



SARASIN  
& PARTNERS

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# The Charity Funds Annual Review

Slide handout pack

Tuesday 5th November 2019

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# Seminar programme

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10.30 - 11.00	Registration & Refreshments
11.00 - 11.05	Welcome & Headline Performance <b>Richard Maitland</b>
11.05 - 11.25	Performance Analysis & Portfolio Positioning <b>Phil Collins</b>
11.25 - 11.40	12 Months of Stewardship <b>Natasha Landell-Mills</b>
11.40 - 11.55	Tactical Outlook <b>Subitha Subramaniam</b>
11.55 - 12.10	Strategic Changes <b>Richard Maitland</b>
12.10 - 12.30	Q&A
12.30 - 13.30	Lunch

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## Charity Authorised Investment Funds (CAIFs)

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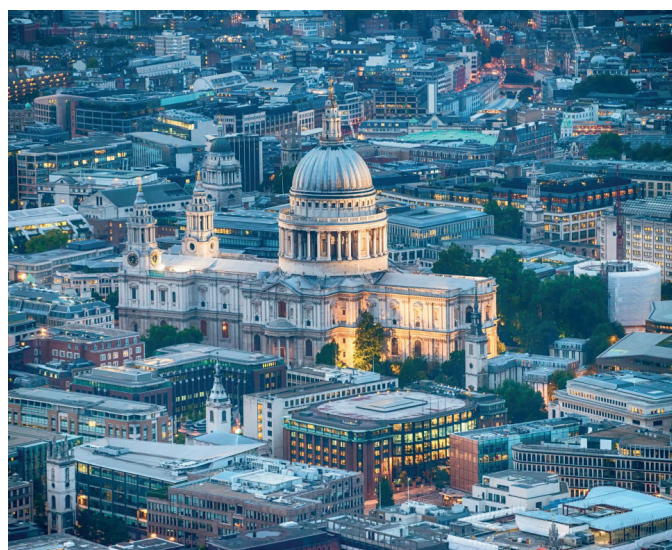
The Sarasin Income & Reserves Fund seeks capital preservation over rolling twelve-month periods in most normal stockmarket conditions and an anticipated annual income yield of approximately 3.5%.

The Sarasin Endowments Fund seeks long-term capital and income growth from a broadly diversified portfolio of bonds, equities and alternative assets. The annual income yield is expected to be around 3.1%.

The Sarasin & Partners Climate Active Endowment Fund is a multi-asset portfolio, designed for trustees who are seeking attractive and sustainable long-term investment returns against a backdrop of increasing climate-related risks.

## About Sarasin & Partners LLP

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Sarasin & Partners LLP is a London-based asset management group that manages £14.3 billion\* on behalf of charities, institutions, intermediaries, pension funds and private clients, from the UK and around the world. The group employs over 200 people.

Sarasin & Partners is known both as a market leader in thematic investment and for long-term income and dividend management across multi-asset and equity mandates. Consistent with a longer-term approach is a commitment to 'stewardship' principles, embedding environmental, social and governance considerations into the investment process.

Local management own 45% of the economic interest of the Partnership with the remainder being owned by Bank J. Safra Sarasin. The Bank J. Safra Sarasin Group has AuM in excess of £132 billion\*\*.

\*as at 30.09.19, \*\*as at 31.12.18. Sarasin & Partners LLP is authorised and regulated by the Financial Conduct Authority.

# Speakers' biographies

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## **Richard Maitland, Head of Charities**

Richard has more than 23 years' investment experience and joined Sarasin & Partners in 1992. Richard has led the firm's third party funds research team, analysing specialist equity funds and alternative assets while managing portfolios for a range of charities, pension funds and unit trusts. He now focuses on managing diversified multi-asset portfolios for charities, and assists in setting the firm's long-term strategic asset allocation. He is author of the Sarasin & Partners Compendium of Investment.



## **Phil Collins, Head of Multi-Asset Team**

Phil has more than 30 years' investment experience and prior to joining Sarasin & Partners in 2013, he worked at Newton Investment Management where he was Chief Investment Officer of the private clients and charities division. He also established and managed the Newton Phoenix range of funds which enjoyed strong performance and won a number of awards. At Sarasin & Partners, Phil is head of the multi asset team and lead manager of Sarasin's Multi Asset Charity funds. He is a fellow of the Chartered Institute for Securities & Investment.



## **Natasha Landell-Mills, Head of Stewardship**

Natasha joined Sarasin & Partners in 2013 and oversees stewardship activities across the company. These include the integration of environmental, social and governance (ESG) factors into the investment process, steering deeper engagements where Sarasin believes intervention can protect and create value, and leading the firm's external policy outreach on matters that can impede long-term value creation. Prior to this, Natasha spent over six years as the Senior Analyst leading ESG integration and several strands of policy work at the Universities Superannuation Scheme's investment management arm, and four years in Budapest working with OTP Fund Management and the European Bank for Reconstruction and Development. Before moving into finance, Natasha spent a number of years working on sustainable development in Asia, Africa and Latin America.



## **Subitha Subramaniam, Chief Economist**

Prior to joining Sarasin, Subitha worked at UBS in Zurich, Switzerland as a Senior Economist for Asia in Global Markets Research and then as a Macroeconomist for Asia in Sovereign Research. She was a project Director at the Center for Institutional Reform and the Informal Sector, Washington DC, USA. Subitha also worked as a research assistant at the World Bank's Middle East Department.





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## Welcome & historic review of the year

Richard Maitland

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FUND SIZE (£M) AS AT 30.09.19

Portfolio Name	Launch	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Endowments Fund (£m)	40.0	124.3	312.6	325.5	419.8	675.4	826.0	978.5	1185.8	1248.0	1351.0	1636.2	1742.3	1538.4	1694.9
Income & Reserves (£m)	-	42.9	43.6	39.3	29.7	33.9	40.1	58.0	65.4	83.1	102.3	127.4	152.5	136.3	152.2
Climate Active Fund (£m)	-	-	-	-	-	-	-	-	-	-	-	-	-	169.2	229.2
CCF Diversified Fund (£m)	-	-	-	-	-	-	9.6	13.0	21.5	27.6	31.2	42.6	50.2	53.7	65.8
<b>Combined Total (£m)</b>	<b>40.0</b>	<b>167.2</b>	<b>356.2</b>	<b>364.8</b>	<b>449.5</b>	<b>709.3</b>	<b>875.7</b>	<b>1049.5</b>	<b>1272.7</b>	<b>1358.7</b>	<b>1484.5</b>	<b>1806.2</b>	<b>1945.0</b>	<b>1897.6</b>	<b>2142.1</b>

- The four funds continue to attract new unit holders
- There continues to be interest from charities with less than £1m and by those with significantly more than £20m to invest

Source: Sarasin & Partners, 30.09.19

## Climate Active investment approach

**Why:** Climate risks are material and clients wish to respond proactively.

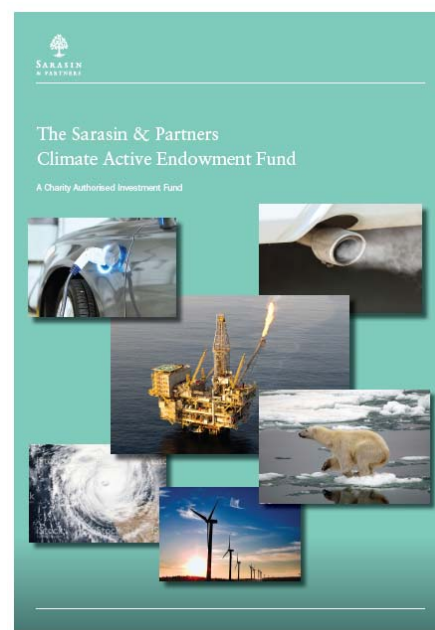
**Aim:** An investment solution supportive of the Paris Agreement

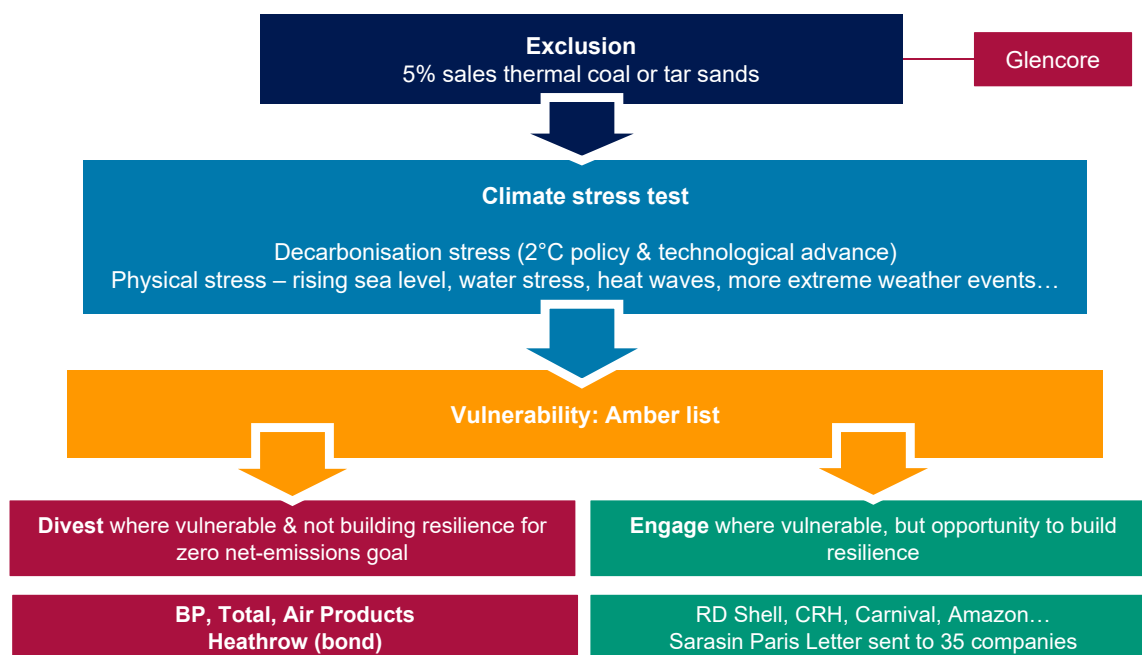
**Core features:**

- Multi-asset: Target return CPI+4%
- With tar sands & thermal coal exclusions
- **Climate risk engagement:** with divestment where risks excessive
- Proactive policy outreach to promote decarbonisation
- Beneficiary participation to enable clients to demonstrate commitment

**Expert advisory panel:**

- **David Pitt Watson** (Ex-founder Hermes Focus Funds, former co-Chair UNEP Finance Initiative)
- **Dr Cameron Hepburn** (Professor of Environmental Economics, Oxford Martin School, Oxford University)
- **Sir John Beddington** (Former Chair of Met Office; former Chief Scientific Advisor to Prime Minister)
- **Heidi Hellmann** (Head of strategy at Centrica; former Head of strategy at BG Group)





## Who owns the Sarasin CAIFs?

- 370 discretionary unit holders
- Largest £71.7m
  - 26 charities over £20m
  - 39 charities between £10m and £20m
  - 52 charities between £5m and £10m
  - 148 charities between £1m and £5m
  - 105 charities with less than £1m
- The average unit holder has invested £5.8m

# Endowments Performance

## Classic and Climate Active

### TOTAL RETURNS TO 30.09.2019

Name	1 Year %	3 Years % p.a.	5 Years % p.a.	Inception % p.a.
<b>Unit Price (Net)</b>				
SARASIN ENDOWMENTS FUND	7.7	7.9	7.7	6.8
SARASIN CLIMATE ACTIVE ENDOWMENTS FUND	8.4			
<b>Target Return</b>				
UK CPI + 4.5%	6.4	7.0	6.2	7.0
	1.3	0.9	1.5	-0.2
<b>Peer Groups (Net)</b>				
ARC Steady Growth Charity Index	5.3	6.4	6.7	5.9
	2.4	1.5	1.0	0.9
Teknometry Charity Performance	4.8	6.9	7.0	-
	2.9	1.0	0.7	-
<b>Gross Performance</b>				
SARASIN ENDOWMENTS FUND	8.6	9.0	9.0	8.1
Index-based Benchmark	6.4	7.8	8.7	7.5
	2.2	1.2	0.3	0.6

\*Performance inception date 31 December 2005

\*\* Asset Risk Consultants (ARC) Steady Growth Charity Index records the performance from a wide variety of charity portfolios that display a level of volatility of between 60-80% of the equity market. Past performance is not a reliable guide to future performance. For more information about ARC, please see 'Important Information' at the back of this document.

