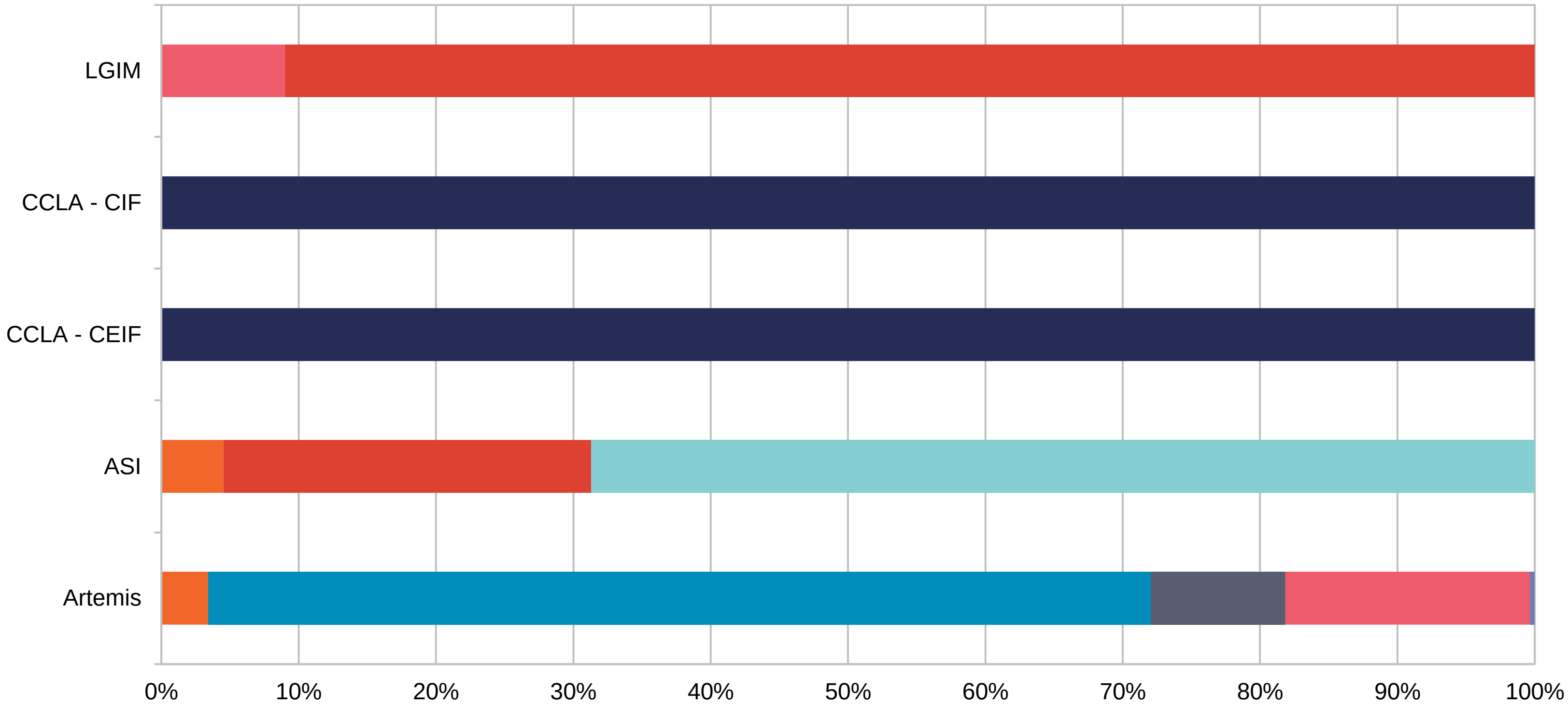


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Artemis							£41,449.89	£41,655.97	£40,356.40	£35,764.61	£33,728.29
ASI							£46,102.34	£48,508.93	£52,576.62	£43,098.72	£45,616.34
CCLA - CEIF	£47,400.00	£43,800.00	£39,300.00	£38,700.00	£39,200.00	£36,300.00	£34,400.00	£36,200.00	£31,200.00	£29,900.00	£26,900.00
CCLA - CIF	£46,700.00	£43,200.00	£39,000.00	£37,900.00	£38,200.00	£35,400.00	£33,300.00	£35,000.00	£30,300.00	£29,000.00	£25,900.00
LGIM						£37,489.74	£34,434.27	£35,876.29	£41,107.22	£33,258.89	£23,774.68
M&G		£33,673.47	£46,161.23	£36,933.03	£34,200.58	£37,604.97	£35,284.37	£34,010.01	£37,544.40	£29,066.89	£30,238.82

* All distribution figures above are showing for the suggested share class the fund manager has put forward for this selection process except for:

- M&G: 2012 to 2019 are for share class I Inc. 2020 is for the suggested share class PP Inc.

Figure 2.09 – MAIFs Client Breakdown, Latest or as at March 2022:



	Artemis	ASI	CCLA - CEIF	CCLA - CIF	LGIM
Charity	0.00	0.00	100.00	100.00	0.00
Other	3.43	4.50	0.00	0.00	0.00
Financial Institutions	68.61	0.00	0.00	0.00	0.00
Other Funds/ Wealth Managers/ Platforms	9.80	0.00	0.00	0.00	0.00
LA/Housing Assoc./PF	0.00	0.00	0.00	0.00	0.00
Corporate/PF	17.82	0.00	0.00	0.00	9.00
Insurance	0.00	0.00	0.00	0.00	0.00
Retail	0.00	26.80	0.00	0.00	91.00
Instituitional	0.00	68.70	0.00	0.00	0.00
Internal	0.34	0.00	0.00	0.00	0.00

** M&G were unable to provide a breakdown of client diversification as most investors invest via platforms.

Figure 2.10 – Investor Information for each MAIF, Latest or as at March 2022:

	Active Investors	Weighing of Investors in Fund		Total Holding Exposure of 10 largest investors (%)
		Internal Investors (%)	External Investors (%)	
Artemis	1,240	0.34	99.66	25.37
ASI	669	0.00	100.00	73.00
CCLA - CEIF	1,642	0.00	100.00	26.74
CCLA - CIF	11,527	0.00	100.00	19.48
LGIM	46	0.00	100.00	84.00
M&G (*)	-	8.10	91.10	69.20

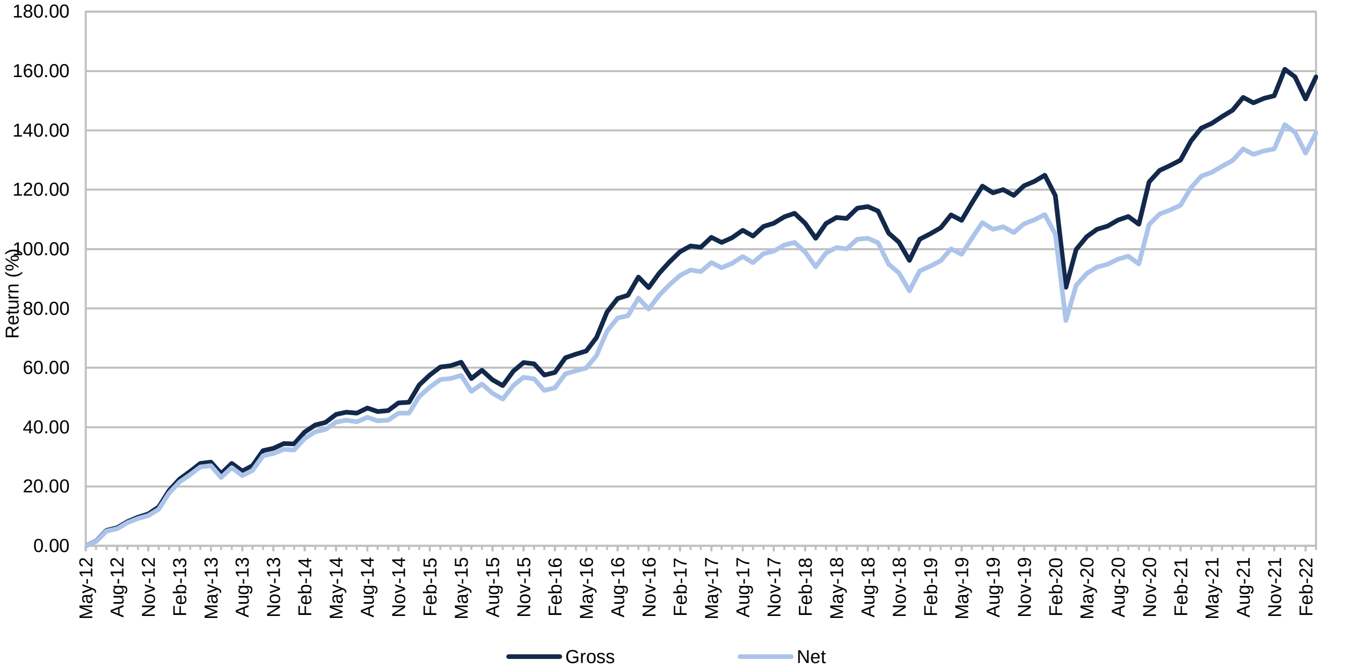
(*) M&G were unable to provide exact figures of clients in the fund as most investors invest via platforms.

Figure 2.11 – Overview of Fees and Charges for each MAIF - Table, Latest or as at March 2022:

	Fees (latest given, see graph below for clarification. Please refer to the qualitative document for more information as some funds also have additional fees)		Min. initial investment	Min. sub transaction	Min. Holding Size
	Annual Management Charge (AMC) (%)	OCF (%)			
Artemis	0.60 (normally 0.75)	0.71 (normally 0.86)	£250,000.00	£500.00	N/A
ASI	0.60	0.77	£1,000,000.00	£50,000.00	£50,000.00
CCLA - CEIF	0.60	1.00	£1,000.00	N/A	N/A
CCLA - CIF	0.60	1.00	£1,000.00	N/A	N/A
LGIM	0.31	0.31	£1,000,000.00	£20,000.00	N/A
M&G	0.55	0.55	£500,000.00	£10,000.00	N/A

3. Artemis

Figure 3.01 – Monthly Total Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	158.01	139.12
Average Monthly Performance (%)	0.46	0.41
Maximum Monthly Return (%)	6.85	6.79
Minimum Monthly Return (%)	-14.13	-14.18
Volatility (%)	2.70	2.70
Return per unit of risk (%)	0.17	0.15

Figure 3.02 – Geographic Split of Assets, Latest or as at March 2022:

