

FOR INVESTMENT PROFESSIONALS ONLY

Square Mile's Sustainable MPS

February 2022

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Chief Distribution Officer

Anna Mercer
Head of 3D Research

Andrew Johnston
Investment Director

Eduardo Sanchez
Senior Investment Analyst



INVESTMENT CONSULTING & RESEARCH

Agenda



- Regulatory landscape
- Square Mile Research
- Our Sustainable MPS
- Key metrics
- Fund in focus
- Q & A

Agenda

The regulatory landscape



Steve Kenny
Chief Distribution Officer
Square Mile Research

Square Mile Responsible Research



Anna Mercer,
Head of 3D Research
Square Mile Research

Square Mile Sustainable MPS



Andrew Johnston
Investment Director
Square Mile Research

Fund in Focus



Eduardo Sanchez
Senior Investment Analyst
Square Mile Research

ESG Trends and drivers

ESG Assets projected to hit **\$53** Trillion by 2025 = 1/3 of Global AUM.*

38% of new flows into Responsible funds in 2020 **

75% of New Flows into article 8 & 9 funds in Europe since March 2021. **

AUM of Responsible funds now at **4%** doubled since 2019. **

- MIFID II – Post BREXIT
- Greening Finance paper October 2021
- Sustainability Disclosure Requirements (SDR)
- Implementation 2022
- Advisors – its coming



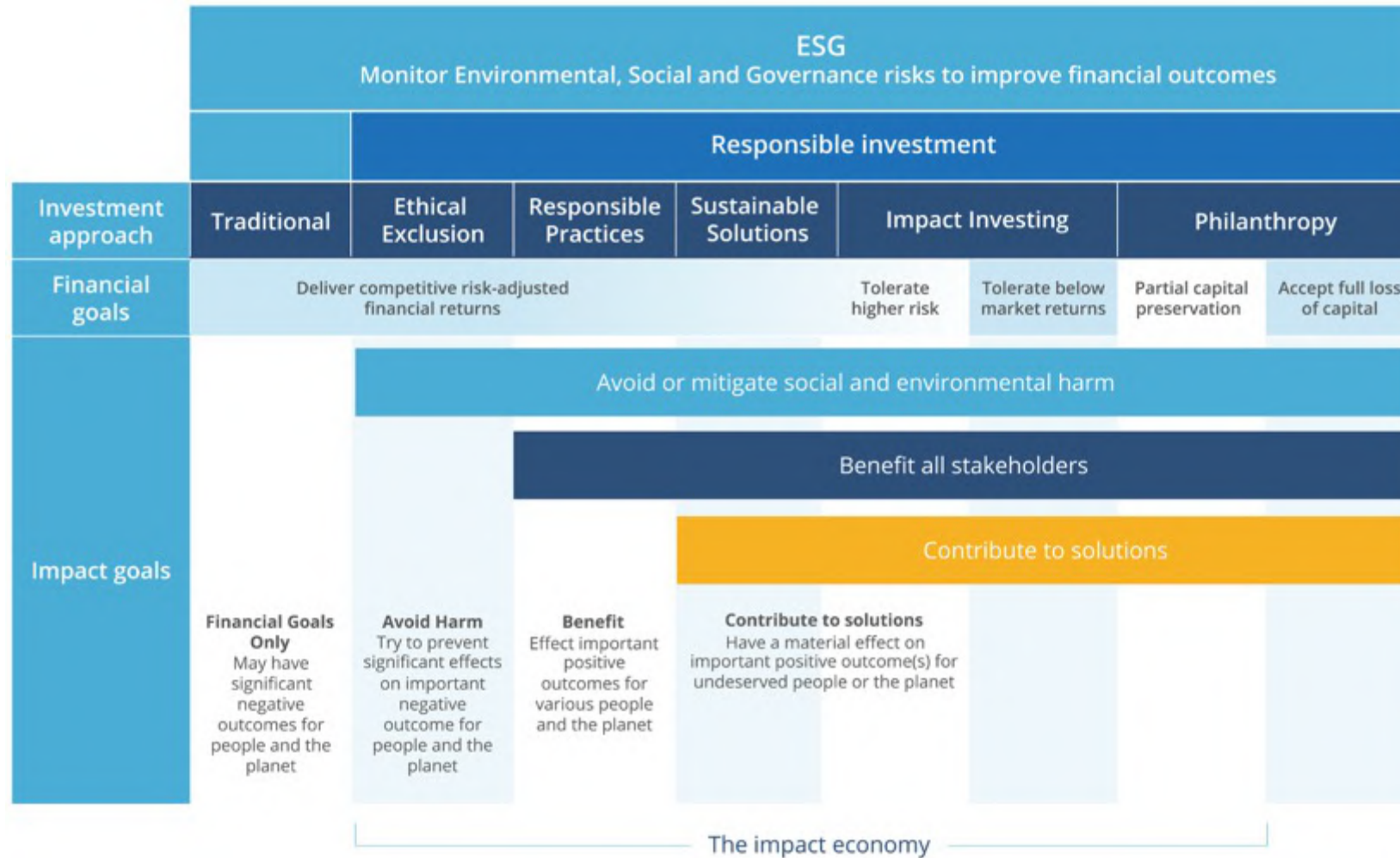
Source: February 2021 Bloomberg Intelligence
*Broadridge Q3 report
** Source: IA annual 2020 report