# Endowments Performance

## Income & Reserves

### TOTAL RETURNS TO 30.09.2019

Name	1 Year %	3 Years % p.a.	5 Years % p.a.	Inception % p.a.
<b>Unit Price (Net)</b>				
SARASIN INCOME AND RESERVES FUND	9.0	3.8	5.2	5.1
<b>Target Return</b>				
UK CPI + 2% Long-term	3.8	4.5	3.6	4.4
	5.2	-0.7	1.5	0.7
<b>Cash + Comparator</b>				
1 Month LIBOR +2%	2.7	2.5	2.5	3.6
	6.3	1.3	2.7	1.5
<b>Peer Group (Net)</b>				
ARC Cautious Charity Index	4.2	2.6	3.0	4.0
	4.8	1.2	2.1	1.1
<b>Gross Performance</b>				
SARASIN INCOME AND RESERVES FUND	10.0	4.9	6.2	6.2
Index-based Benchmark	10.4	4.6	6.7	6.4
	-0.5	0.3	-0.5	-0.1

\*Performance inception date 31 December 2005

\*\* Asset Risk Consultants (ARC) Cautious Charity Index records the performance from a wide variety of charity portfolios that display a level of volatility of between 0-40% of the equity market. Past performance is not a reliable guide to future performance. For more information about ARC, please see 'Important Information' at the back of this document.

Date	Fixed Income			UK Equities			Global Equities			Property			Alternative Investments
	CAIF	Fixed Income	Rel	CAIF	FTSE All-Share 5% Cap	Rel	CAIF	MSCI AC World Index ex-UK	Rel	CAIF	B'mark	Rel	CAIF
1 Year	12.7	12.3	+0.4	7.1	3.1	+4.0	12.0	7.5	+4.5	8.6	12.7	-2.1	10.3
5 yrs. p.a.	6.7	6.1	+0.6	6.0	6.8	-0.8	14.9	13.1	+1.8	10.0	10.7	-0.6	5.7

**Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and an investor may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. Please note that the above figures do not represent the fund's published performance figures: they show performance prior to the deduction of management fees and all other charges. Management fees will have a negative impact on investment returns.**

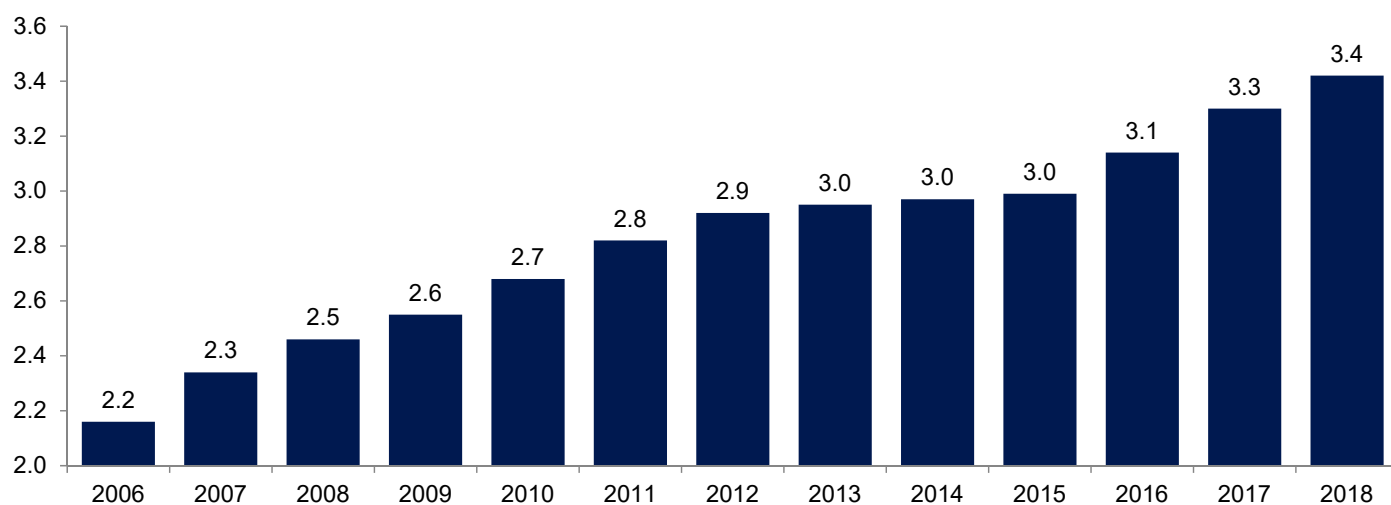
Source: Sarasin & Partners LLP as at 30.09.19. Data collected from the Sarasin Endowments Fund (formerly Alpha CIF for Endowments), a multi asset class Charity Authorised Investment Fund, regulated by the FCA and the Charity Commission and audited by Deloitte. Prior to February 2018, the Government Bond index reflects the performance of FTSE All Stocks (Total Return). Current Benchmark: FTSE All Share 5% capped (Total Return) UK 20%, BofAML Gilts All Stocks Index 9%, MSCI AC World ex UK (Net Total Return) 25%, MSCI AC World ex UK (Local Currency) (GBP) 25%, BofA Merrill Lynch Sterling Corporate 8.5%, MSCI All Balanced Property Funds – One Quarter Lagged 4%, S&P Developed Property Net TR 3.5%, UK cash LIBOR 1 month (Total Return) 5%.

## The key: a sustainable income stream that grows

### Sarasin Endowments Fund

**INCOME HAS GROWN BY 2.9% PER ANNUM OVER THE LAST 13 YEARS AGAINST CPI OF 2.4%: 'REAL' INCOME GROWTH OF 0.5%**

Distribution per unit (pence)



- A proportion of excess income earned is often held back and allocated to an 'income reserve'
- Had the income reserve been fully distributed, annualised income growth since launch would have amounted to 7.5% per annum\*

**The yields quoted have been calculated using price information as at the date of publication and are not guaranteed.**

Source: Sarasin & Partners LLP. Data: Updated Annually, \*Sarasin Endowments Fund (formerly Alpha CIF for Endowments), 31.12.18