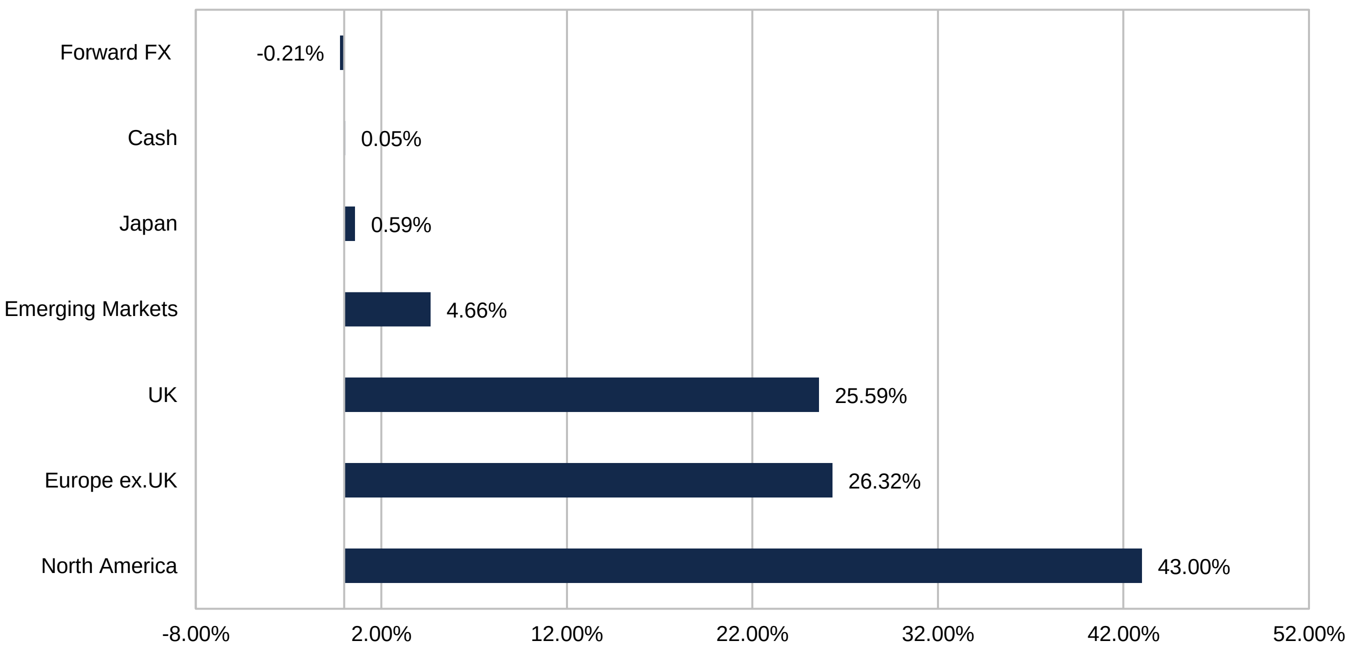
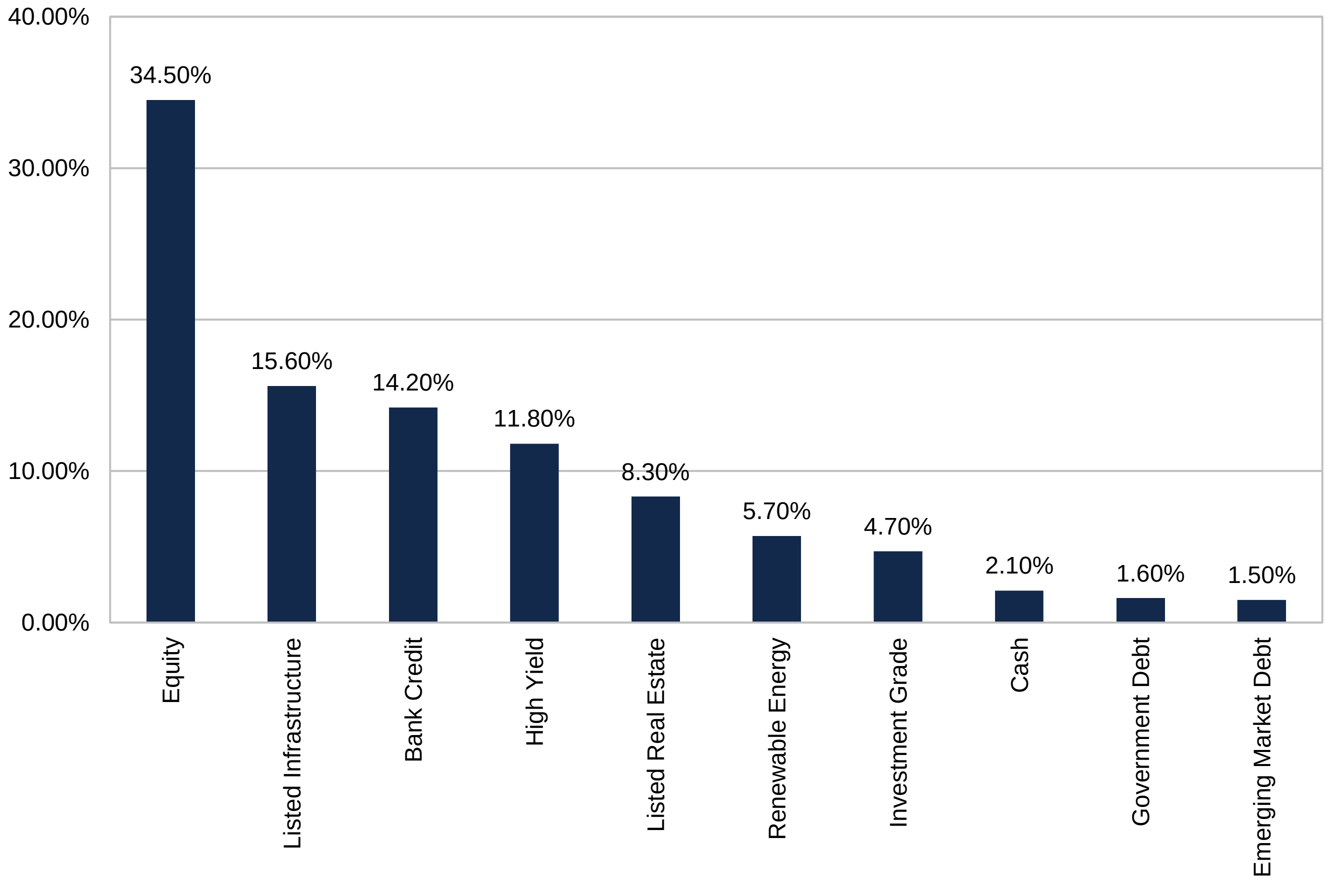


Figure 3.03 – Asset Holdings Split, Latest or as at March 2022:



* Please note, across all assets 9.00% of the portfolio was invested in renewable energy-related instruments.

Figure 3.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

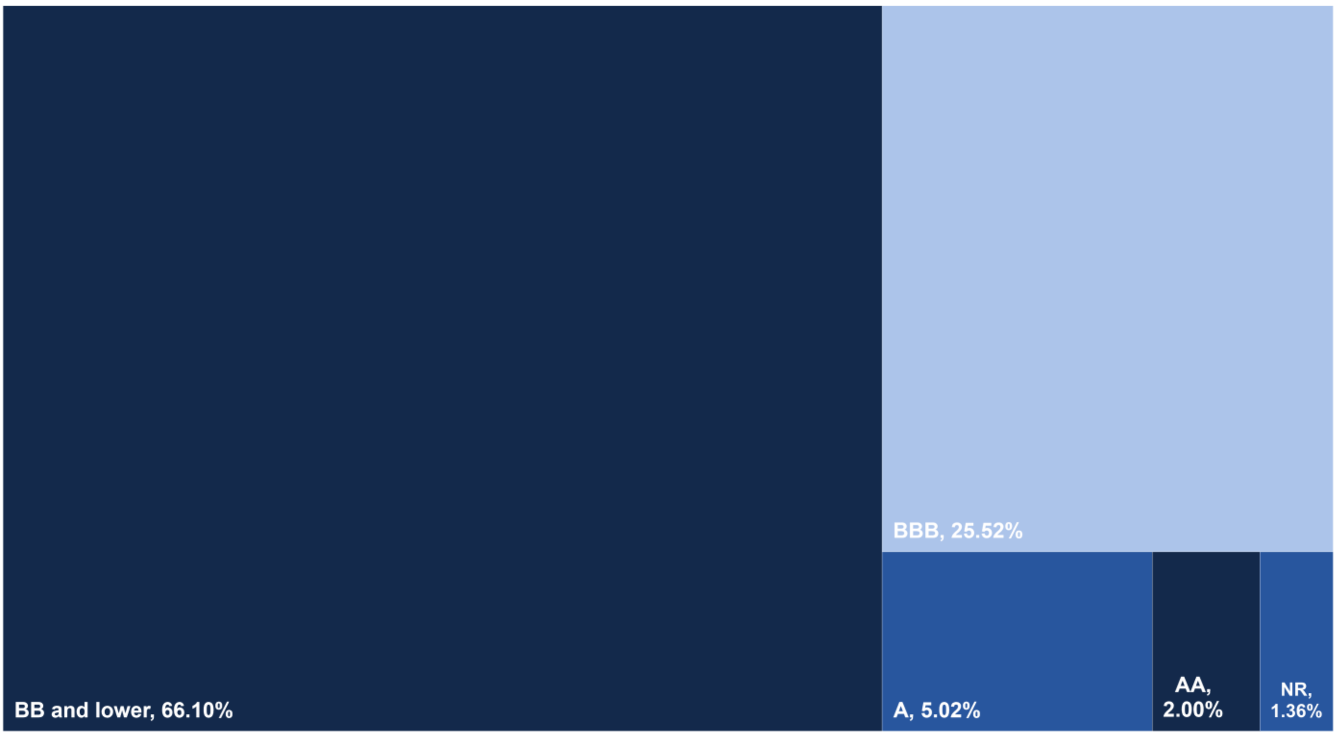
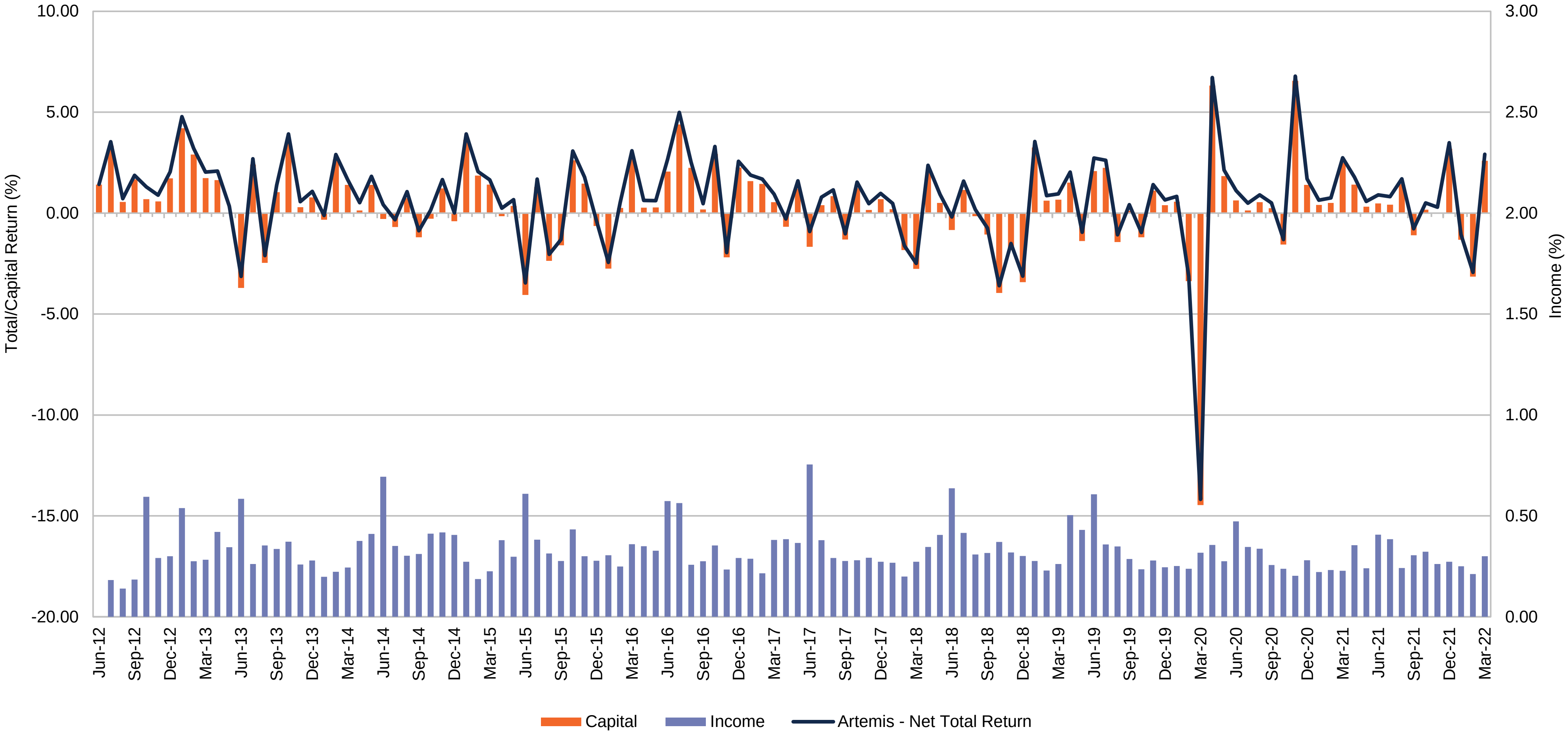