“In many respects, ESG is already in scope when advisers give investment advice. Under existing rules, firms have to act in a client’s best interest and collect all necessary information to understand the client’s investment objectives. In that context, suitability, within our conduct of business rules, already requires the consideration of ESG preferences. The rules set out the objectives that a firm is required to consider but this is not intended to be an exhaustive list.”



Mark Manning
FCA, Technical Specialist

Spectrum of Capital



Investor types

RESPONSIBLE INVESTMENT

ETHICAL EXCLUSIONS



RESPONSIBLE PRACTICES



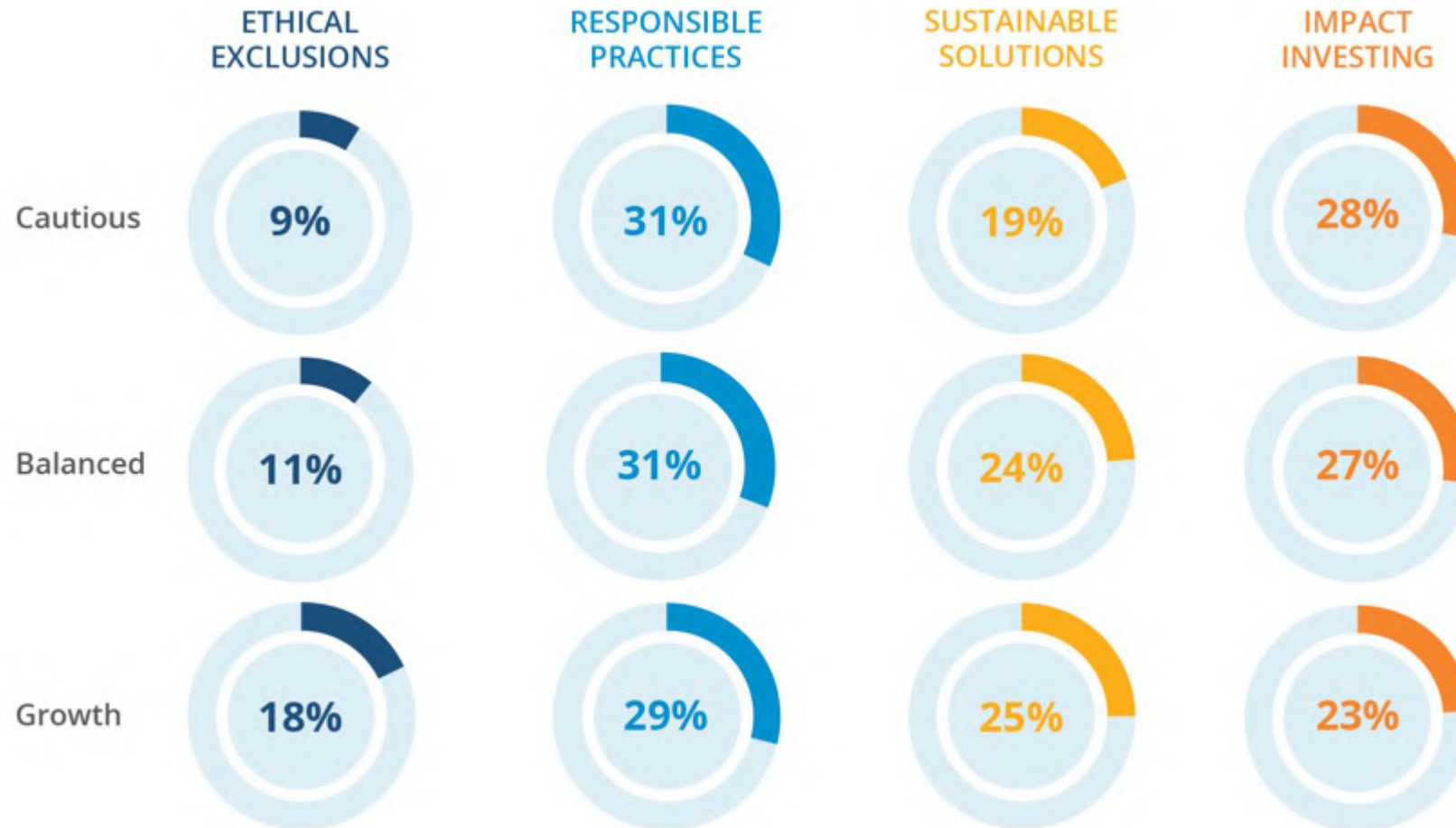
SUSTAINABLE SOLUTIONS



IMPACT INVESTING



Portfolio allocation



Source: Square Mile as at 31 December 2021.

Note: Figures will not add to 100 as they exclude cash and traditional funds.

This slide represents the breakdown of funds across investor type included in Square Mile Sustainable MPS.

Square Mile Responsible Research

1. Idea Generation

Square Mile's research analysts make decisions in small groups to allow for better debate and decision making, coupled with in-depth knowledge and experience. Ideas are also generated through referrals, contacts, events and quantitative screens.



2. Analyst Research

Fund research involves looking at the fund objective, the people and their environment, philosophy, process, portfolio construction, risk management, cost and value for money. Analysts are also involved in applying this research, so they know what is important to the client/ user of the research.

3. Qualitative Assessment

Investment and fund research is a combination of art and science - humans and decisions are involved at all stages and therefore qualitative and quantitative assessments are necessary.