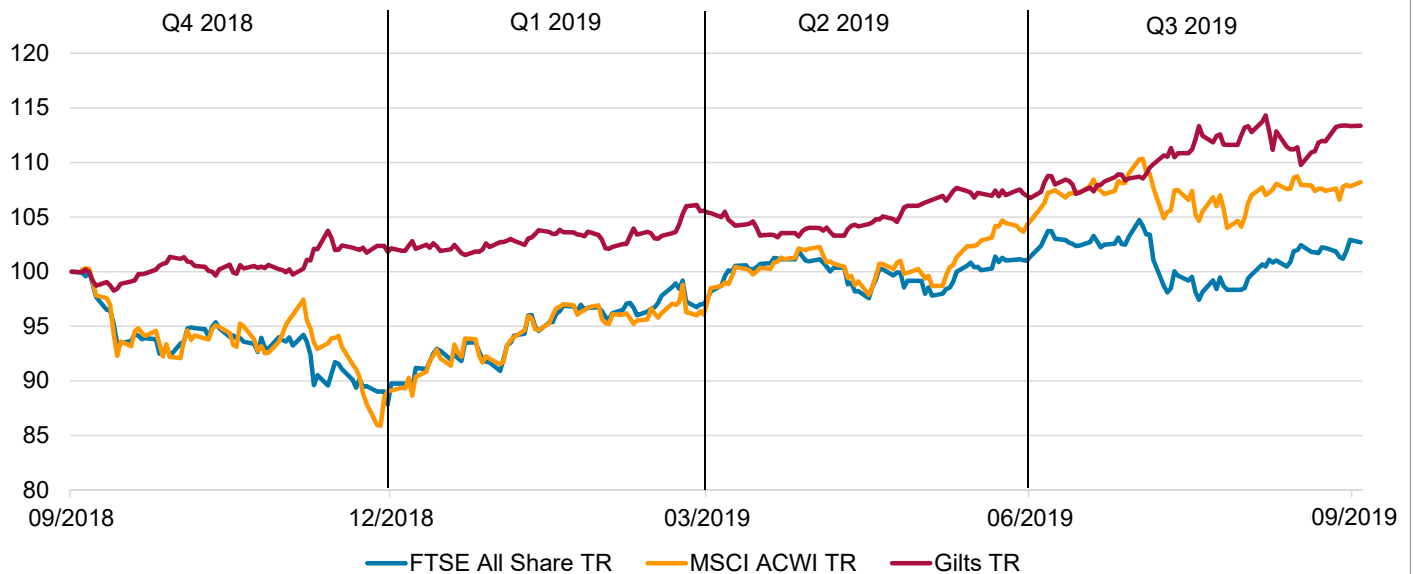


# Performance analysis & portfolio positioning

Phil Collins

## Market backdrop

### GOVERNMENT BONDS OUTPERFORMED EQUITIES

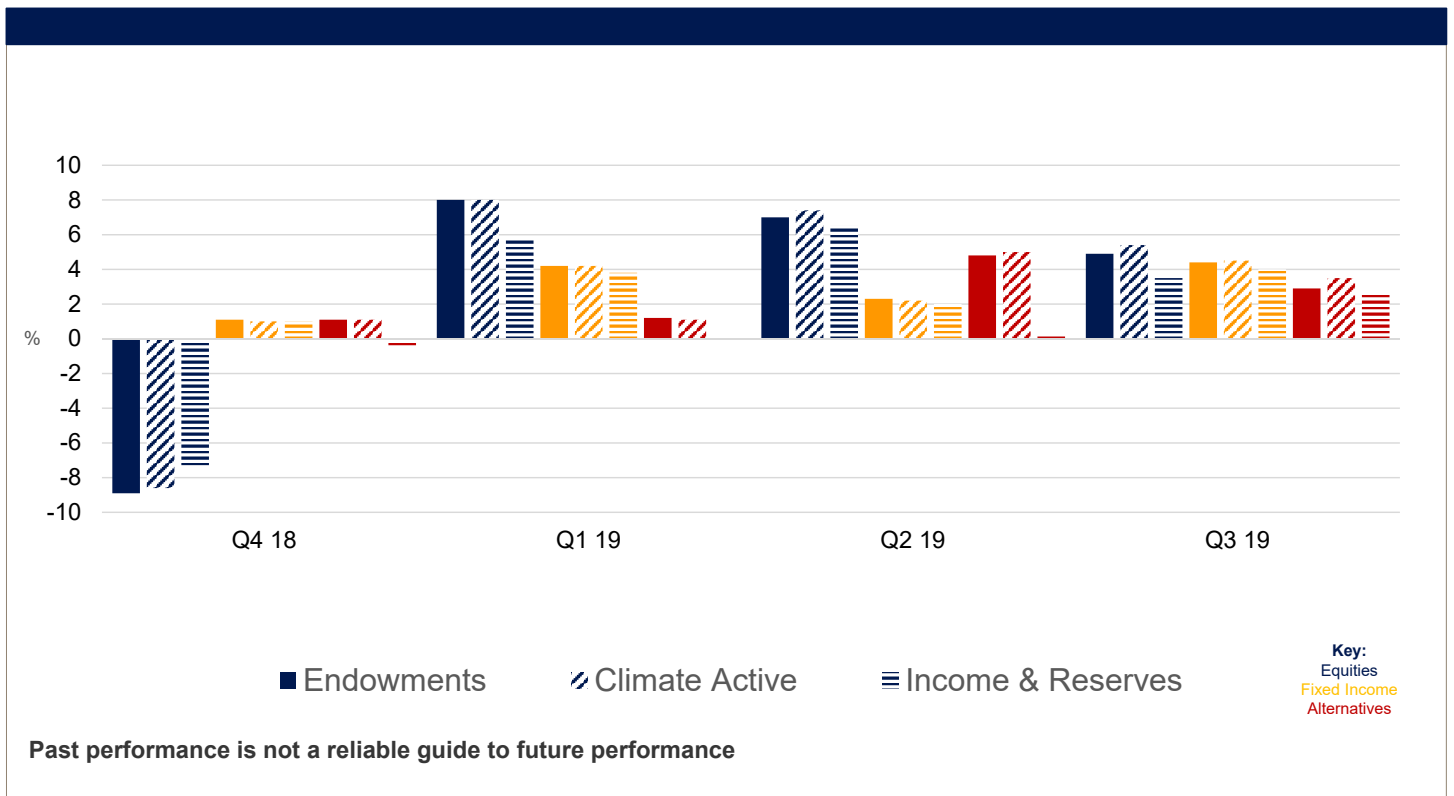


Past performance is not a reliable guide to future performance

Source: FTSE, MSCI, BAML, Bloomberg and Sarasin & Partners LLP, 2019

# Performance

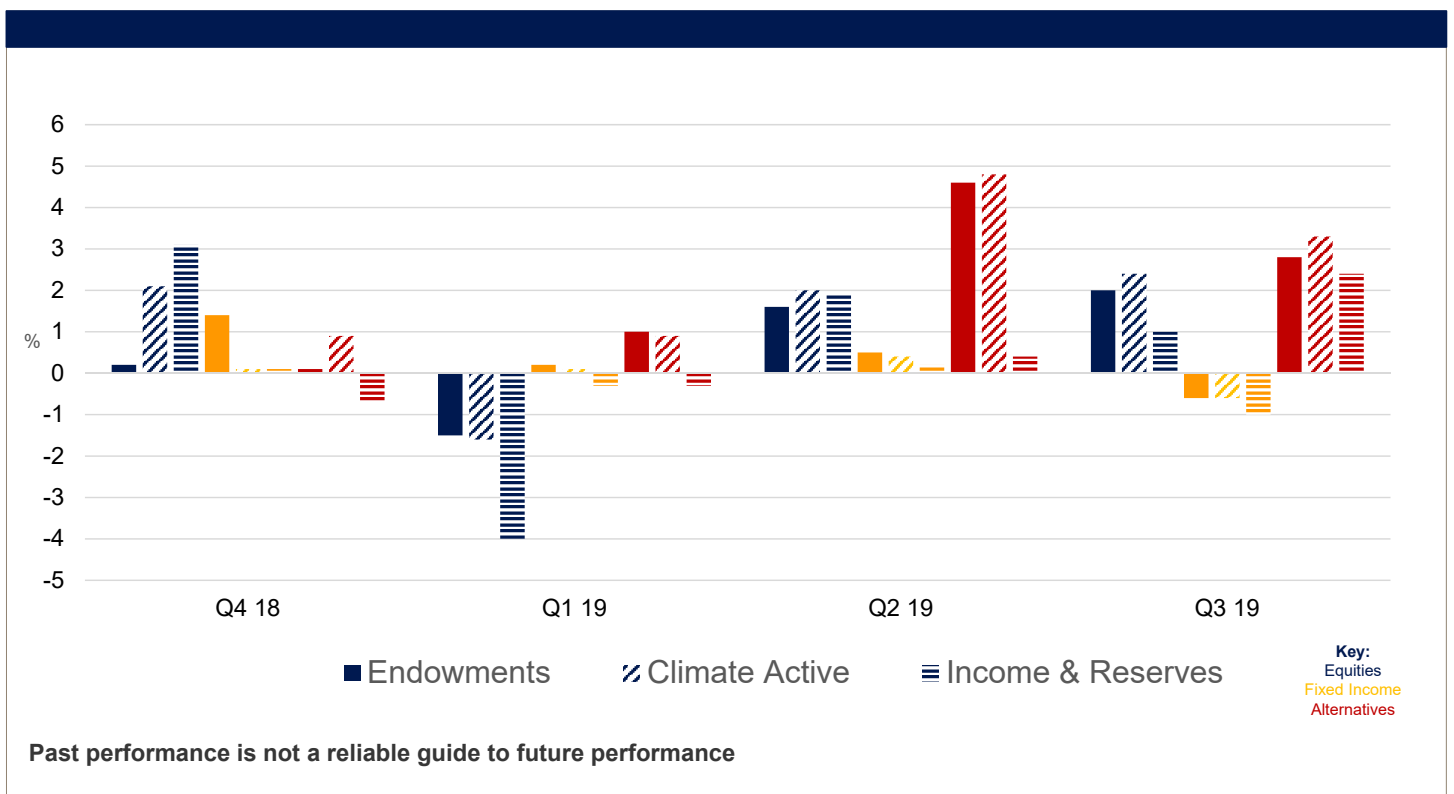
## Absolute Return by asset class



Source: Sarasin & Partners LLP, 2019

# Performance

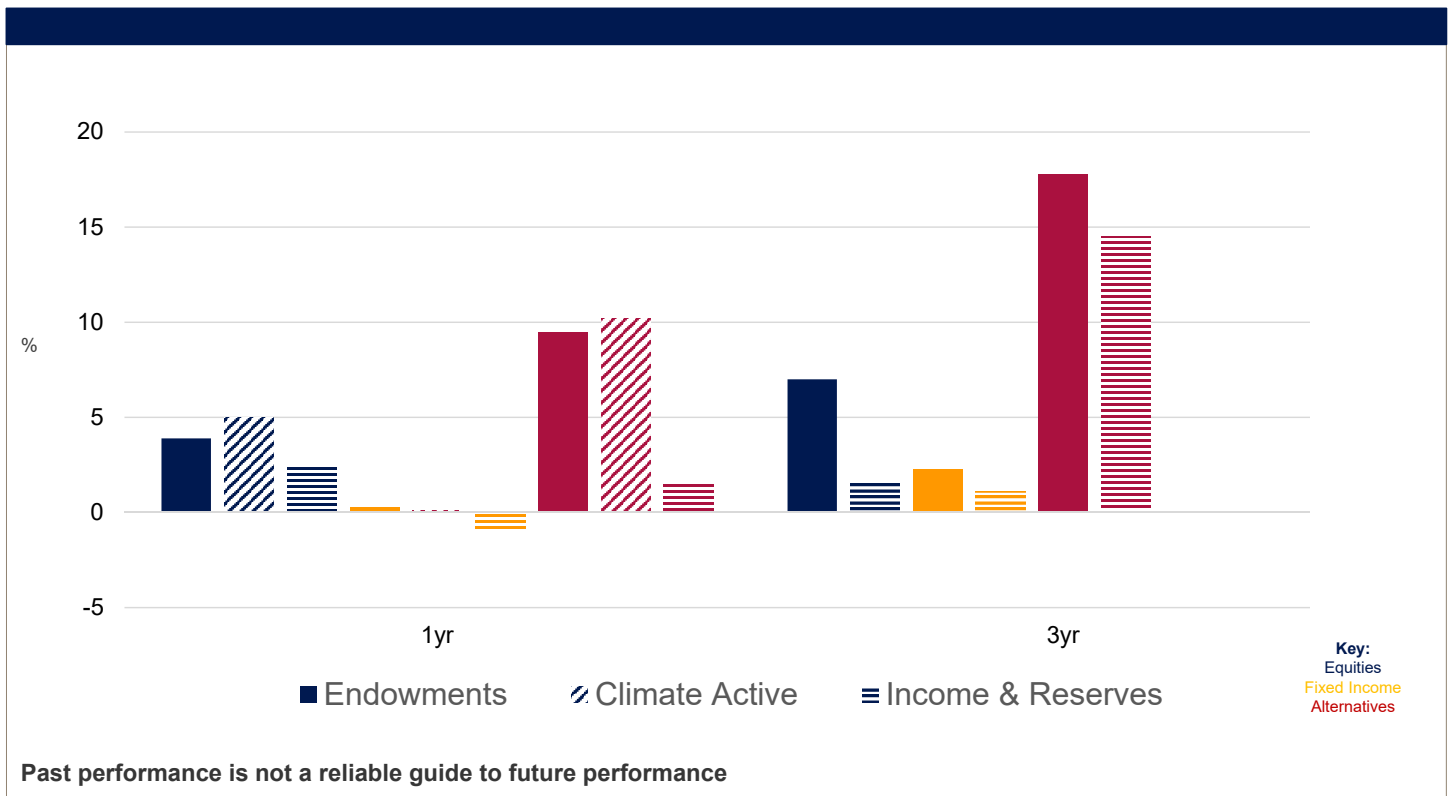
## Relative Return by asset class



Source: Sarasin & Partners LLP, 2019

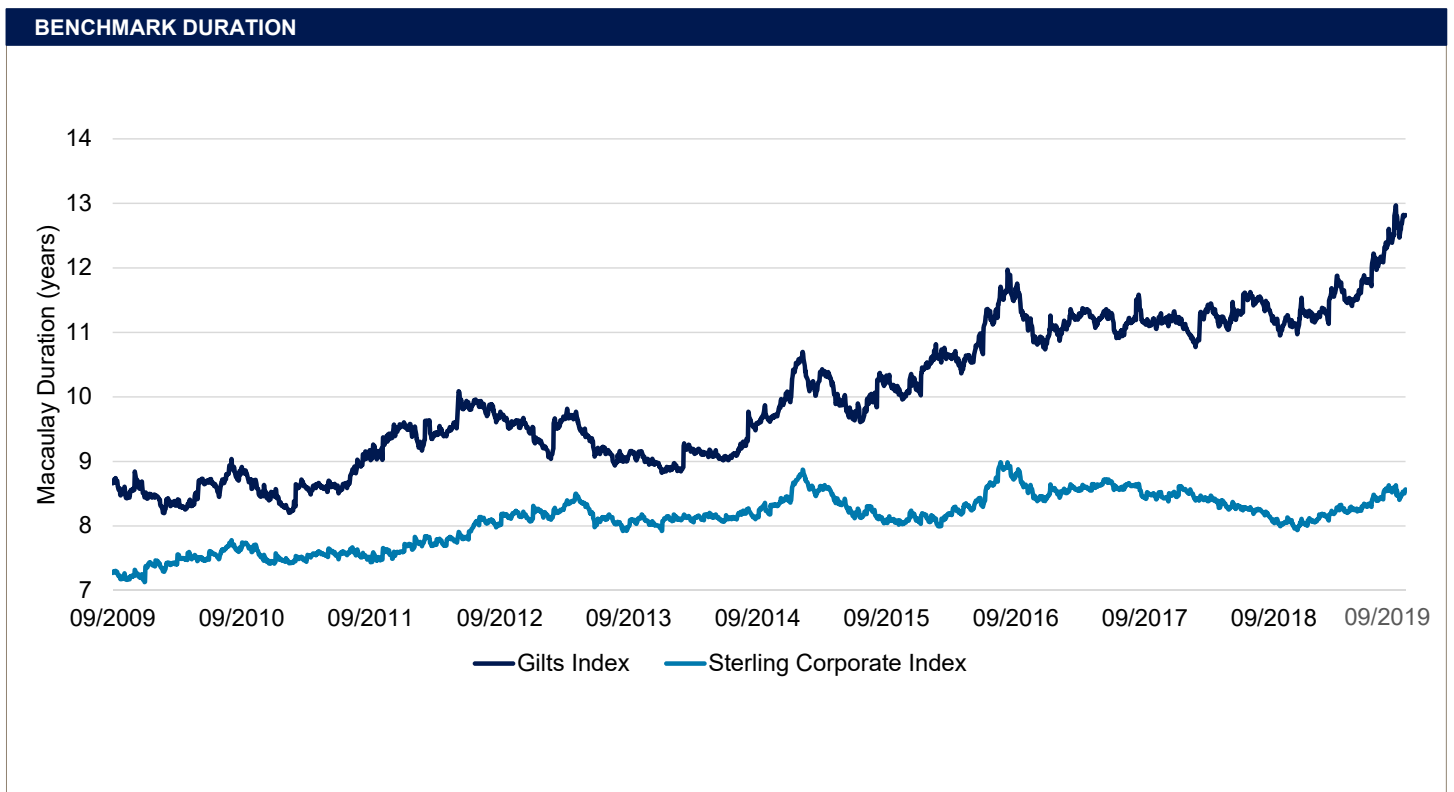
# Performance

## Relative Return by asset class



Source: Sarasin & Partners LLP, 2019

# Fixed Income benchmark duration



Source: BAML, Bloomberg, Sarasin & Partners LLP, 2019

# Utilities



Italian utility transforming from incumbent fossil fuel power generator to renewables



leading US clean energy company



global leader in design, construction & operation of offshore wind turbines



# Energy



integrated oil & gas company establishing an embryonic 'Alternative Energy' division



integrated global energy company, the global leader in the gas value chain



global integrated oil & gas company with differentiated experience in refining, deep water & floating platform exploration





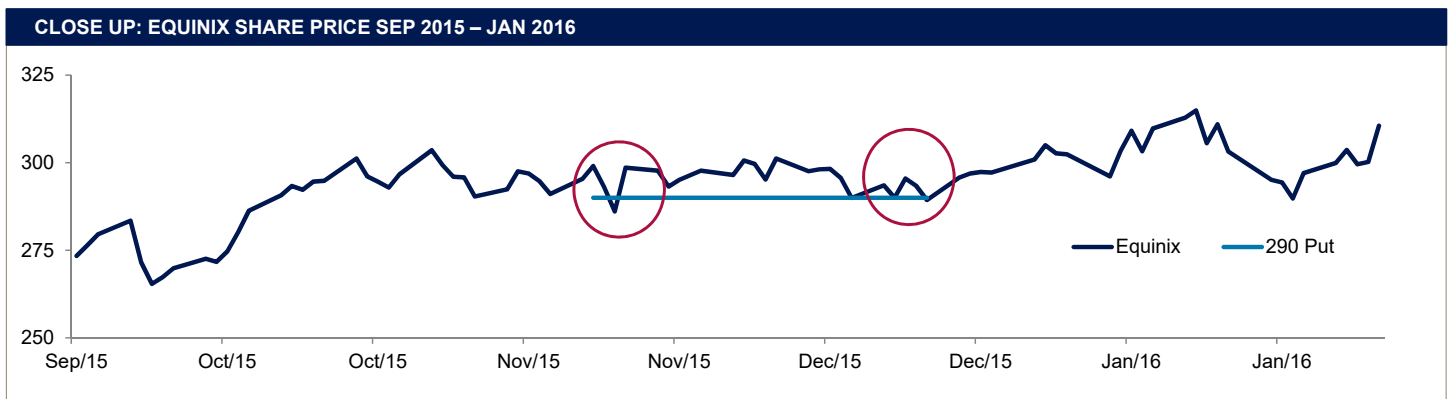
Union Pacific

Sales
Air Products
KAR Auction Services & IAA
Mastercard (r)
Union Pacific (r)
Total (r)
Royal Dutch (r)



Source: Sarasin & Partners LLP, 2019

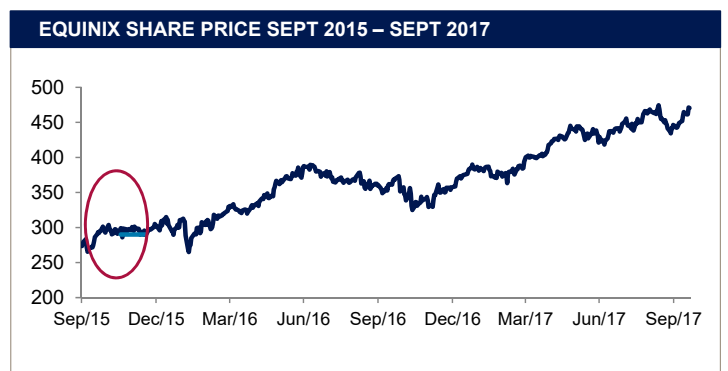
## Example of using options to buy a stock - Equinix



Source: Sarasin & Partners LLP.