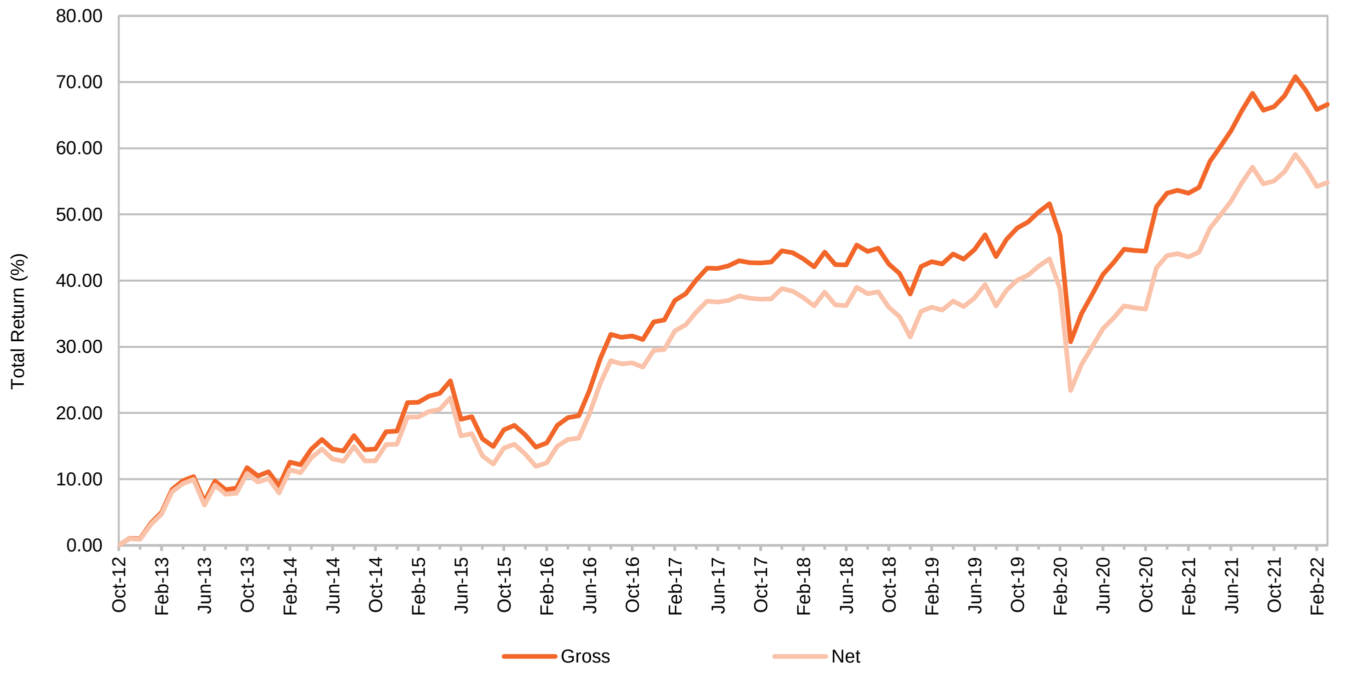
Figure 3.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	5.13	19.53	4.49
Income (%)	3.93	3.45	3.55

4. ASI

Figure 4.01 – Monthly Total Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	66.59	54.82
Average Monthly Performance (%)	0.34	0.28
Maximum Monthly Return (%)	4.65	4.58
Minimum Monthly Return (%)	-10.96	-11.02
Volatility (%)	2.02	2.02
Return per unit of risk (%)	0.17	0.14

Figure 4.02 – Geographic Split of Assets, Latest or as at March 2022:

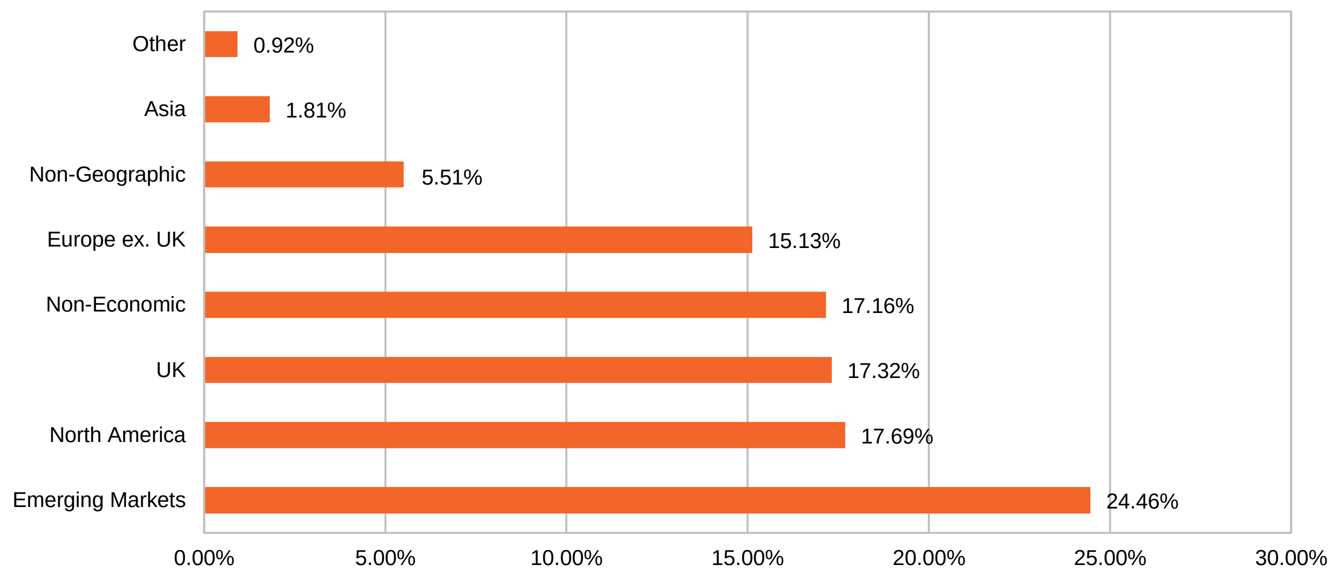
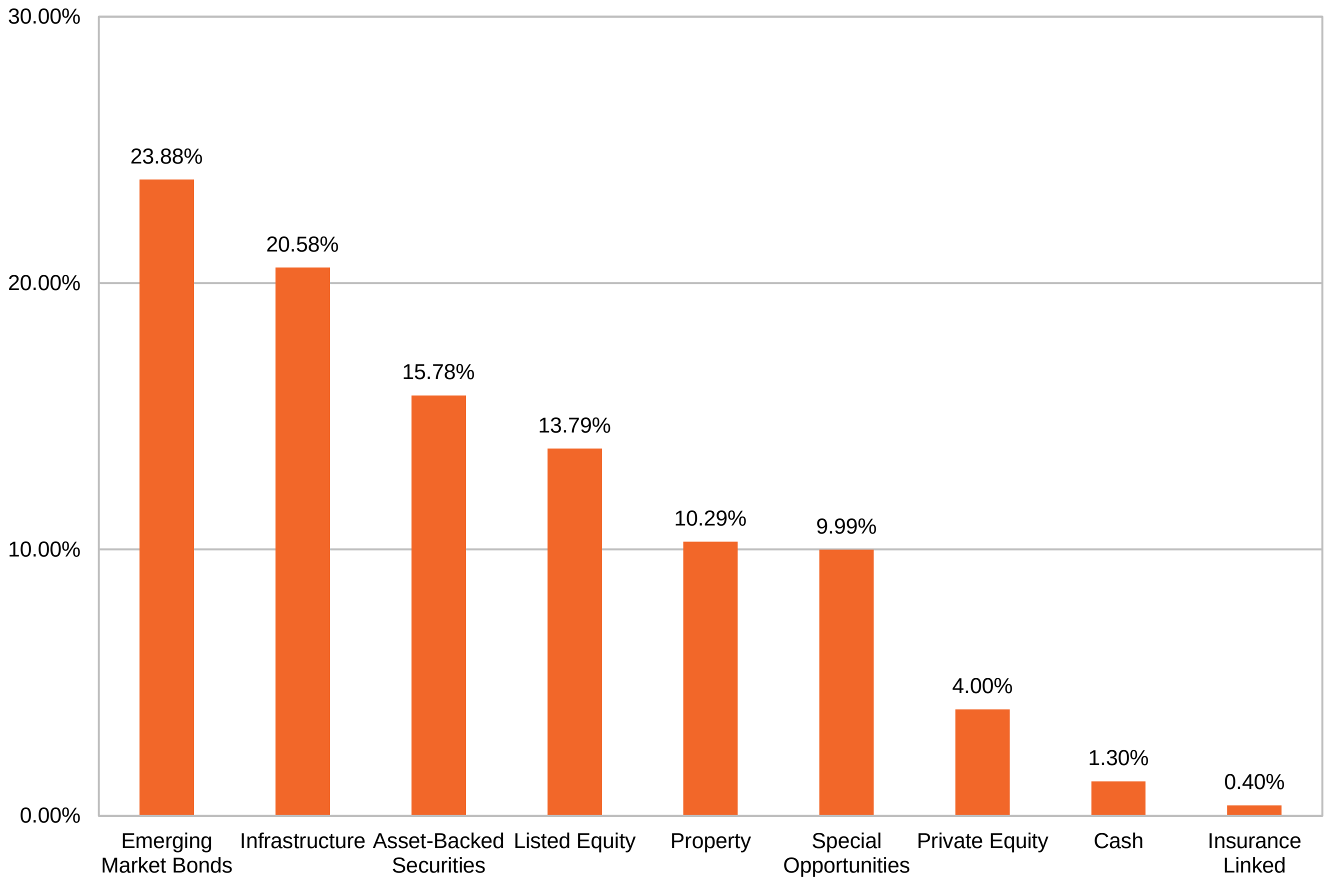


Figure 4.03 – Asset Holdings Split, Latest or as at March 2022:



* Please note, across all assets 11.8% of the portfolio was invested in renewable energy-related instruments.

Figure 4.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

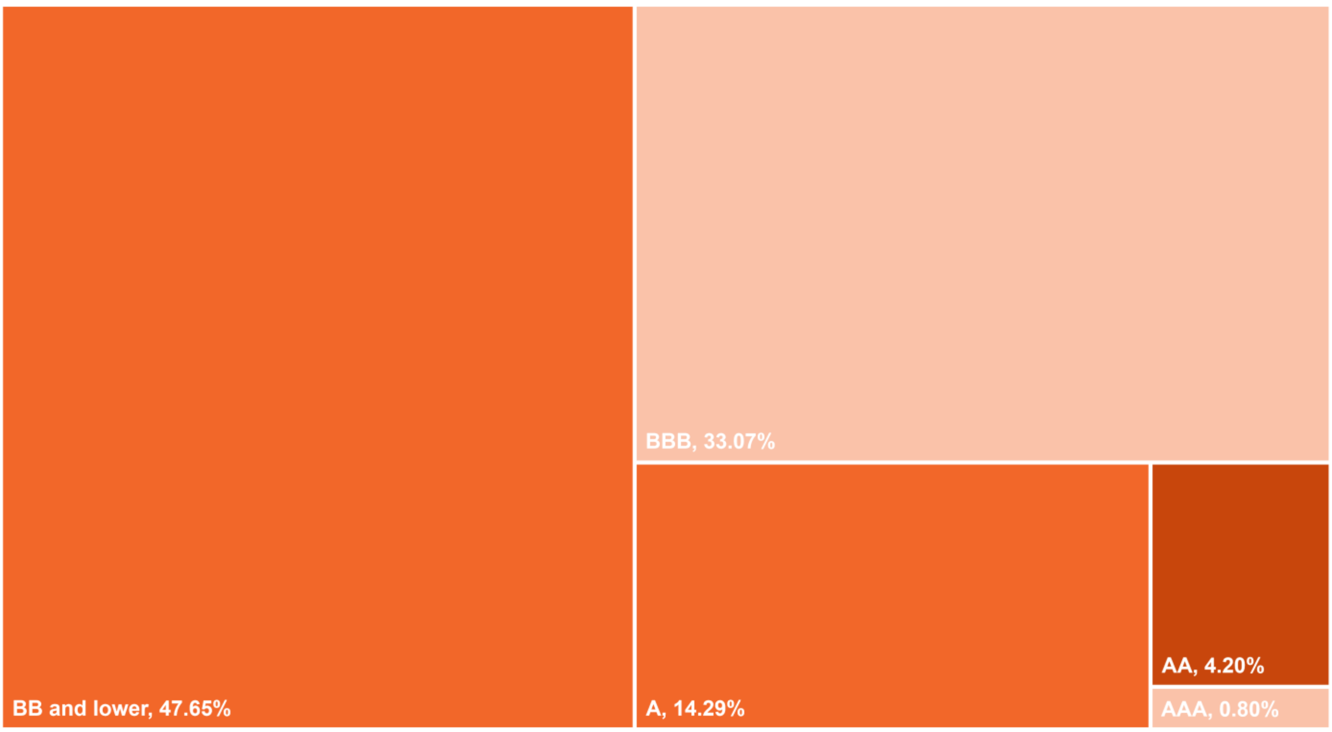
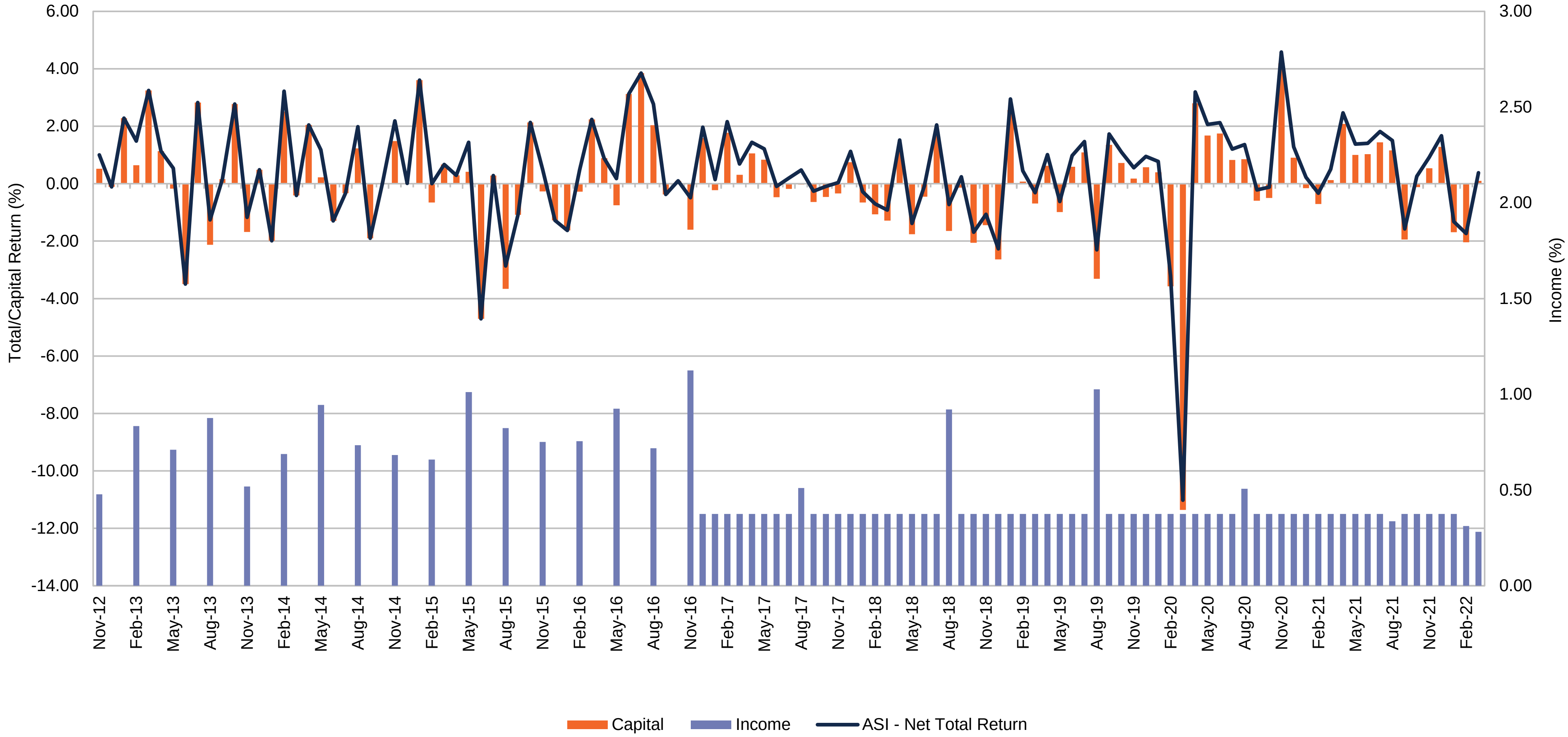