4. Analyst Meetings

Once enough in-depth research has been completed, the lead analyst will present to the team, with four possible outcomes:

- i) Agree a rating
- ii) Go back with further questions
- iii) Wait
- iv) Decline a rating

5. Monitoring

Ongoing monitoring including quarterly reviews of the funds and assessing the performance.



6. Reassessment Against Original Outcome

During the monitoring process some funds may need to be reassessed - this may be due to fund manager/ team changes, a change in corporate activity, persistent underperformance that we cannot explain or liquidity concerns.



Our portfolio range

The portfolios will be made up of investments that seek to include companies or entities which aim to have a positive environmental or social impact or mitigate environmental and social harm.

SM Sustainable Cautious

Launch date: December 2020

Investment objective: To provide capital accumulation over the long term from a mixture of income and capital growth by investing in a mix of equities and fixed income/other defensive assets.

Risk level: Primarily defined by the equity exposure which will range between 40% and 55%

SM Sustainable Balanced

Launch date: February 2020

Investment objective: To provide capital accumulation over the long term from a mixture of income and capital growth by investing in a mix of equities and fixed income/other defensive assets.

Risk level: Primarily defined by the equity exposure which will range between 53% and 68%

SM Sustainable Growth

Launch date: December 2020

Investment objective: To provide capital accumulation over the long term from a mixture of income and capital growth by investing predominantly in equities, with some exposure to fixed income/other defensive assets.