- Sold a December 2015 \$290 put in November 2015
- The fund received almost \$6 per share
- The fund commits to buy Equinix at \$290 in December regardless of the market price at the time

**Past performance is not a reliable guide to future performance**



Source: Sarasin & Partners LLP. Alpha CIF for Endowments

# Large equity purchases

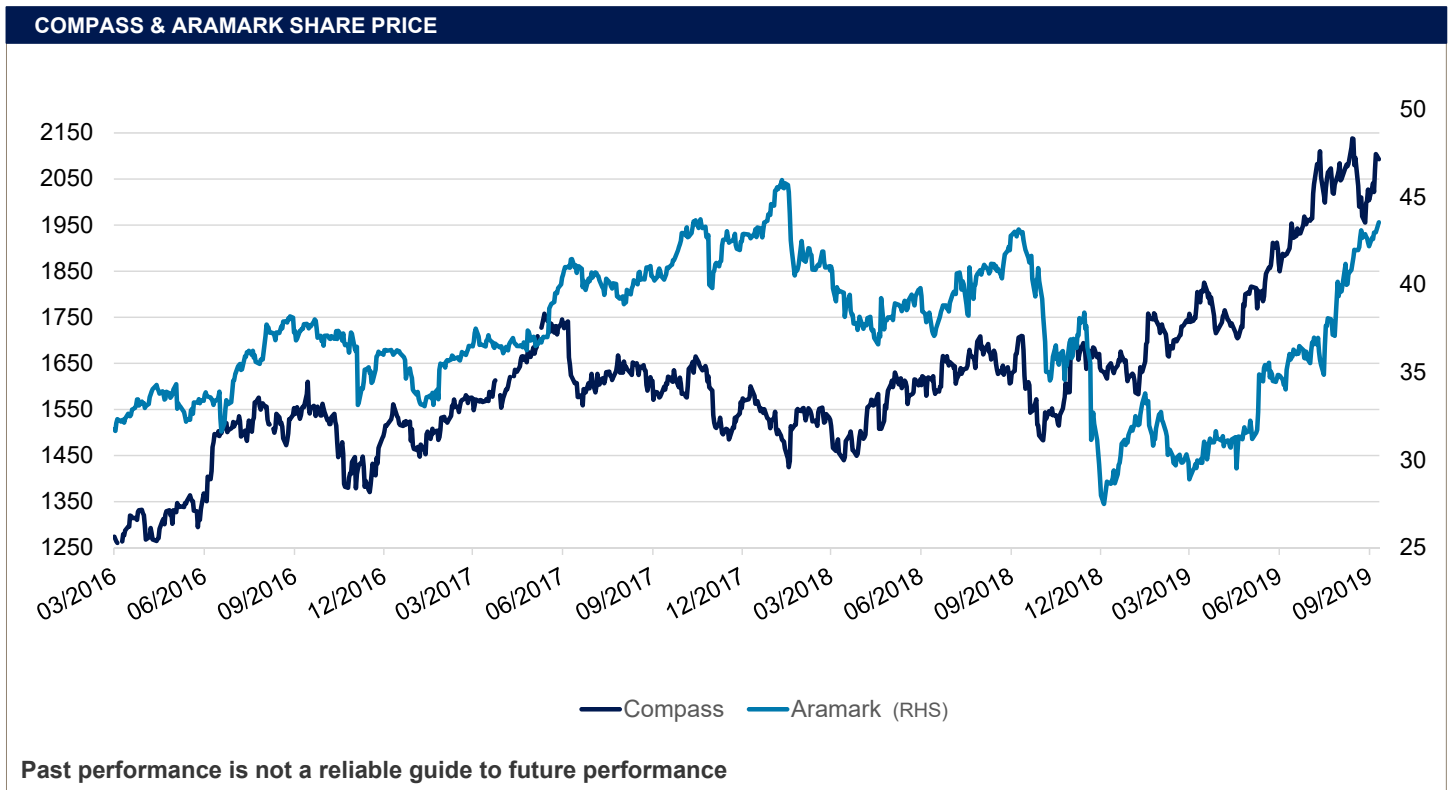


Purchases
Microsoft
United Parcel Service
Accenture
Aramark
Broadcom
Service Corp (i)



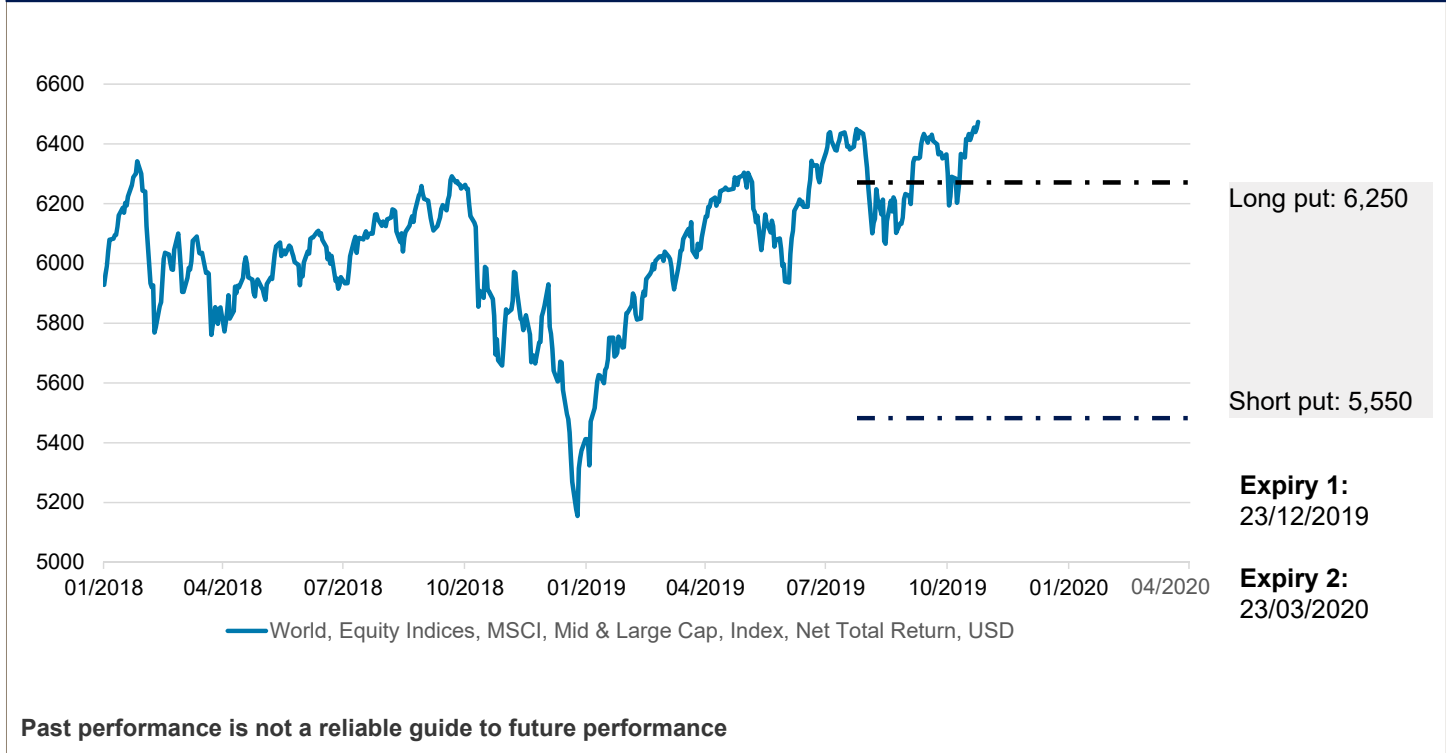
Source: Sarasin & Partners LLP, 2019

# Compass vs Aramark



Source: Bloomberg, Sarasin & Partners LLP, 2019

## PUT SPREAD STRATEGY



Source: Macrobond, 2019

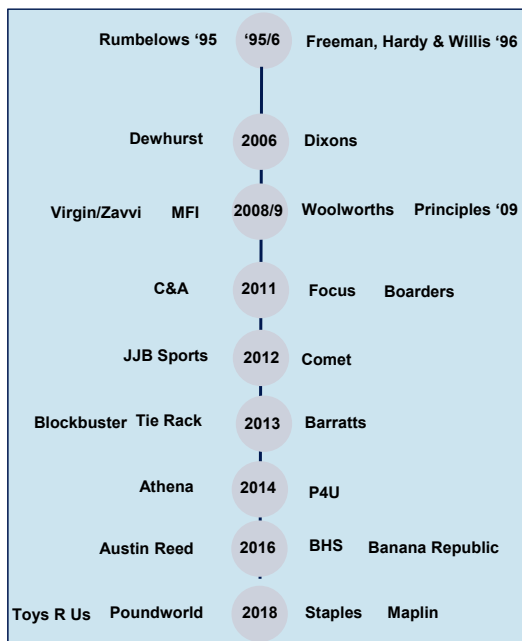
# Equity themes





## Evolving Consumption Disruptive Retail

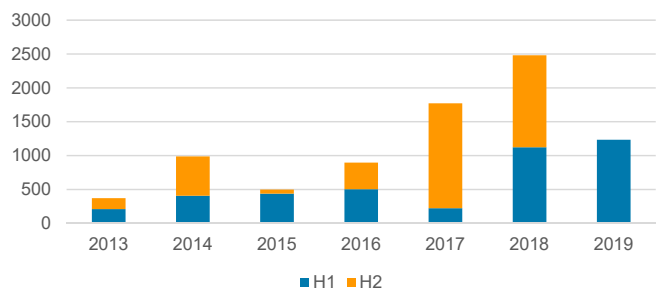
UK High Street brands that have disappeared include:



**Gone into administration:**  
Debenhams  
House of Fraser  
Evans Cycles

### HIGH STREET NET CLOSURES

#### Annual high street store net closures



	2019	2009
Marks & Spencer	184	346
Kingfisher	207	213

Source: Bloomberg, Sarasin & Partners LLP, 2019



# WHSmith

**Company description:** WH Smith is one of the UK's leading retailers. In the Travel business, the company retails travel essentials at airports, train stations, hospitals and workplaces through 1000+ stores across 20 countries. The High Street business comprises 578 stores retailing a wide range of products, including stationery (almost half of High Street sales), books, newspapers, magazines and confectionery.

**Investment thesis:** UK Travel is a high margin business in a strong growth phase driven by the rollout in hospitals and a strong airport presence. International travel has seen a step up with the InMotion acquisition giving them exposure to the US and the potential to expand varied format offerings worldwide. The high street business is seeing good margin growth through a sales shift, partnerships and cost cutting.

**Factors supportive of the investment case:**

- **Strong UK Travel franchise:** Travel, and particularly airports, is the growth engine of the group. Space growth and mix management is allowing growth to outperform traffic. In addition, WH Smith's push into the hospital channel provides a further runway for growth.
- **International Travel retail:** The InMotion acquisition provides a new format (digital accessories) for expansion globally plus a route for the WHS format to expand into the US.
- **Cost control culture:** Profits in the UK High Street business have continued to rise (despite lower sales) on a shift in mix, strong cost control, rent savings and partnerships (Post Office, M&S, Costa).
- **High capital generation:** Organic growth, new store adds and an improving margin as the group shifts further towards travel means earnings and cashflow growth. Low debt and cash generation supports a good progressive dividend and annual share buybacks.