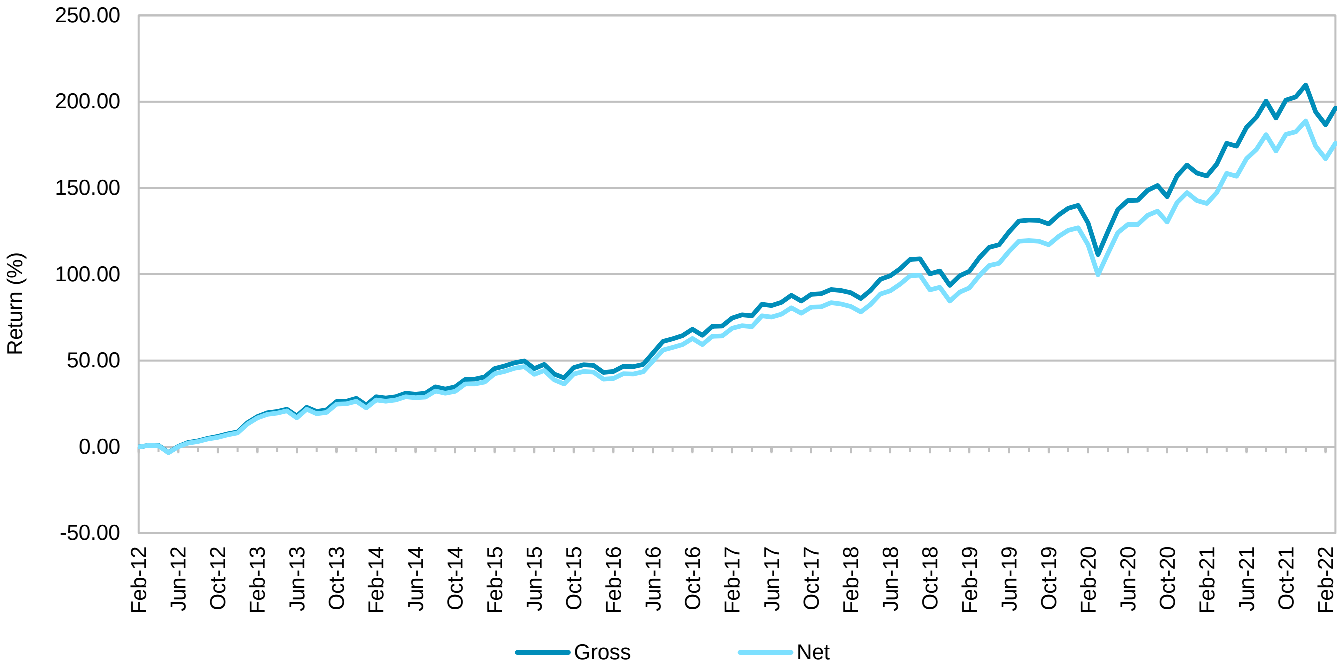
Figure 4.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	0.78	11.18	2.83
Income (%)	4.09	4.63	4.31

5. CCLA - CEIF

Figure 5.01 – Monthly Total Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	196.34	175.92
Average Monthly Performance (%)	0.91	0.85
Maximum Monthly Return (%)	6.33	6.27
Minimum Monthly Return (%)	-8.00	-8.06
Volatility (%)	2.71	2.71
Return per unit of risk (%)	0.33	0.31

Figure 5.02 – Geographic Split of Assets, Latest or as at March 2022:

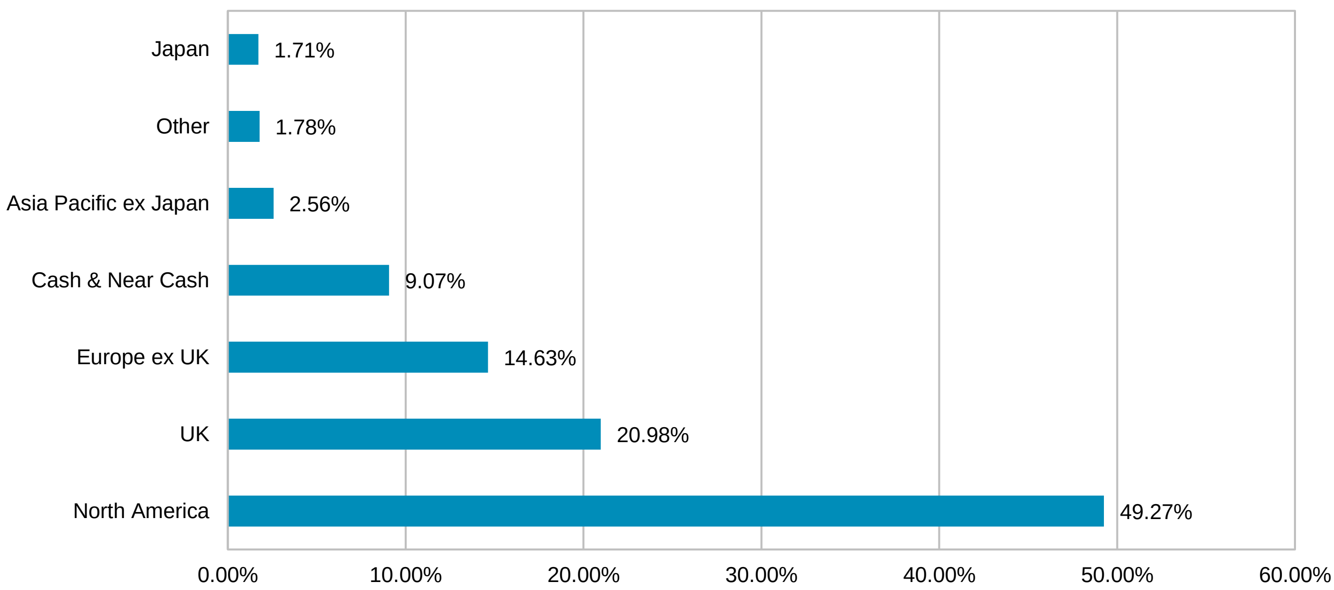
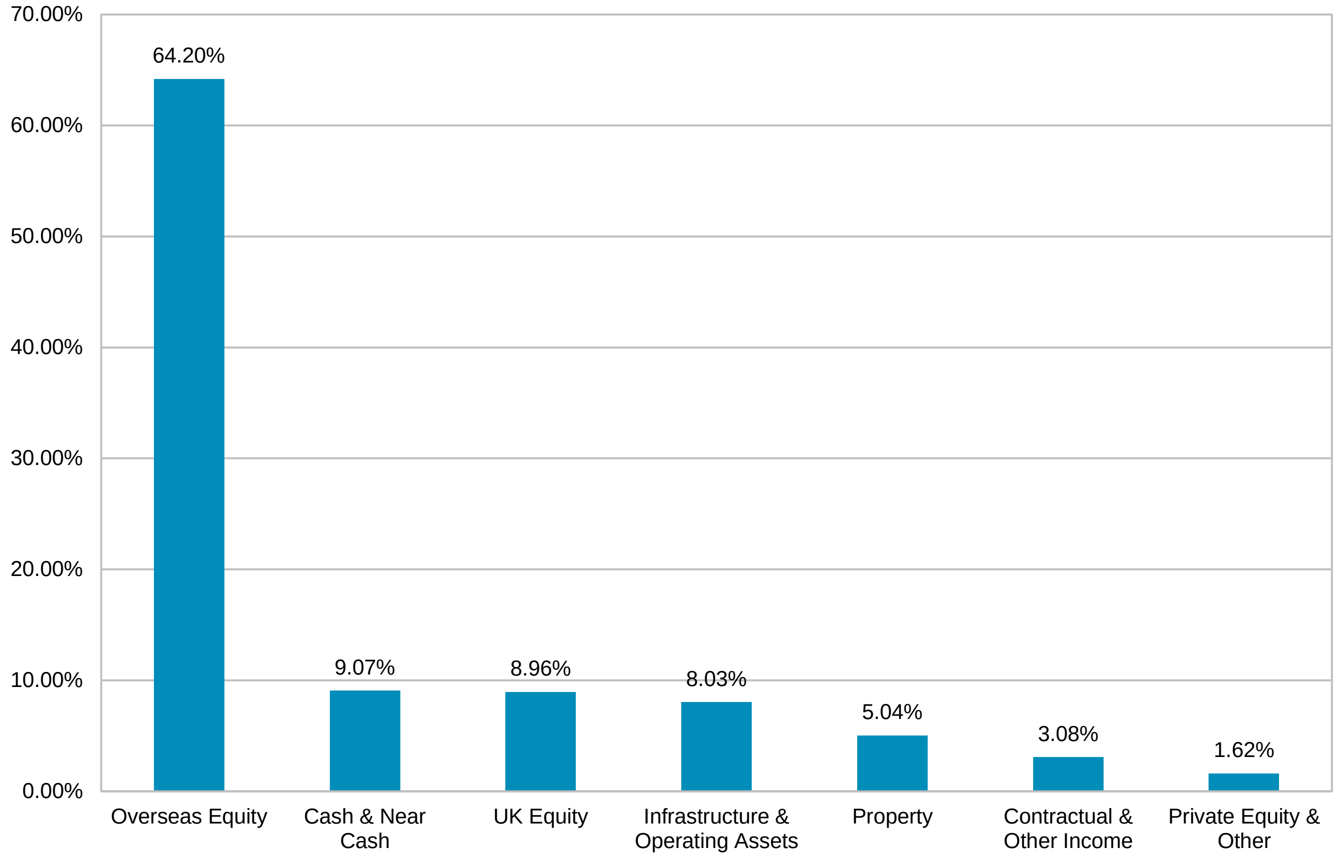


Figure 5.03 – Asset Holdings Split, Latest or as at March 2022:

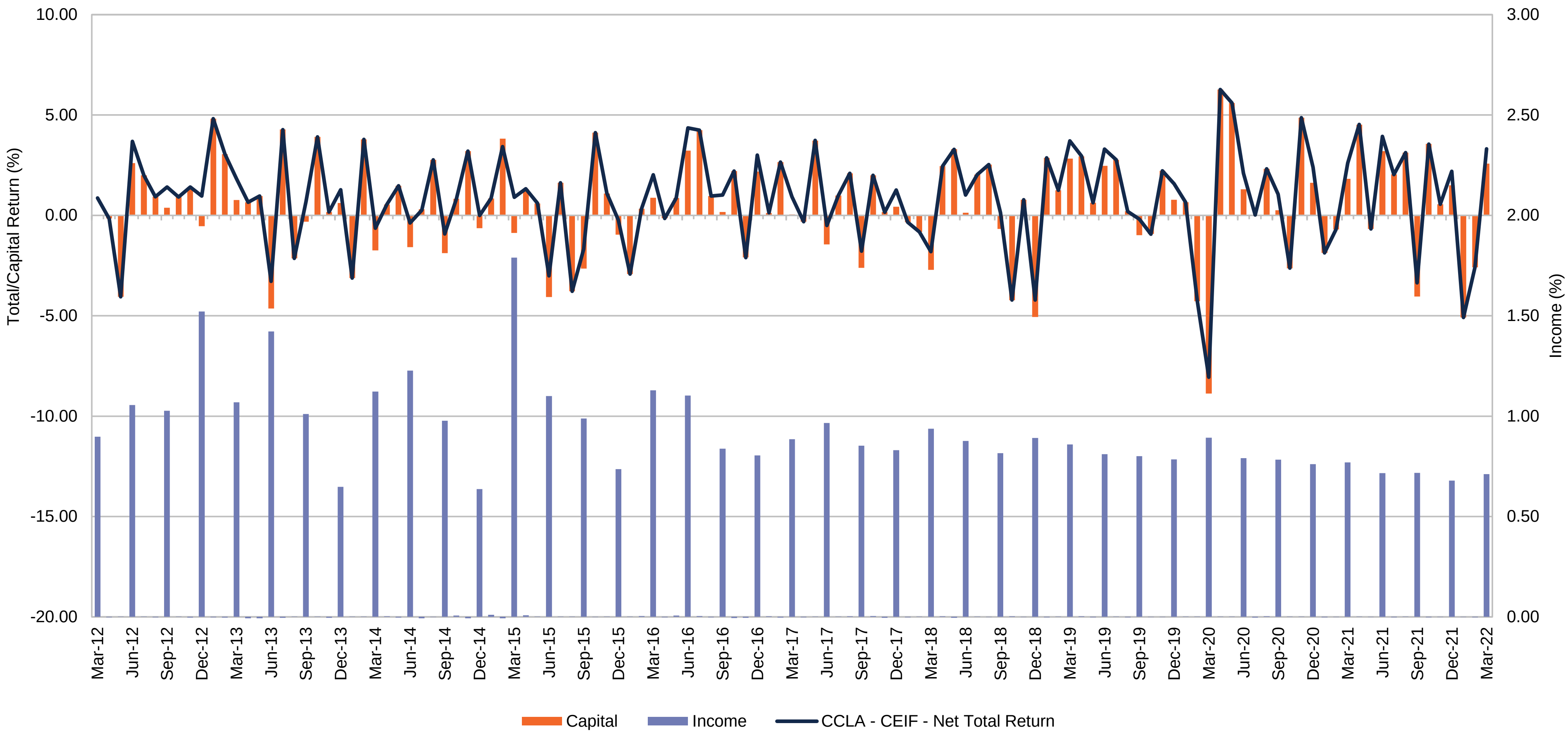


* Please note, across all assets 5.65% of the portfolio was invested in renewable energy-related instruments.

Figure 5.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

* Please note, CCLA – CEIF were unable to provide credit rating data as there are currently no fixed income assets in the fund.

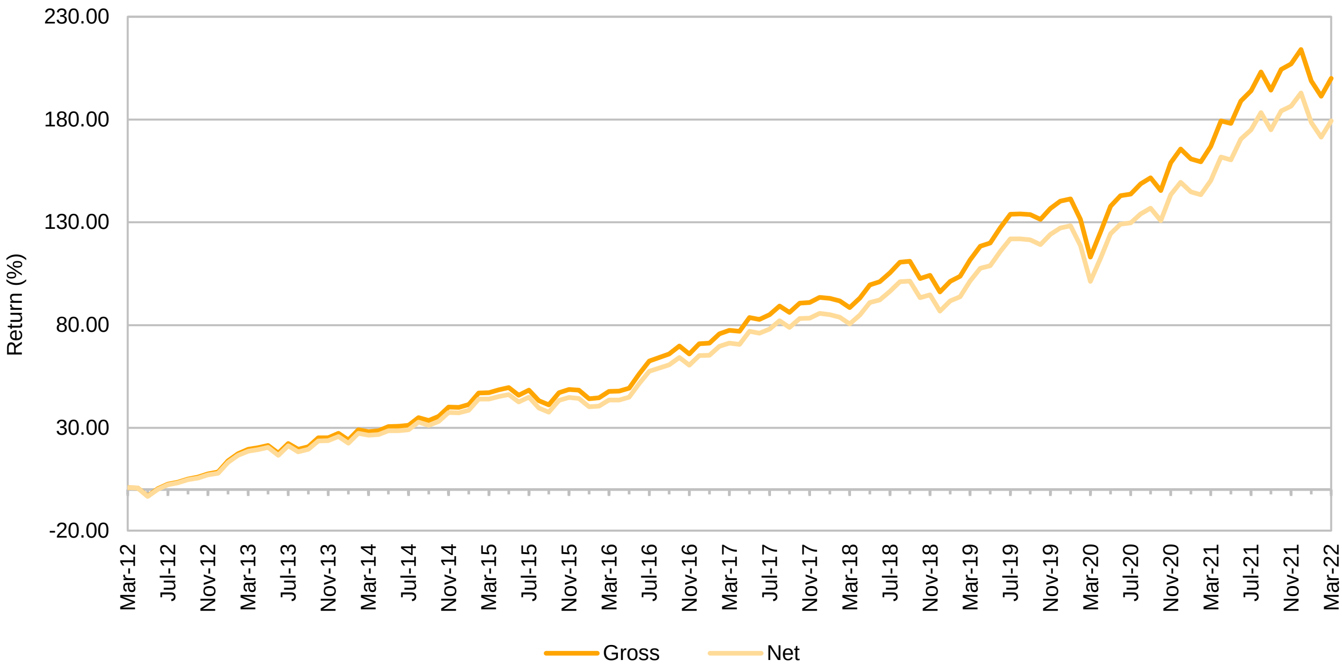
Figure 5.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	6.74	18.89	8.71
Income (%)	3.75	3.10	2.82

6. CCLA - CIF

Figure 6.01 – Monthly Total Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	200.00	179.29
Average Monthly Performance (%)	0.92	0.86
Maximum Monthly Return (%)	5.73	5.67
Minimum Monthly Return (%)	-7.90	-7.96
Volatility (%)	2.67	2.67
Return per unit of risk (%)	0.34	0.34

Figure 6.02 – Geographic Split of Assets, Latest or as at March 2022:

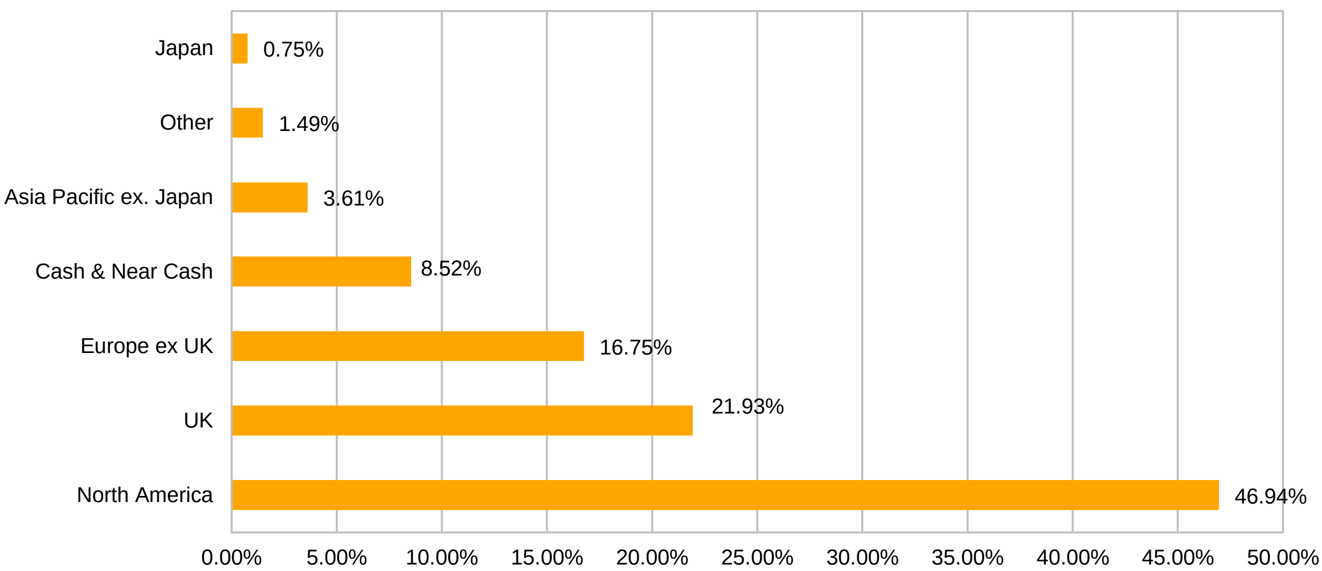
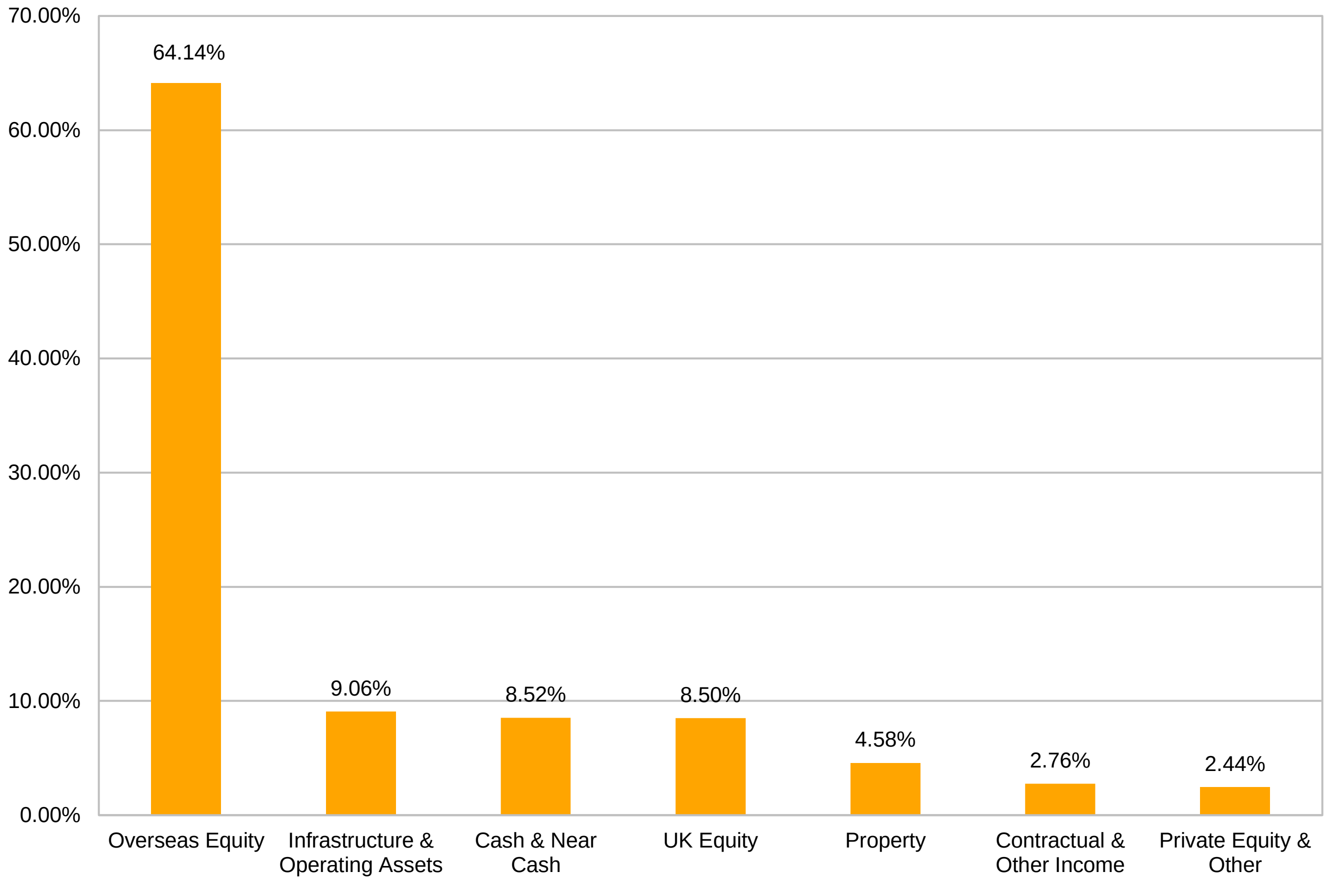