Risk level: Primarily defined by the equity exposure which will range between 65% and 80%

Performance

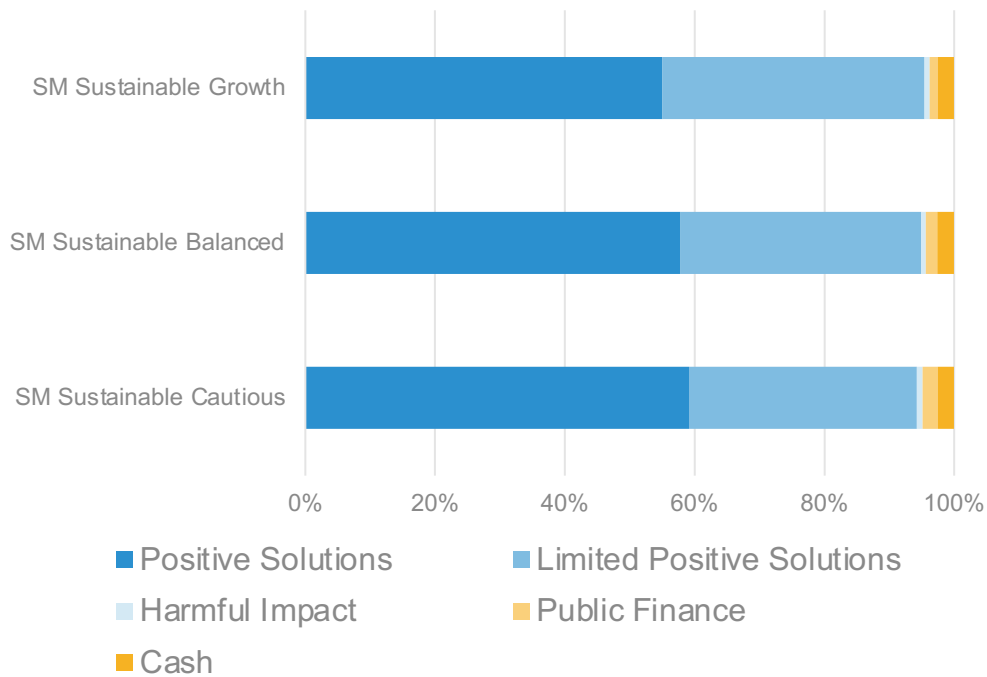
SM Sustainable Balanced Cumulative Performance Since Inception