Source: WH Smith

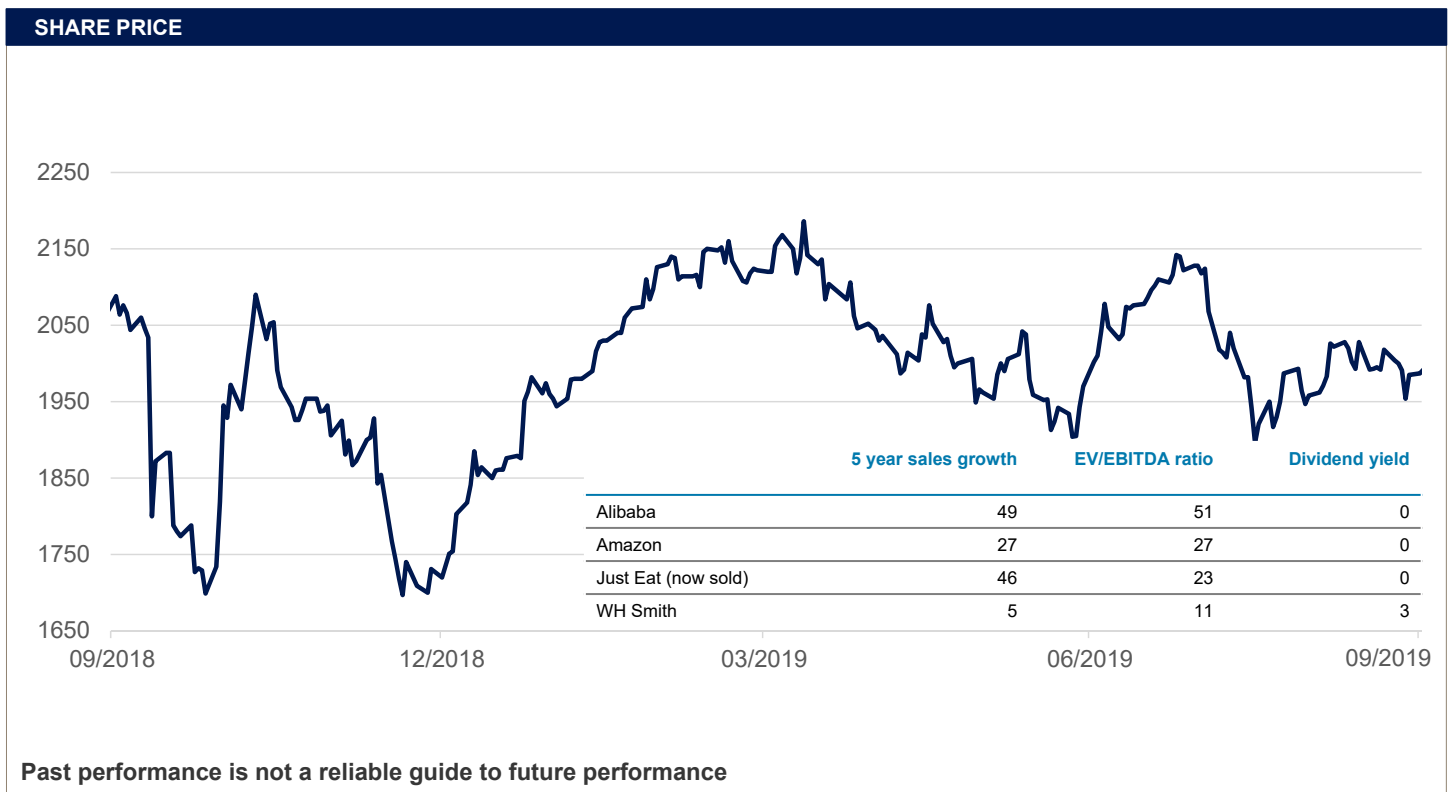
**Stewardship:** The group is dependent on travel volumes with air travel likely to be affected by carbon regulation. Rail is being encouraged by regulators.

Almost all waste from the stores is recycled and the group is actively minimizing packaging and plastics. 95% of own brand products now originate from recycled materials.

The CEO total realised pay and bonus is high relative to peers but is aligned to performance through a number of appropriate target metrics. The Board looks a little light on numbers, diversity and independence.

**Engagement:** Carbon targets, Supplier oversight, remuneration policy and board structure.

## WH Smith share price



Source: Bloomberg, Sarasin & Partners LLP, 2019

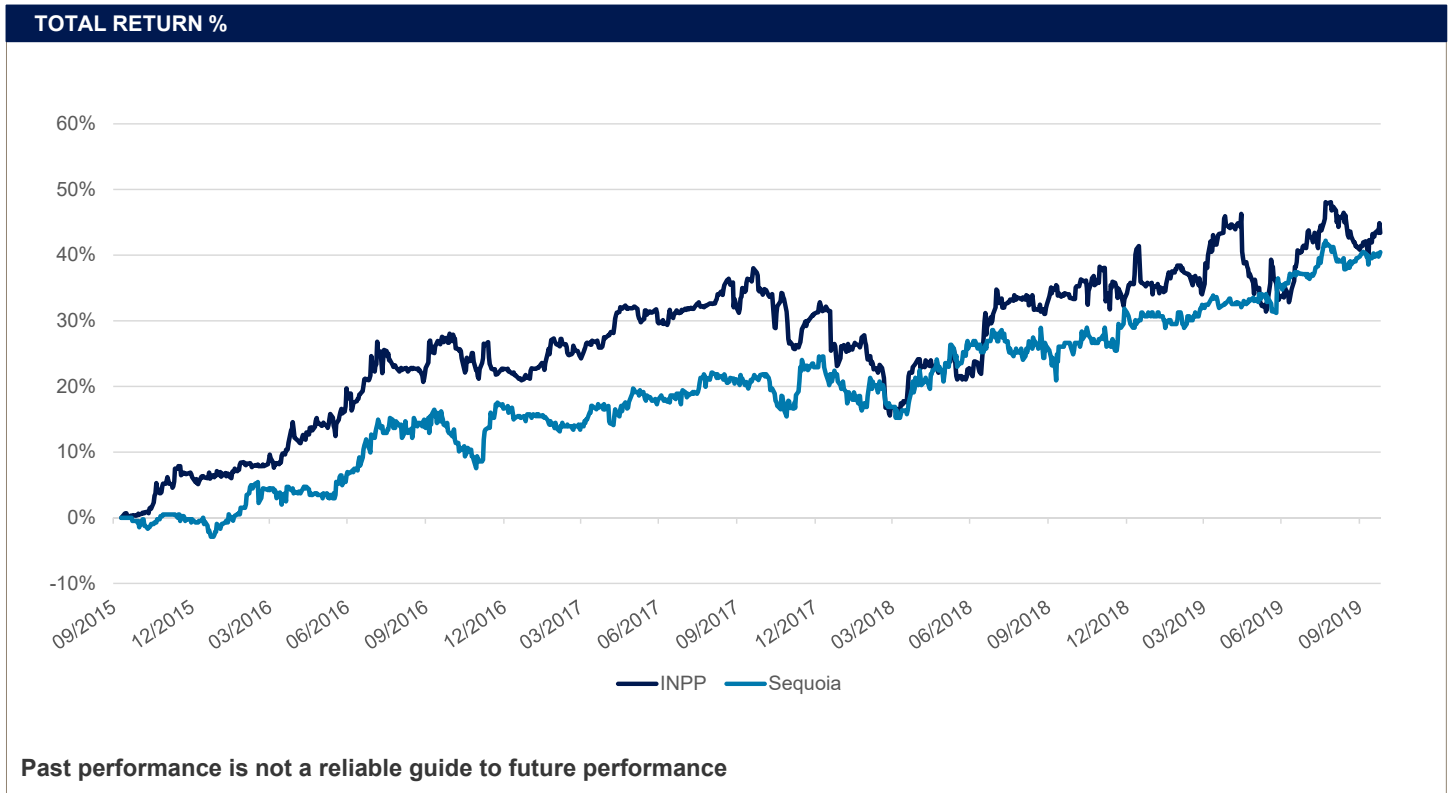
# Sarasin Endowments Fund Alternatives

	2016	2017	2018	2019	
<b>Alternative Credit</b>					
Alcentra	[Green bar]			Sold	<b>Reduced to virtually nothing</b>
Chenavari	[Green bar]			Sold	
NB Distressed Debt		Sold			
Principal SQN			Sold		
Twenty Four Income	[Green bar]			Reduced	
<b>Alternative Equity</b>					
Oakley	[Green bar]				<b>Unchanged</b>
<b>Uncorrelated</b>					
Gold		Increased	Reduced	Increased	<b>Increased</b>
NB Uncorrelated					
Sarasin Absolute Return			Reduced	Sold	
<b>Infrastructure</b>					
3i Infrastructure		Reduced	Sold		<b>Reduced focus on UK</b>
Bluefield Solar				Sold	
Greencoat Wind		Reduced		Sold	
INPP					
Sequoia					
US Solar					

# Oakley Capital Investments

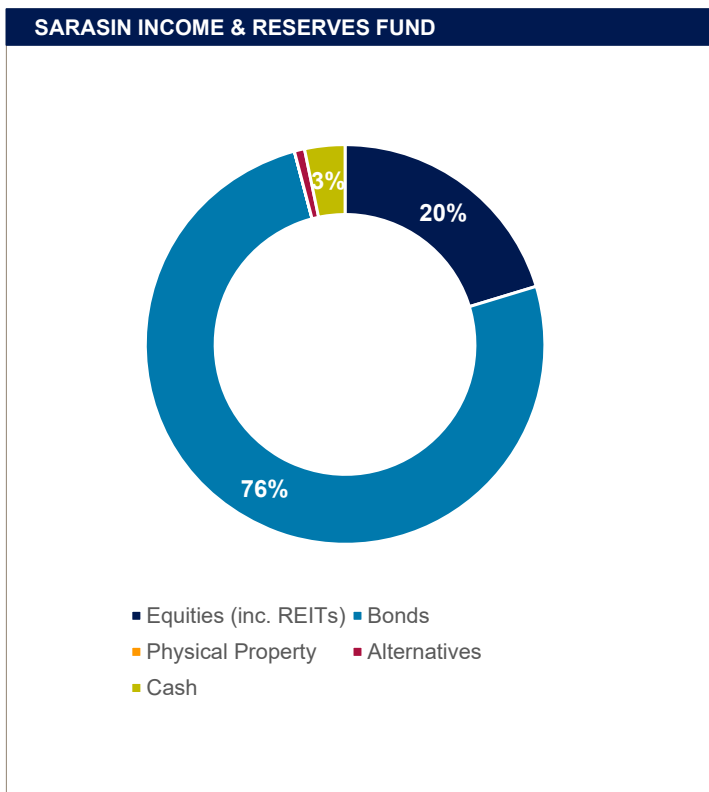


Source: Bloomberg, Sarasin & Partners LLP, 2019

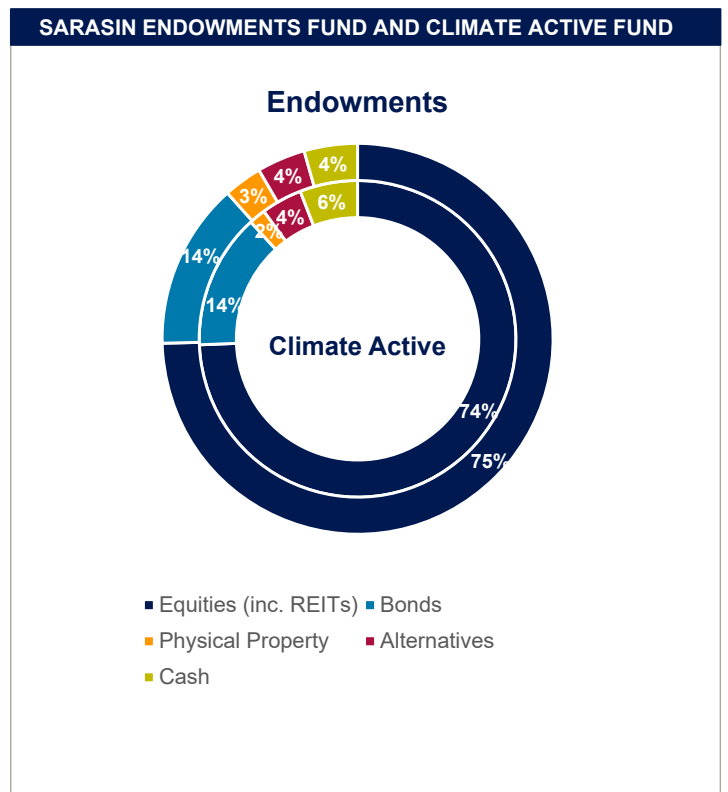


Source: Bloomberg, Sarasin & Partners LLP. Note: data rebased at 0 on 30/09/2015.