Figure 6.03 – Asset Holdings Split, Latest or as at March 2022:

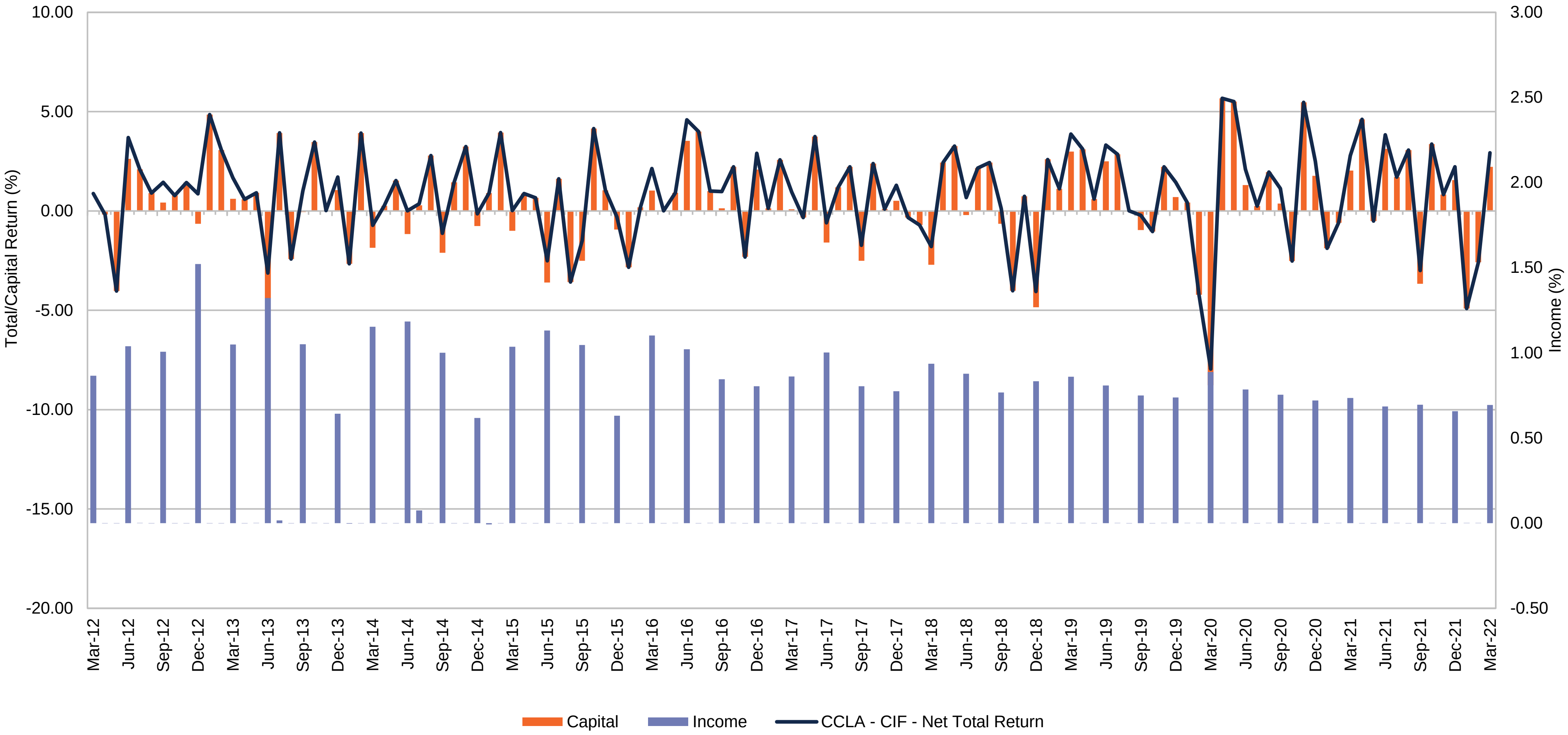


* Please note, across all assets 3.23% of the portfolio was invested in renewable energy strategies.

Figure 6.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

* Please note, CCLA – CIF were unable to provide credit rating data as there are currently no fixed income assets in the fund.

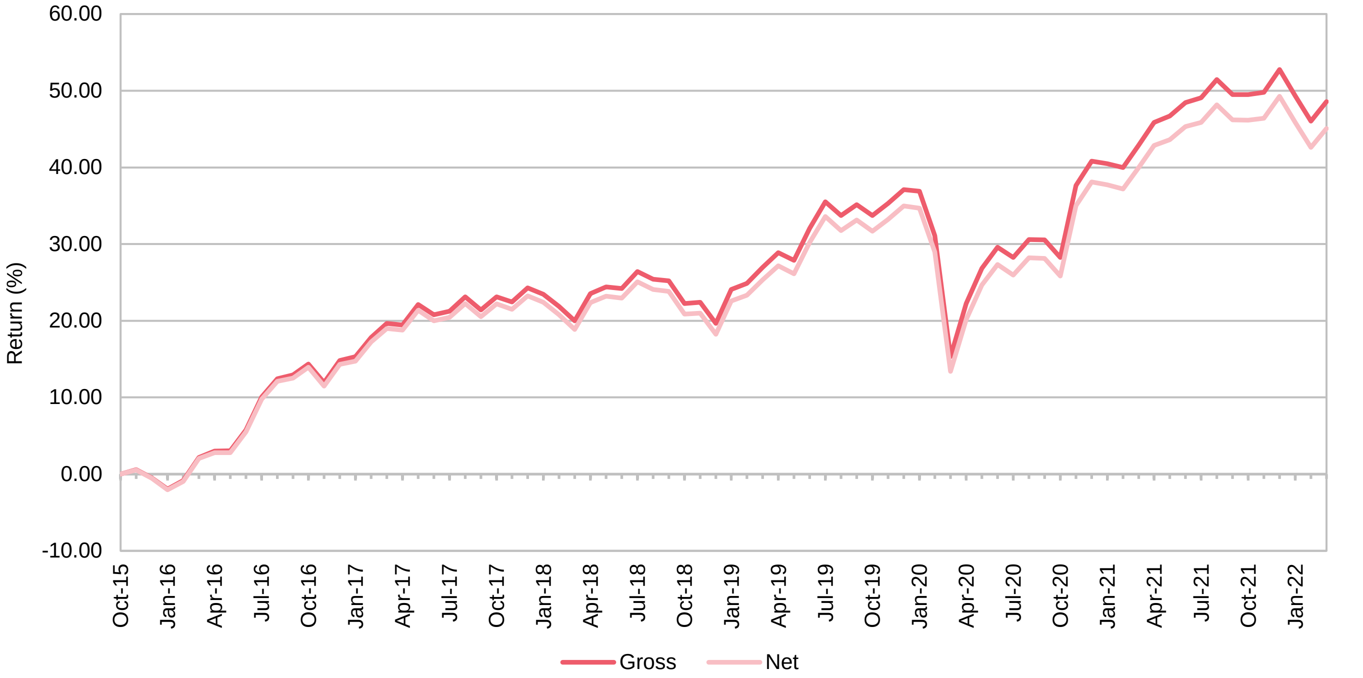
Figure 6.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	6.95	19.35	8.81
Income (%)	3.65	3.00	2.73

7. LGIM

Figure 7.01 – Monthly Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	48.59	48.91
Average Monthly Performance (%)	0.41	0.38
Maximum Monthly Return (%)	7.32	7.28
Minimum Monthly Return (%)	-12.04	-12.07
Volatility (%)	2.55	2.55
Return per unit of risk (%)	0.16	0.25

Figure 7.02 – Geographic Split of Assets, Latest or as at March 2022:

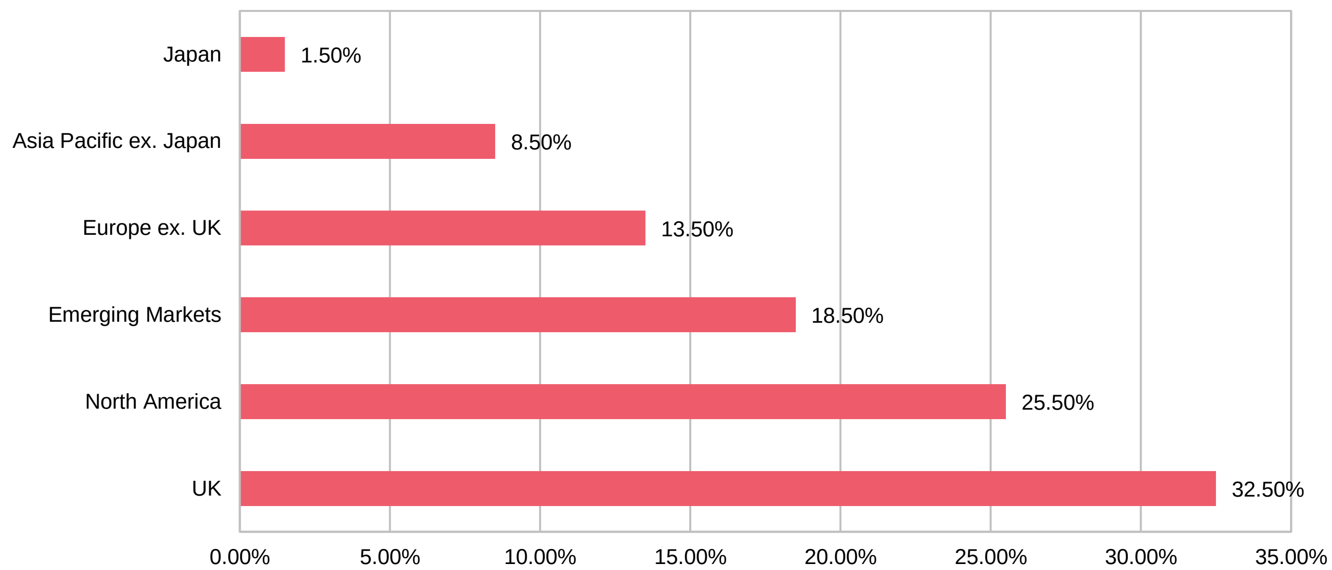


Figure 7.03 – Asset Holdings Split, Latest or as at March 2022:

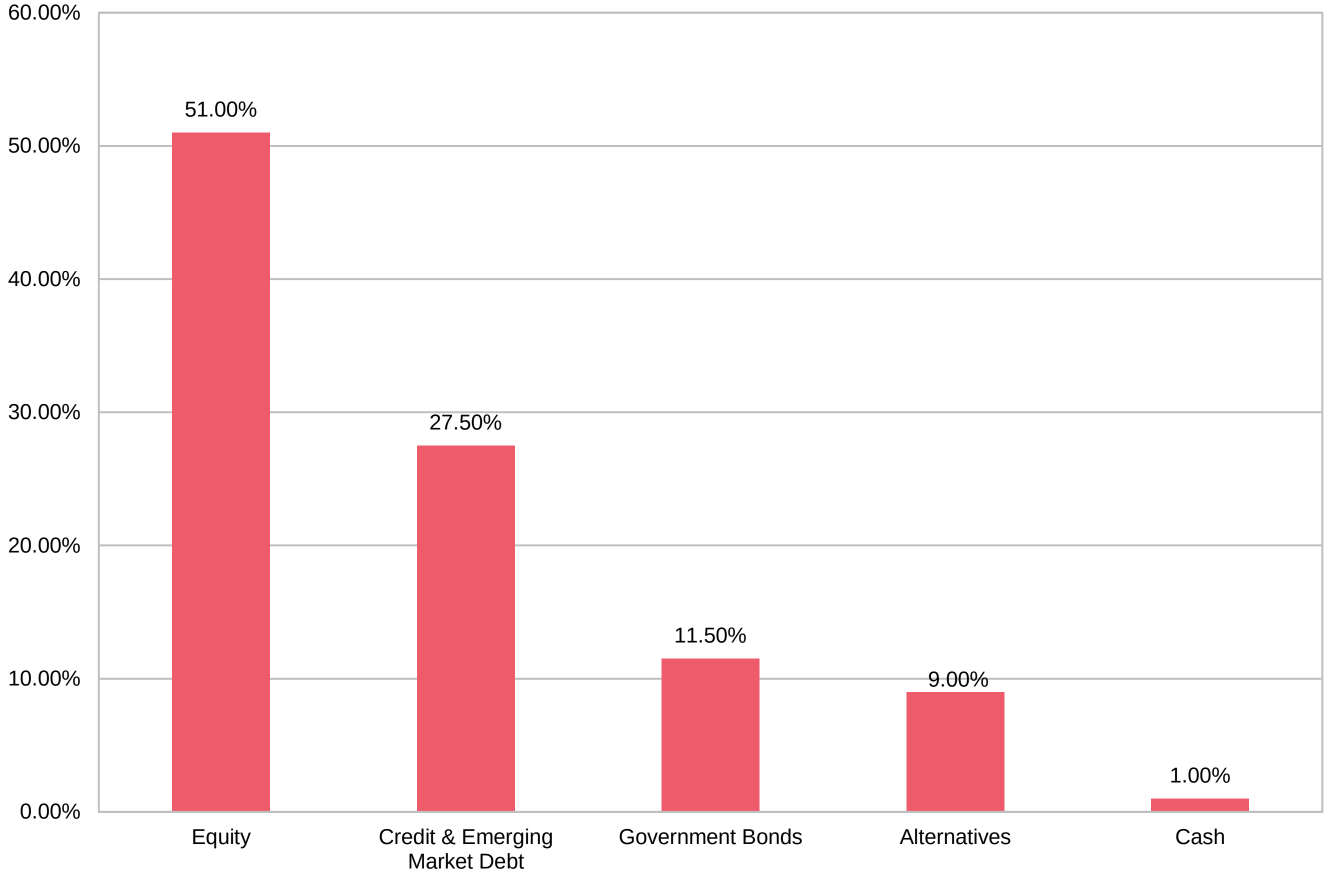


Figure 7.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

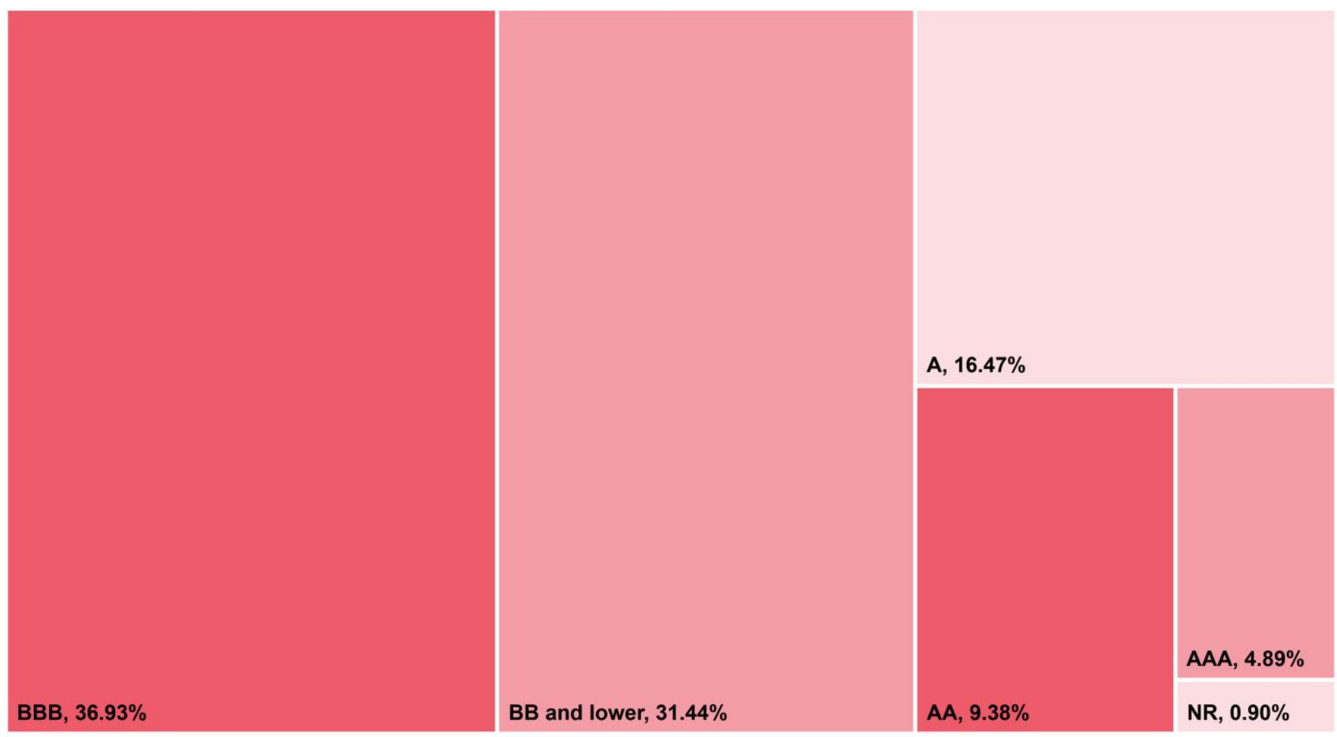
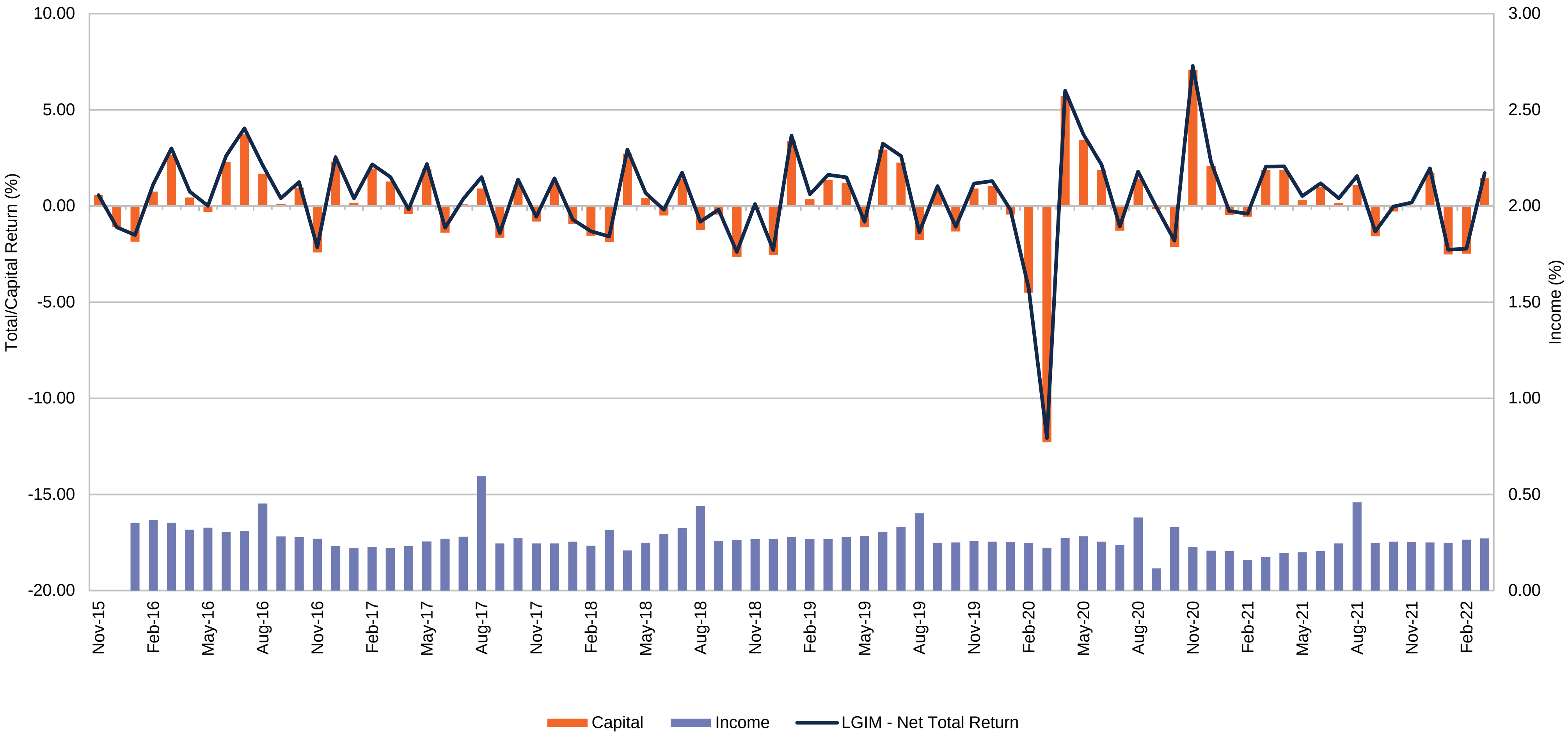


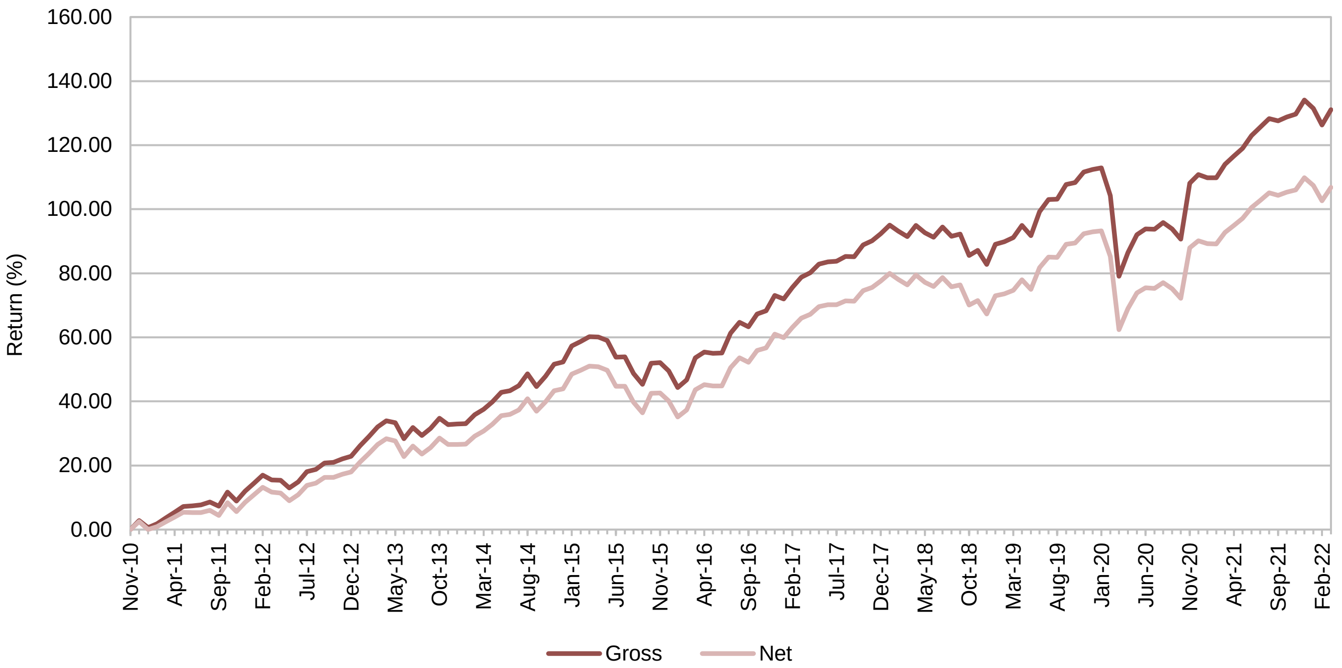
Figure 7.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	2.95	18.83	0.63
Income (%)	3.21	2.85	3.09

8. M&G

Figure 8.01 – Monthly Return Data, as at March 2022:



	Gross	Net
Cumulative Total Return (%)	131.12	106.85
Average Monthly Performance (%)	0.48	0.42
Maximum Monthly Return (%)	9.17	9.11
Minimum Monthly Return (%)	-12.32	-12.37
Volatility (%)	2.53	2.53
Return per unit of risk (%)	0.19	0.17

Figure 8.02 – Geographic Split of Assets, Latest or as at March 2022:

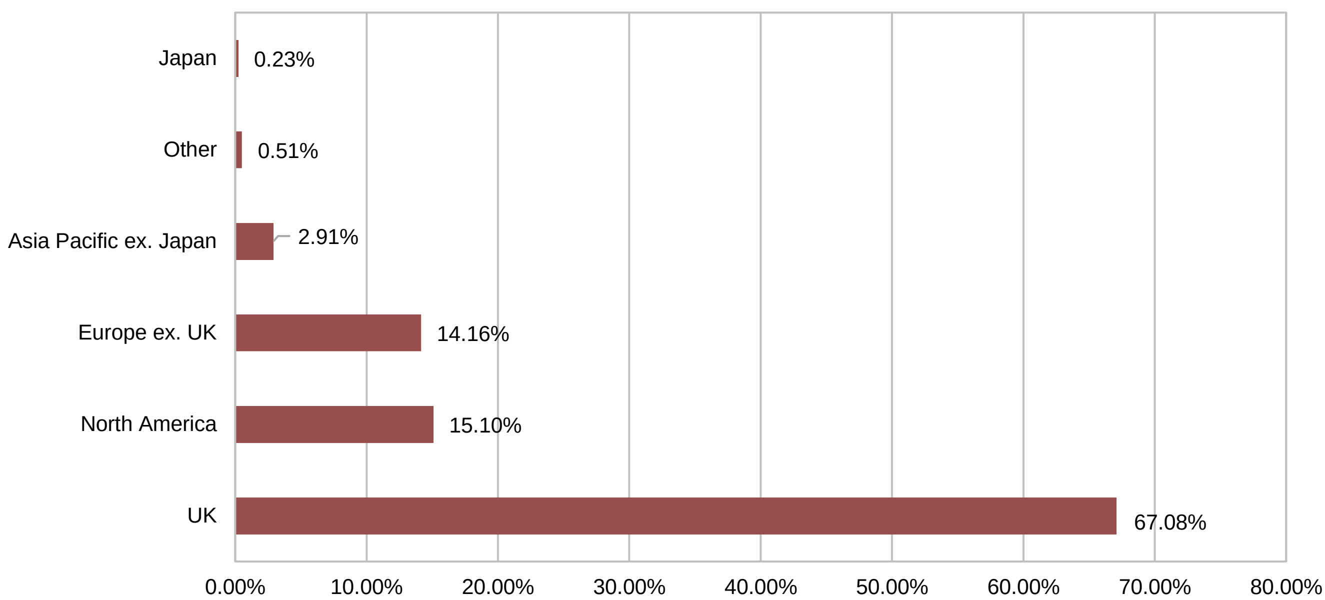


Figure 8.03 – Asset Holdings Split, Latest or as at March 2022:

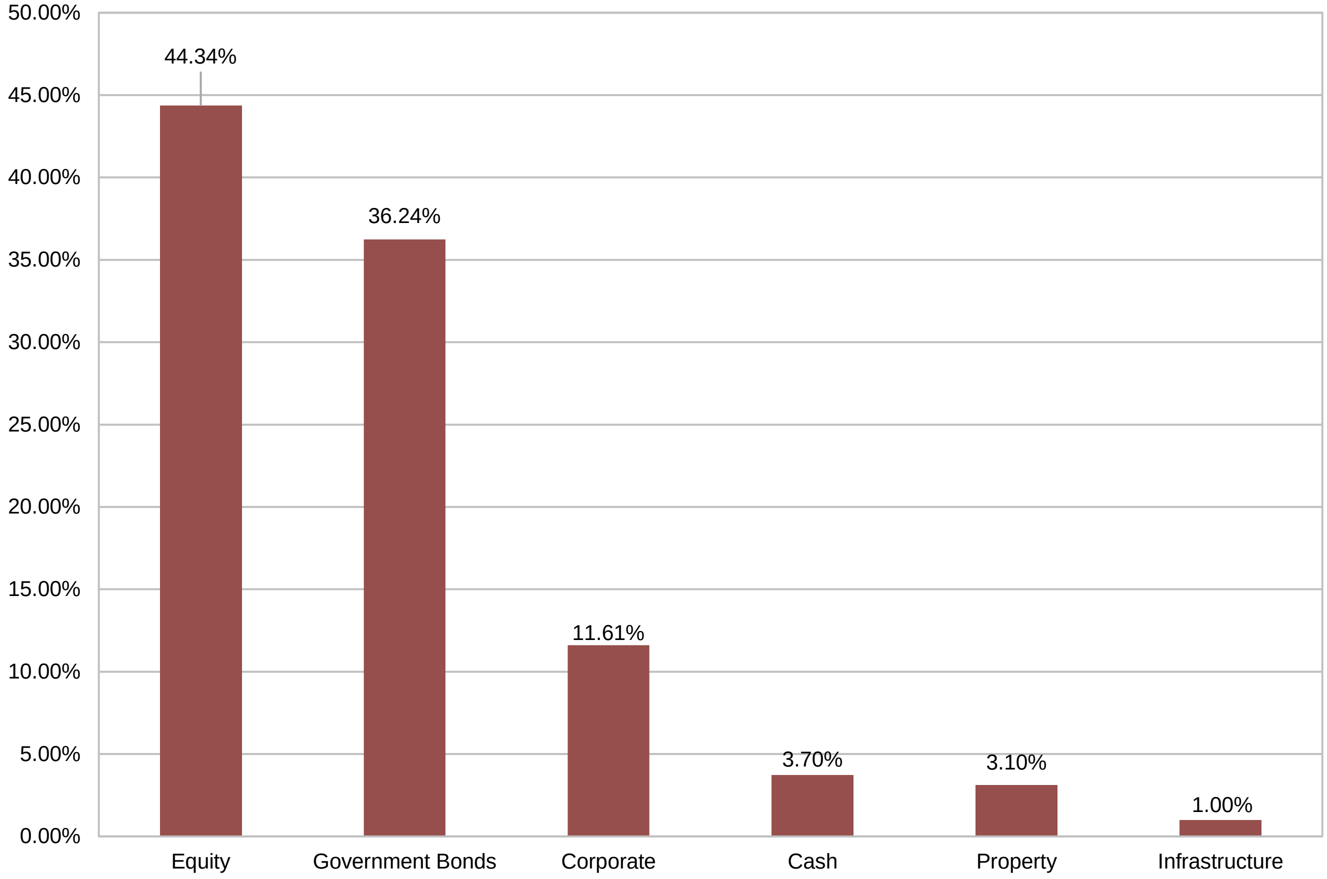


Figure 8.04 – Credit Quality of Fixed Income, Latest or as at March 2022:

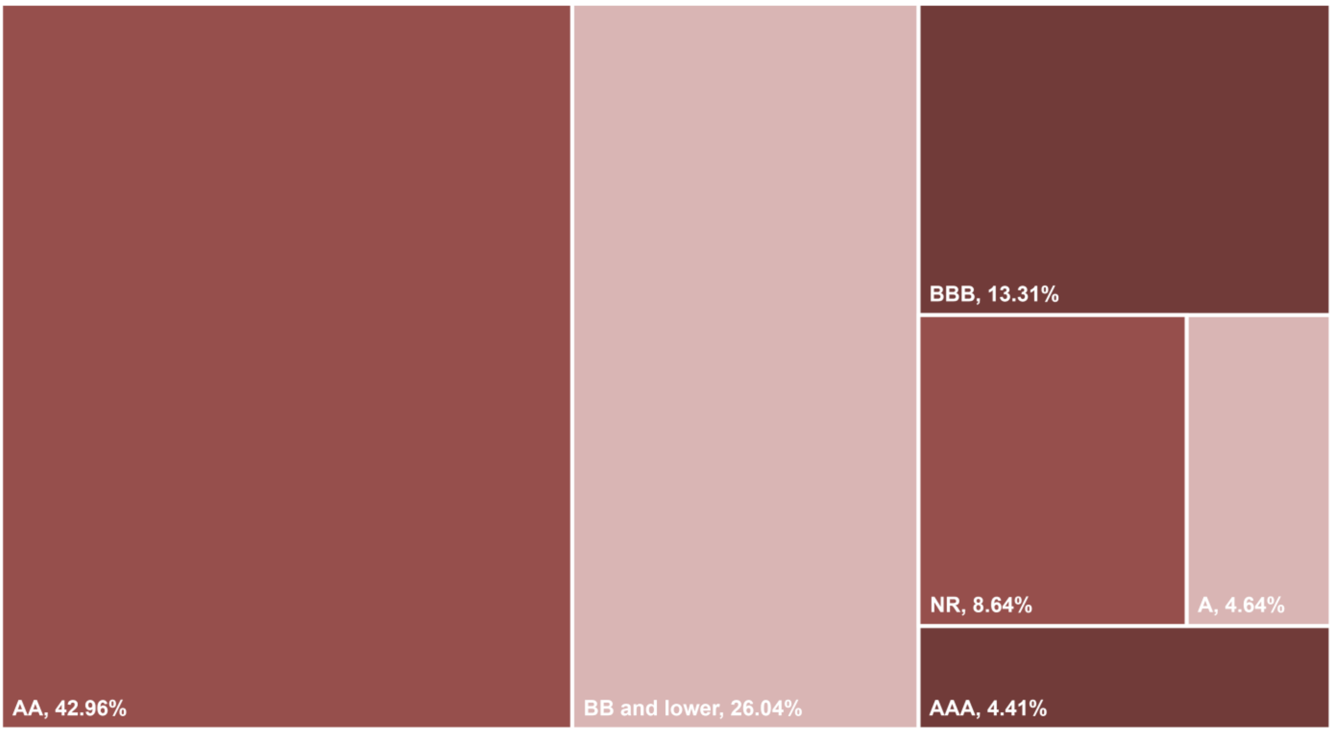
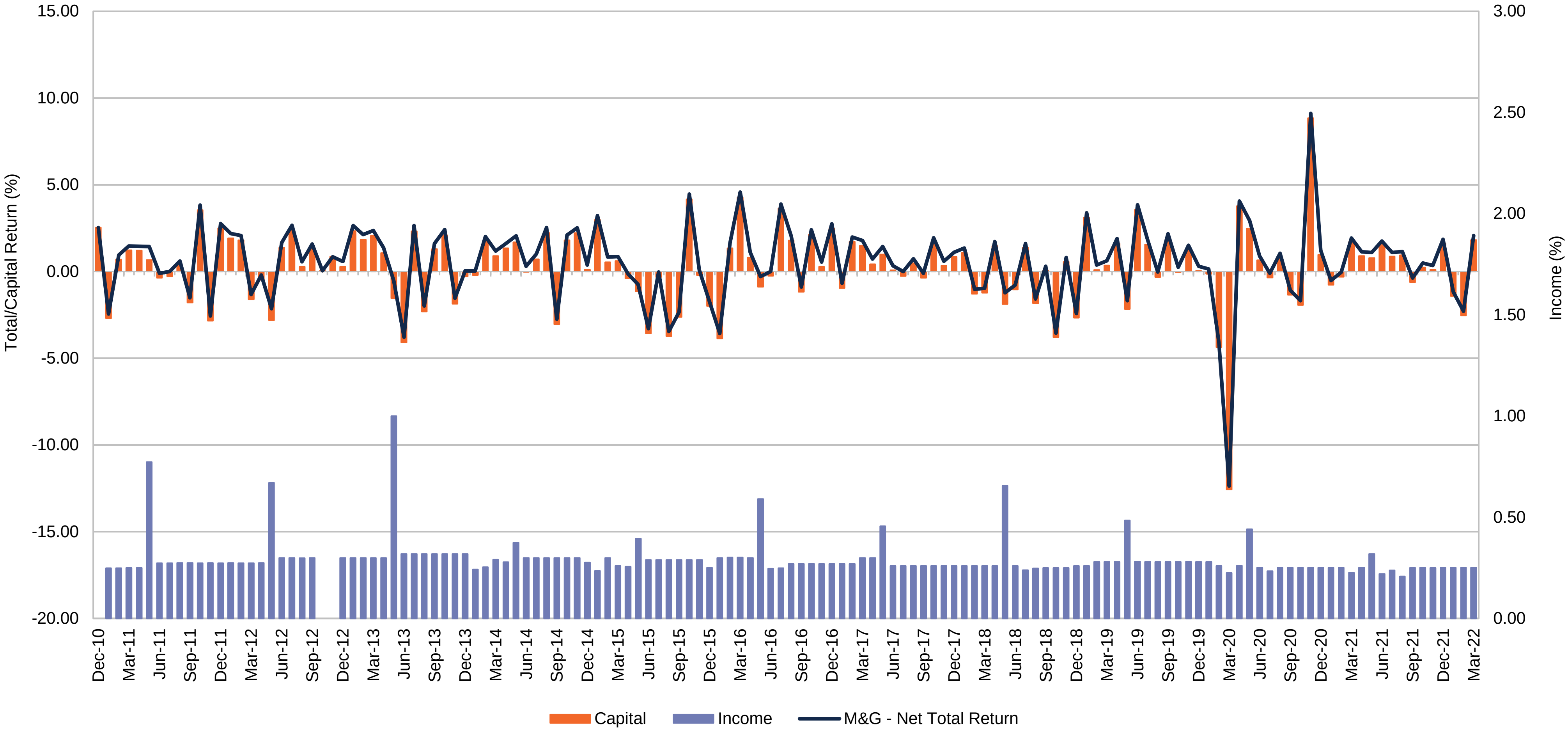


Figure 8.05 – Net Performance Split – Capital vs Income, as at March 2022:



	Average Return Per Annum Since Inception	Return in 2020-21	Return 2021-22
Capital (%)	3.25	14.51	4.16
Income (%)	3.46	3.17	2.99

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