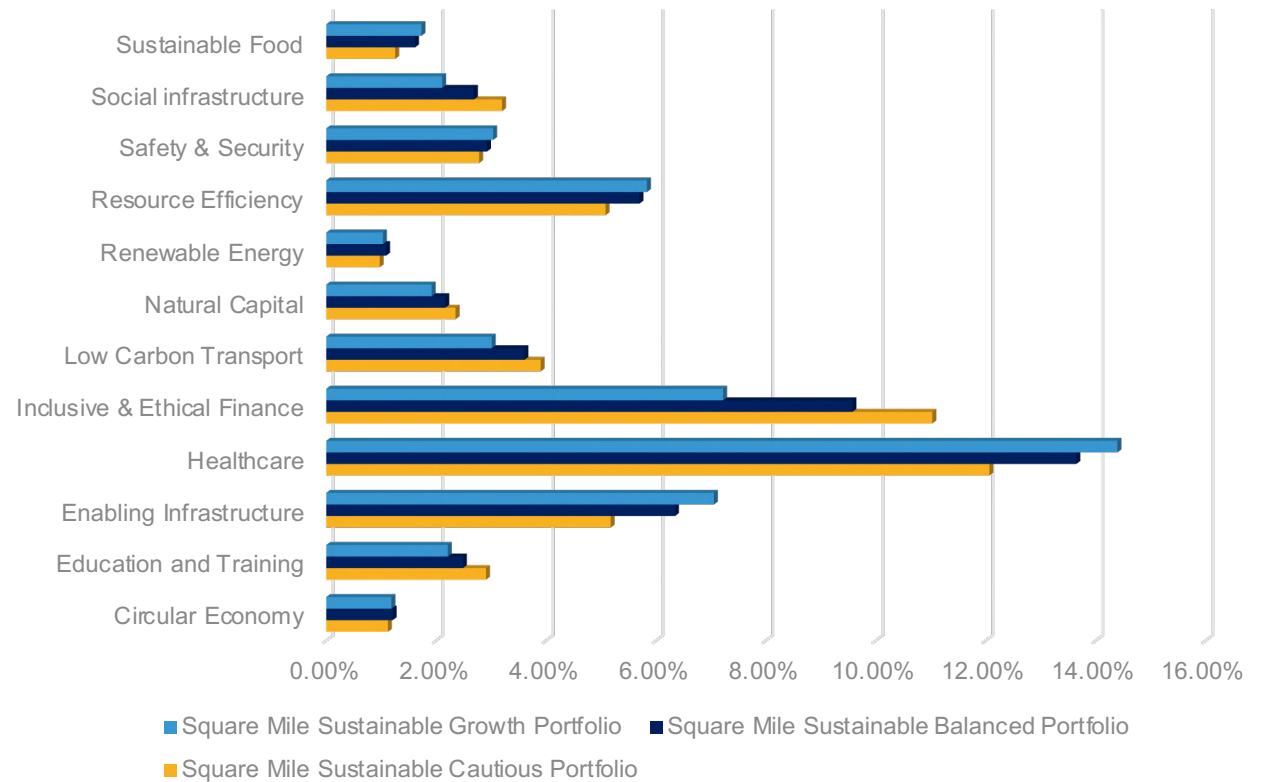
Source: FE fundinfo
 Data as at: 31 December 2021. Past performance is not a guide to future returns.

Sustainable output

Sustainable portfolios



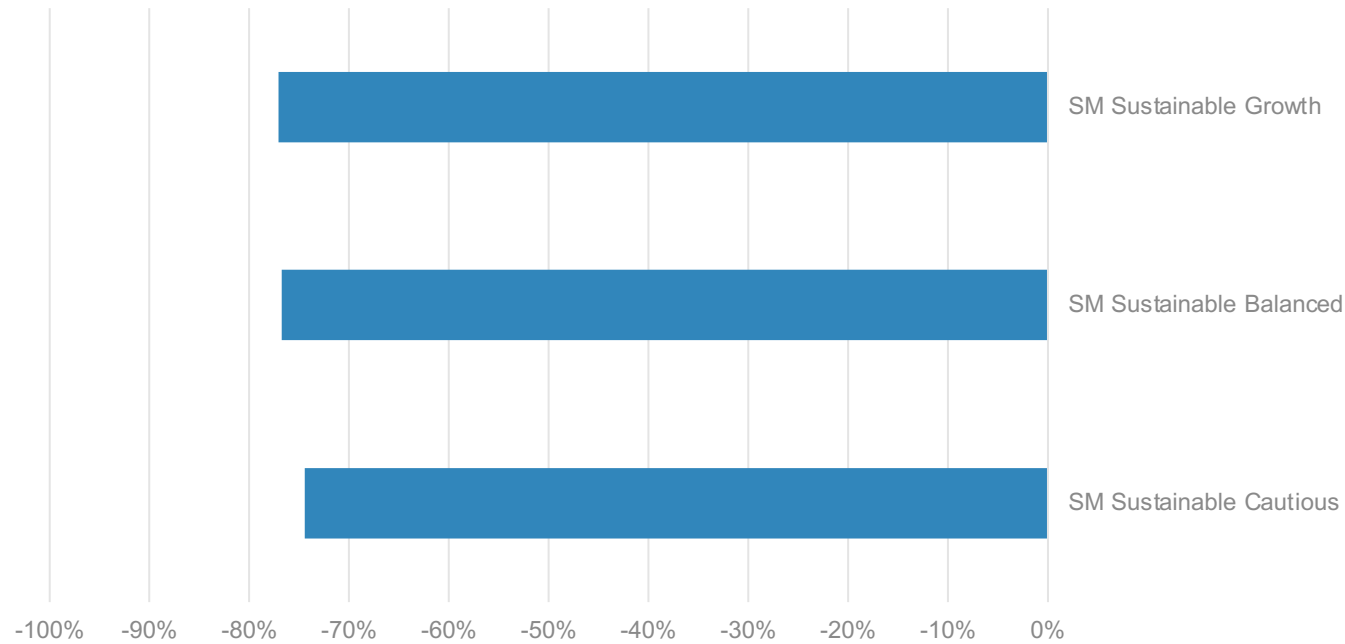
Breakdown by 3D Positive Solution Categorisation