## Broad asset allocation

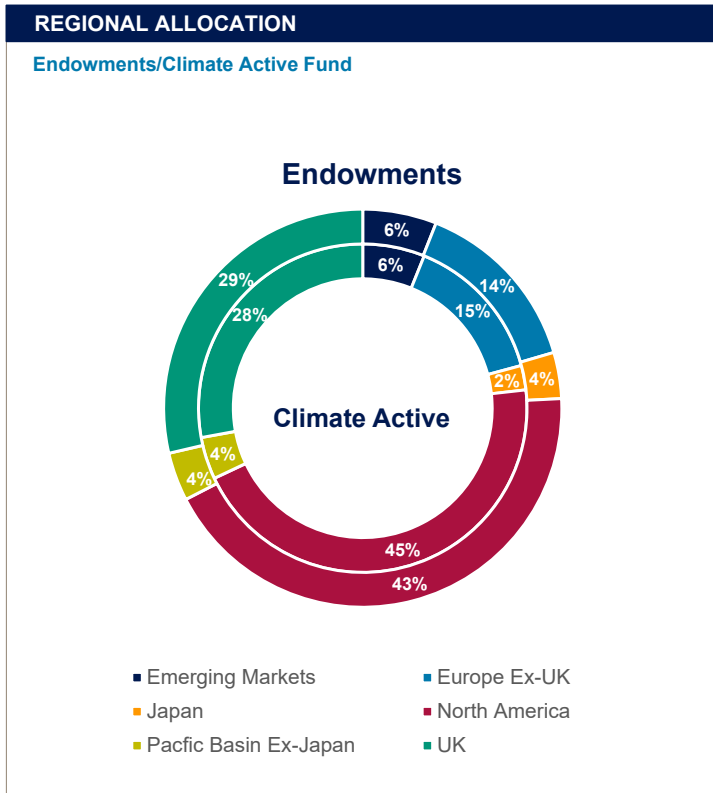


Source: Sarasin & Partners, 30.09.19

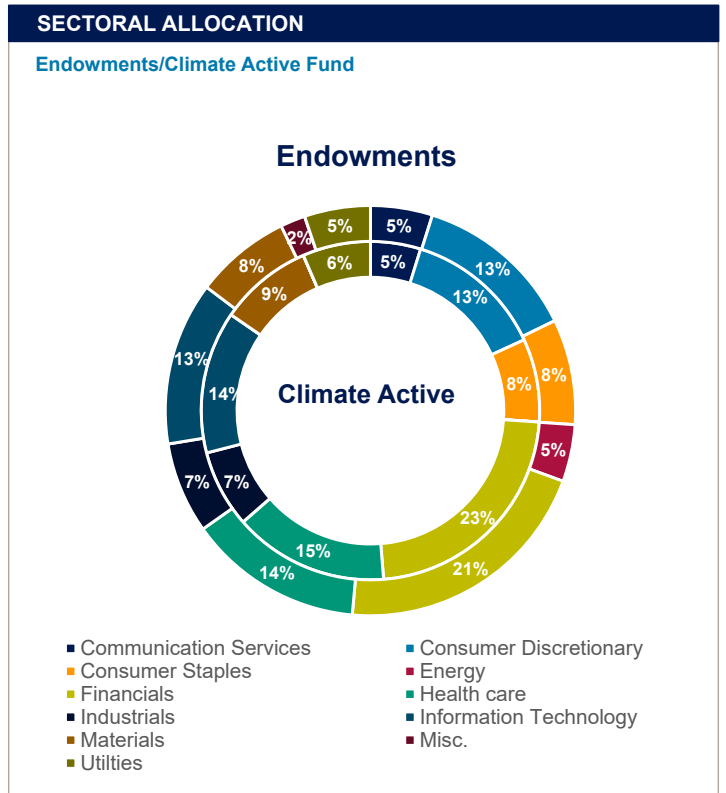


Source: Sarasin & Partners, 30.09.19

# Sarasin Endowments & Climate Active Equity allocation

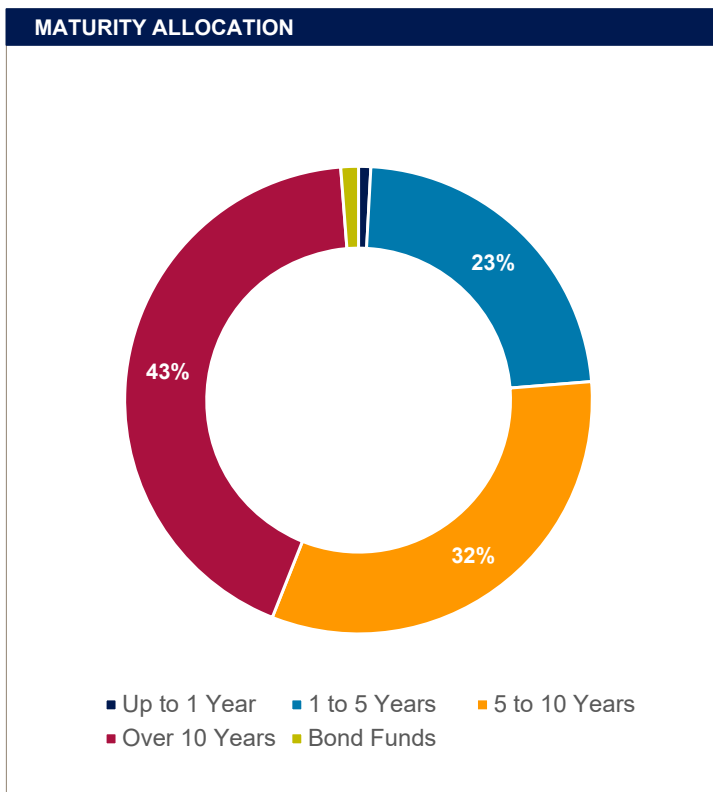


Source: Sarasin & Partners, 30.09.19

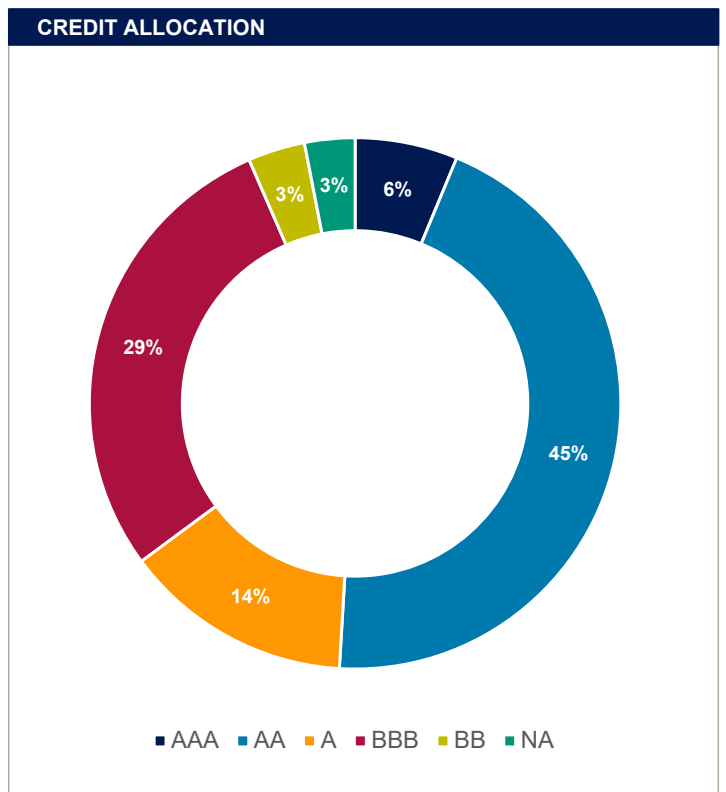


Source: Sarasin & Partners, 30.09.19

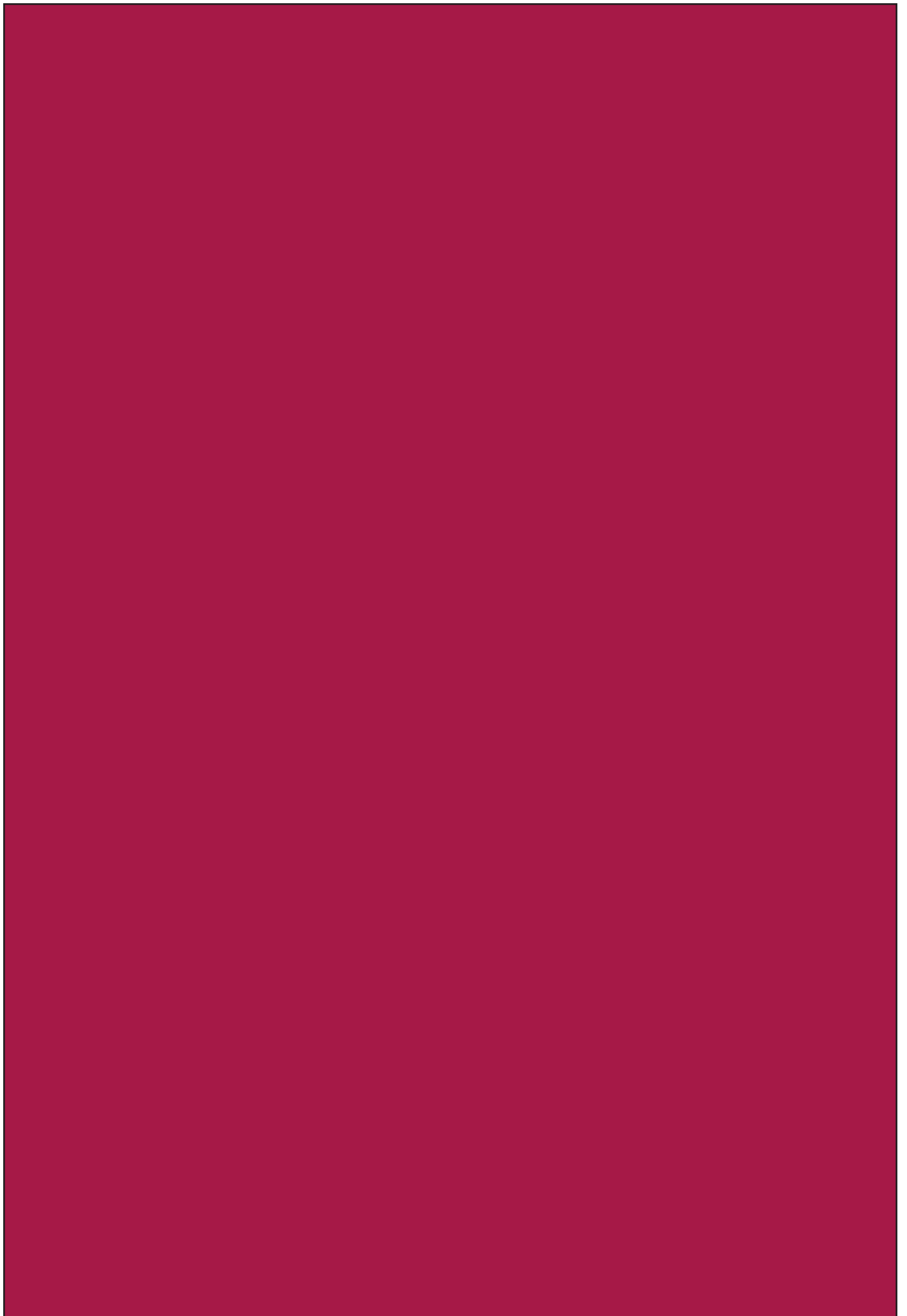
# Sarasin Income & Reserves Fixed Income Allocation

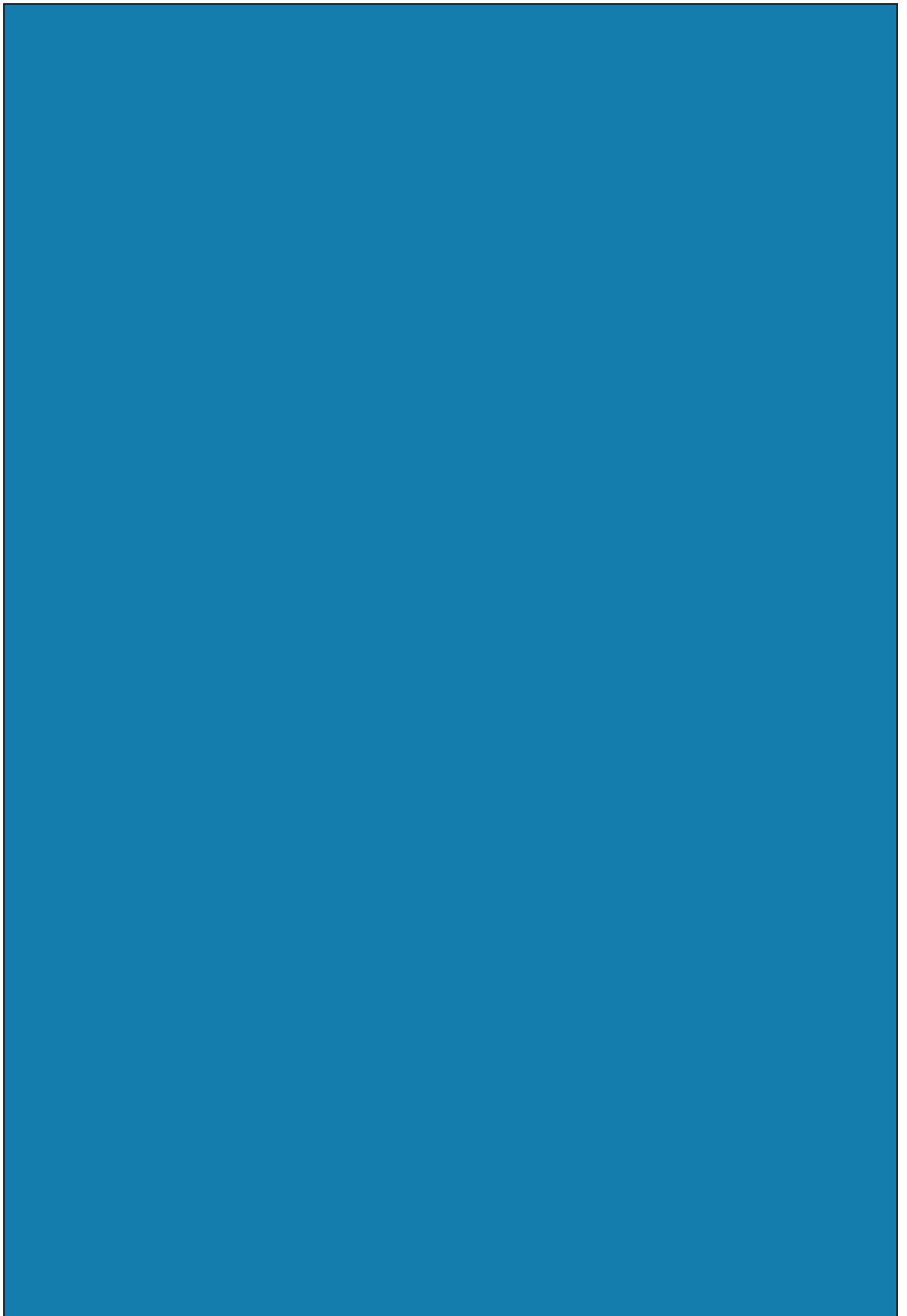


Source: Sarasin & Partners, 30.09.19



Source: Sarasin & Partners, 30.09.19





# 12 months of Stewardship

Natasha Landell-Mills

## Stewardship refresher

What?



Why?

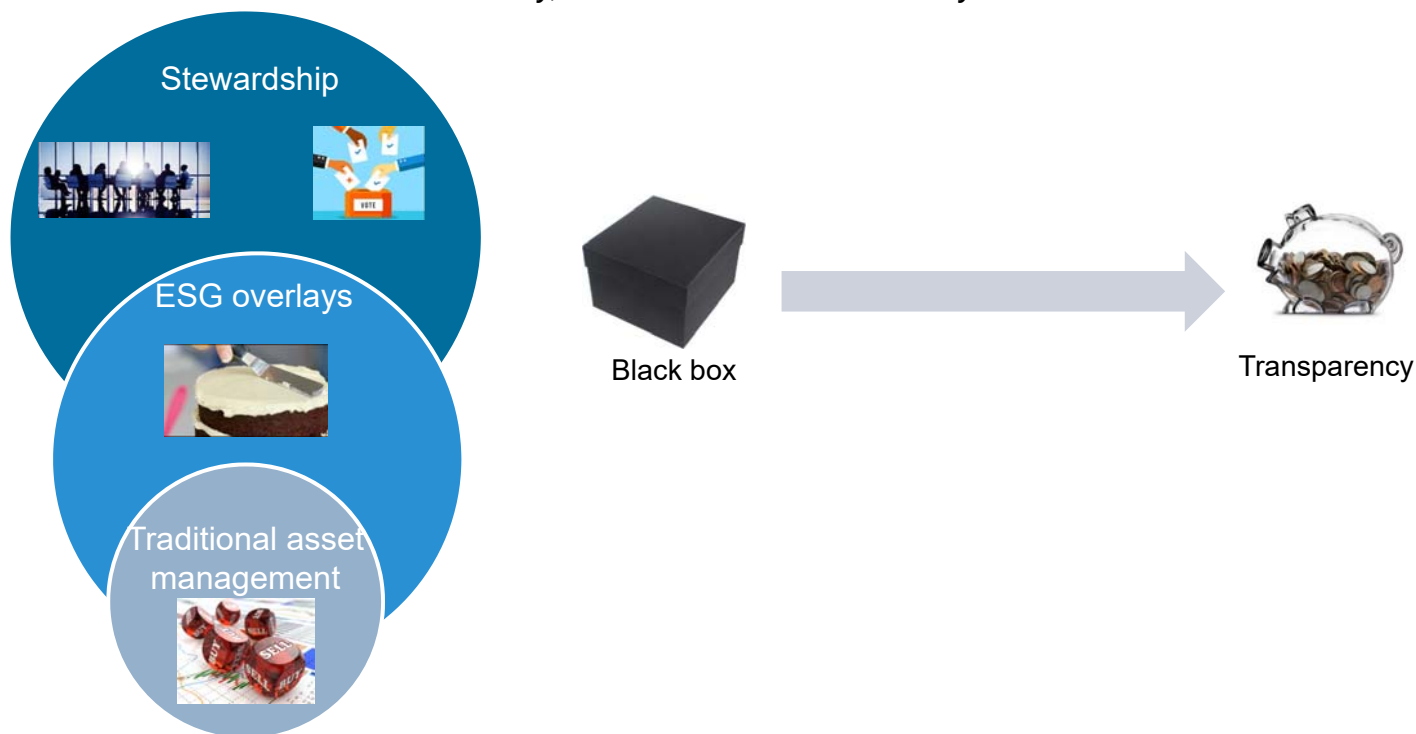


How?



# What is stewardship?

*FRC (October 2019): “.. Stewardship...creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”*



# Why stewardship?





The UK's Department for Work and Pensions is implementing new rules (effective from October 2019) that require pension fund trustees to update their statement of investment principles to explain **“how they take account of financially material ESG considerations, including specifically climate change”**



FCA proposes new measures to encourage effective stewardship



FRC strengthens Stewardship Code

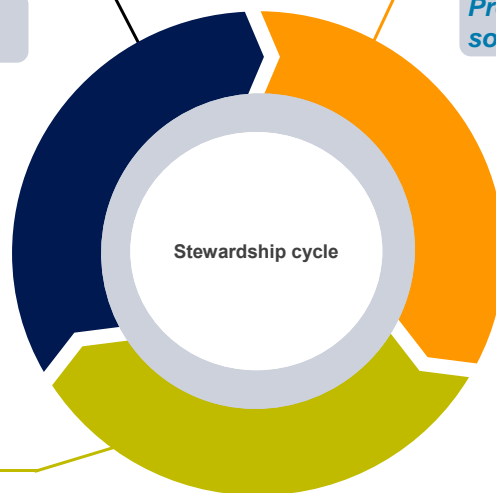
## How is Sarasin implementing stewardship?

### Embedded ESG

Deploy capital to benefit society

### Proactive ownership

Press companies to benefit society



### Ripple effect

Press governments to enforce policies that benefit society

**Goal: to protect and enhance capital**

# Ownership highlights 2019

## Ownership Discipline – new in 2019



### Principles for Engaged Company Ownership

#### Context

Responsible stewardship is fundamental to our investment process. This is because we believe that we are most likely to deliver enduring value to our clients through the careful selection of investment targets and the close monitoring of those companies we hold on our clients' behalf. Before we commit our clients' capital to a company, we undertake detailed due diligence guided by our thematic investment process. Once our clients become owners, we stay close to management as well as industry / sector or broader macro-economic or political developments that could have a bearing on the underlying health of the company.

On occasion, we encounter unexpected threats or risks. In these instances, we review the ownership case. We consider the evidence before us, and whether we can positively influence the path the company might take, or the threat it faces. Where we believe we can play a helpful role to restore or secure the company's prospects, we will seek to do so. However, with any such engagement – whether it is with management, the Board of Directors, regulators or other stakeholders – we will proceed prudently, cognisant of the potential influence we can exert, and in keeping with the relevant regulatory context.

This document sets out principles that govern how we manage company engagements. We hope this offers our clients insight into how we fulfil our stewardship responsibilities on their behalf, and provides the companies with whom we engage (as well as other interested parties) transparency around our motives and the methods we may employ.



*We liaise with other shareholders to share concerns and to ensure a more powerful voice where this is appropriate and permitted by the relevant regulatory regime*

April 2016

#### Principles

**A long-term mindset:** We aim to work with our clients' companies to promote their long-term prosperity, as we believe this underpins healthy and sustained share price performance. We do not look for short-term fixes that may be achieved at the expense of longer-term performance.

**A constructive attitude:** We seek to act as partners with companies, which is a natural sequitur to an investment process that looks for strong long-term investment opportunities. We favour thoughtful and self-critical management teams that welcome shareholder views and inputs.

**Commitment to challenge disappointing behaviour:** While we support management that is doing well, we are committed to raise questions or challenge behaviour we deem to threaten the company's long-term prosperity and our clients' capital.

**We do not micro-manage:** Constructive and active engagement does not mean micro-management. We firmly believe our role is to support effective management teams, and where we have concerns we will communicate these. In the end, however, it is up to the Board and senior management to resolve any challenges, and fine-tune the details of how their plans will be implemented.

**We use our clients' voting rights:** We are considered, but robust in our approach to voting. We have clear voting guidelines that are publicly available. We are willing to override our voting and governance policies where we believe this is in our clients' interests, and will record our justification for doing so. Where we vote against the Board on an important resolution, and we believe this needs to be communicated to directors, we will initiate a dialogue on our concerns.

**Our conversations with companies are generally confidential.** We will not make public correspondence from a company that has been written in confidence, unless this is first agreed with the company concerned. Also, our own letters to companies will remain confidential, unless we have explicitly indicated otherwise.

**However, we will speak out publicly on any matters of concern where we believe this is necessary or helpful to protect or enhance our clients' capital.** This may be through our own publications or quarterly reports to clients, or through other news outlets where appropriate. We will normally notify the company if we have been involved in a dialogue with them about concerns we have prior to making a public statement.

**We liaise with other shareholders to share concerns and to ensure a more powerful voice where this is appropriate and permitted by the relevant regulatory regime.** We do not seek to be 'taken inside': We operate in public markets and all of our interactions are governed by local laws and regulations that seek to ensure a level playing field for all investors. We are clear that we do not normally wish to receive any material non-public information. In the rare case where we are in receipt of 'inside' information, we have policies to ensure we abide by the required procedures to prevent the spread of this information or any associated trading.

## THERE ARE MANY TOOLS IN AN INVESTOR'S ARMOURY



A letter direct to company management



Shareholder coalitions



Voting



Regulatory Action



Public Letter/Campaign

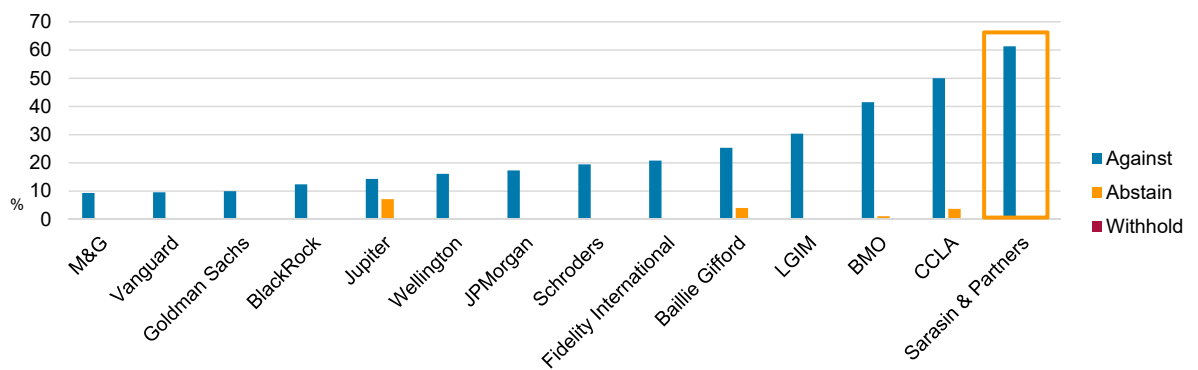
# Voting record (July 2018 – June 2019)

**Remuneration**

Common reasons for us to vote against:

- > Less than 4x shareholding requirement
- > Don't have post-departure holding requirement