Source: Square Mile
 Data as at: 31st December 2021. Past performance is not a guide to future returns. The benchmarks were created to broadly represent a likely distribution of equity and fixed income markets with their inherent biases within various regions. They were created by taking portfolio's SAA asset allocations and representing each asset class with a peer group of 100 biggest companies by market capitalisation or size of total debt for equity and fixed income classes respectively.

Providing solutions

Emission reductions



Tones of Carbon saved per £1 m invested



Source: Square Mile/ EPA Gov as at 31 December 2021.

Liontrust Sustainable Future Corporate Bond



Investor type: Responsible practices

Square mile ratings



The managers of this fund seek to invest in companies that are providing solutions to social and environmental challenges through their core products and services in the belief that this will realise long-term financial benefits.

Investment strategy



This is not a recommendation to buy or sell any funds or financial instruments mentioned in this presentation.

Liontrust Sustainable Future Corporate Bond

Clarion Housing Group

The Company builds and develops residential homes in the UK. The mission of Clarion Housing Group is to provide good quality, affordable homes and neighbourhoods to people failed by the market. With 125,000 properties and more than 350,000 residents, they are the largest housing association in the country. They are a developer as well as a landlord - building thousands of affordable homes every year and invest in residents and their communities through Clarion Futures and their charitable foundation.



CLARION
HOUSING GROUP

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Square Mile Responsible Ratings



Assigned to funds in which we have the greatest confidence that the fund over an investment cycle will meet its stated objectives.



Assigned to funds in which we have a high confidence that the fund over an investment cycle will meet its stated objectives.



Assigned to funds which we have confidence that the fund over an investment cycle will meet its stated objectives.



Some funds meet the highest standards in their fields, however, beyond this the funds cannot be readily differentiated between each other. An example would be passive funds. Such products will be assigned a recommended rating.



Funds which our analysts have identified as having the potential to be highly compelling propositions. However, there are some elements relating to the strategy where the analysts need more time to be satisfied that the fund merits a full rating. As a result, we award the fund a qualified rating to highlight its appeal, but also to recognise Square Mile's reservations.

3D Ratings



GOLD

A Gold rated fund will have a very high focus on investment in social and environmental challenges and a very low level of controversies due to formal or informal screening policies. There will be a clear intention to make a positive social and environmental impact with systematic reporting to demonstrate these outcomes. The manager should also systematically engage on social and environmental issues at both an individual holdings level and as part of collaborative and educational initiatives.



SILVER

A Silver rated fund will have a high focus on investment in solutions to social and environmental challenges, as well as systematic reporting on environmental and/or social metrics across the portfolio. Typically, there will be a low level of exposure to ethical controversies due to informal or formal screening policies. The manager will typically demonstrate systematic engagement on social and environmental issues at an individual holdings level and participation in collaborative and educational initiatives.



BRONZE

A Bronze rated fund will typically have some focus on investment in solutions to social and environmental challenges, as well as some evidence of impact but this can vary in standard and scope. There may be some exposure to ethical controversies. Depending on the RI approach applied, there may also be some systematic engagement.



REVIEWED

A reviewed fund may demonstrate some investment in solutions but this will typically not be its primary focus. As such, the evidence of impact outcomes is likely to be limited. There may be some evidence of screening criteria applied but this could be restricted in scope and so there may be some exposure to ethical controversies. Engagement activities and reporting, meanwhile, will usually be focused at a group level.

Thank you

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Standard Life

AEGON

Quilter

transact

AVIVA Platform