Source: Sarasin & Partners, Proxy Insight

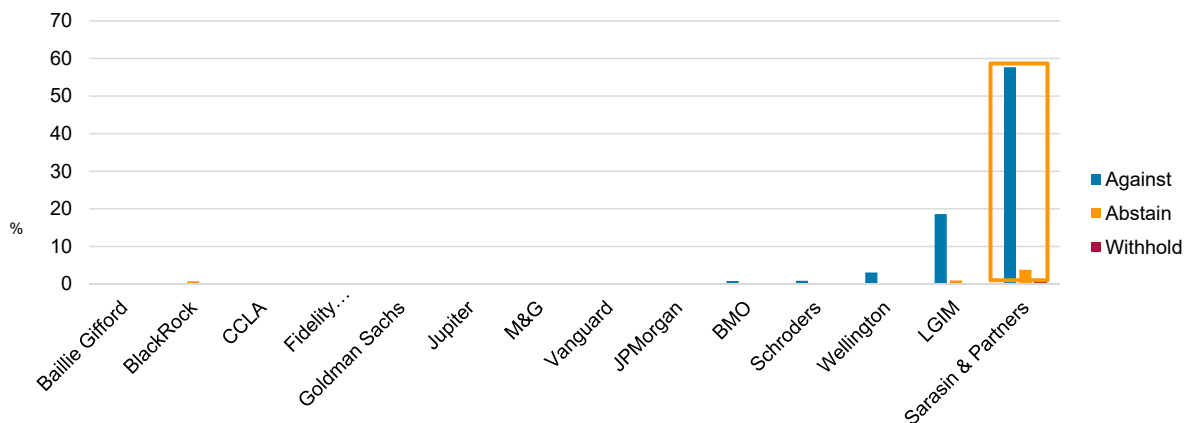


**Auditor**

Common reasons for us to vote against:

- > Non-audit fees > 25% of audit fees
- > Tenure > 15 years

Source: Sarasin & Partners, Proxy Insight



	<p><b>Halma – Against Remuneration</b></p> <ul style="list-style-type: none"> <li>• Shareholding requirement for CEO – only two times basic salary</li> <li>• No post-departure holding requirement</li> </ul>	<p>96% support</p>
	<p><b>J.P.Morgan – Against Remuneration Chair</b></p> <ul style="list-style-type: none"> <li>• Excessive quantum (\$30mn) &amp; lack of stretching targets</li> <li>• Excessive tenure: 30 years</li> </ul>	<p>94% support</p>
	<p><b>Shell – Against auditor (EY)</b></p> <ul style="list-style-type: none"> <li>• Lack of consideration of Nigerian bribery allegations</li> <li>• Failure to account for and report on material climate risks</li> <li>• Conflicts as EY was formerly auditor for BG Group</li> </ul>	<p>99% support</p>

## Engagement impacts

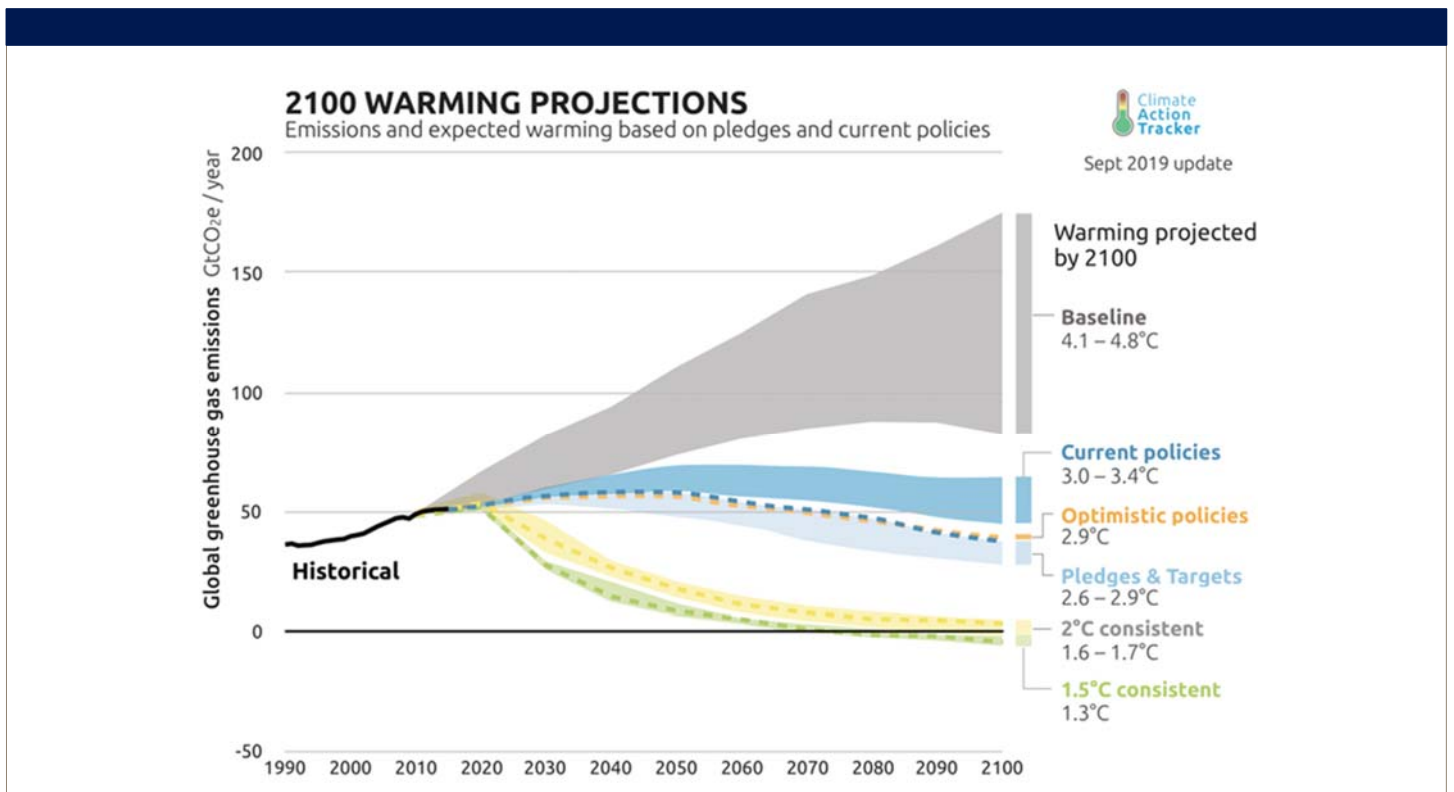
Royal Dutch Shell



<p>Timeline includes key highlights; it is not comprehensive Prior to 2017, we co-filed a shareholder resolution with Aiming for A calling for better disclosure on climate risks</p>	<p><b>June 2019</b> Divestment from c20% of overall holding (Climate Active &amp; Thematic) following Shell's failure to align capex with Paris goals – wide media coverage</p>
---	---

# Having a ripple effect - 2019 highlights

## Climate change is perhaps the biggest threat we face



Source: Climate Action Tracker, 2019

**Are oil and gas companies overstating their position?**

A review of long-term oil price assumptions underpinning company balance sheets

Natasha Landell-Mills, Head of Stewardship

August 2018

MONDAY 14 OCTOBER 2018

OPINION

**Climate Change**

### Asset managers must use their votes to tackle climate change

Tasked with voting for directors on behalf of millions of savers, they have the power to make a difference

NATASHA LANDELL-MILLS

A vote emerges from the 2018 voting season for listed companies – the first of many – where shareholders have more than doubled their responsibility to help address the climate crisis. At Standard Chartered, BP, Shell and Total, investors were approached with an average of 100 per cent support from shareholders.

But those companies are collectively planning billions of dollars and fossil fuel investments, which increases the climate risk and makes increasingly questionable investment returns. Investors need to reassess and this must mean change to the corporate leadership – promoting it. Asset managers, tasked with overseeing companies and voting for boards of directors on behalf of millions of savers, have the power to influence this.

Companies continuing to deploy capital on a new fossil investment they look set on to be a pathway to financial risk in the transition to a low-carbon economy. According to research by Carbon Tracker, for example, the carbon emissions generated by roughly 50 per cent of expected capital spending on new oil projects by the end of 2025 will exceed what the world can absorb.

Industry likewise often invest in new infrastructure and equipment without considering its climate impact. Several, whose companies fail to take this account, the regulatory measures that governments will inevitably take to combat climate change, their profits are likely to be hit. Investors, shareholders, should advance in clear technology only being beyond the horizon.

It should be self-evident that businesses linked to the fossil fuel economy are increasingly under pressure to align with the 2015 Paris agreement's goal of keeping global warming well below 2°C, and set out a credible strategy for getting there, which protects shareholder capital. This one means shifting capital away from carbon-intensive oil and coal, investing, such as in according to think tank, that 2018 as a new benchmark of oil and gas to roughly what the world can absorb.

To drive decarbonisation, companies must assert progressive stances on their sites. If a company's listed, shareholders can do this. The question is: do asset managers use their votes to help managers to do this? The answer, I believe, lies in the hands of the asset manager.

Another obstacle is short-termism. The fossil fuel industry believes climate change is unlikely to affect them over the next quarter or financial year when they are focused. Some believe their fiduciary duty prevents them from voting. Where asset managers fail to reflect material risks in their investment process, it is hard to see how they are helping their clients' interests. But, where they do, they are helping to secure the future of listed companies.

In the financial 2018, directors at banks were notably disappointed with more than 90 per cent support despite convincing strategies that led to a 100 per cent hold-up of risk. The comprehensive list that arrived will available for the first time in 2018.

David Sporn  
Managing Partner  
Climate LLP  
2, Lower Scahill  
London EC4A 3DE

11 January 2019

Dear Mr. Sporn,

**Investor expectations: auditor assurance that companies are accounting for material climate risks**

We are writing as a group of long-term investors to ask Deloitte to incorporate explicitly climate considerations into the audit of companies that are materially exposed to transition risks through decarbonisation. Specifically, we expect our auditors to test critical accounting judgments against credible economic scenarios that are consistent with the Paris Climate Agreement, which entered into force in November 2016. We expect the auditor to highlight where company assumptions may be too aggressive. Likewise, we expect Deloitte to ensure that climate change-related factors identified in the audit are consistently reflected in the risk and liability sections of the company's strategic report, or flag where they are not.

While we believe climate-related risks will impact a wide range of industries, we are focusing in the first instance on fossil fuel-based energy companies that are most directly exposed to decarbonisation.

In the event you are unable to give assurance that such issues will be incorporated within the audit, could you write to us and explain why.

Context

Under the Paris Accord, Article 2.1(c) signatories have committed to: "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

Accounting matters are critical in directing finance flows. This point is also emphasised by the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and the Climate Action 100+ initiative, which now has over \$30 trillion in assets behind it, emphasises the critical importance of incorporating climate risks in companies' annual reports to shareholders.

Sarasin & Partners' Climate Pledge

Shareholders have a clear interest in encouraging companies to meet their exposure to the risks associated with climate change. A failure to do so puts shareholder capital at risk and, ultimately, may contribute to social and economic instability.

The Paris Climate Accord, agreed in 2015, provides our only global framework for responding to climate change. It sets a goal to limit the global average temperature increase to well below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C (the Paris goal). To achieve these goals, the world must reach net-zero carbon emissions by 2050 or 2055, respectively.

Sarasin & Partners believes it is important to set out our commitment to support the Paris goal. We do this not just for aiding our own business with the Paris goal, but also, through the stewardship of the companies our clients invest in and our broader policy outlook.

**Our Pledge**

Investor companies to align with the Paris goal

All investee companies materially exposed to climate risks for a net-zero emissions target.

Invest - We initiate and support dialogue with investee companies to ensure they are aligned with our climate goals, including measurable metrics.

Vote - We initiate and support dialogue with investee companies to ensure they are aligned with our climate goals, including measurable metrics.

Shareholder - We engage with regulators and policy makers, whom we believe we can influence or improve actions to combat climate change.

Public comments - We speak out publicly, and build / support coalitions of like-minded investors and thought leaders, to drive change where we believe this will be effective.

We believe this Pledge is in line with our responsibility to protect and enhance our clients' capital.

**Voting for better climate risk reporting: the role of auditors and audit committees**

Discussion paper for investors

# Accounting & audit for stewardship

## Audit & accounting

### Goals:

- Accounts must provide a prudent and reliable view of companies' capital and performance.
- Auditors must act independently and ensure robust challenge



House of Commons  
Business, Energy and Industrial Strategy Committee

### The Future of Audit

Nineteenth Report of Session 2017-19

Report, together with formal minutes relating to the report

Ordered by the House of Commons to be printed 26 March 2019

### Impacts:

- Sir John Kingman: reconstitute audit regulator
- Join FRC's Investor Advisory Group
- BEIS Select Committee: capital maintenance needs strengthening
- Brydon Review of Purpose of Audit: Advisory Board
- Media coverage widespread picking up our calls

# Thomas Cook - another canary in the coal mine?

## Failure to enforce UK's capital maintenance regime

### Some facts

- Parent equity 10 x group equity – why?
- Goodwill vastly exceeded group equity – subjective
- Retained earnings in Group: **-£1.96bn**
- Out of 12 years 9 were restated
- EY: Going Concern as a Key Audit Matter – but then conclude it's fine

*Paid dividends of £9mn in 2018, £8mn in 2017. Bonuses too.*

*Were these legal? Why did the auditor agree?*

### Thomas Cook Group

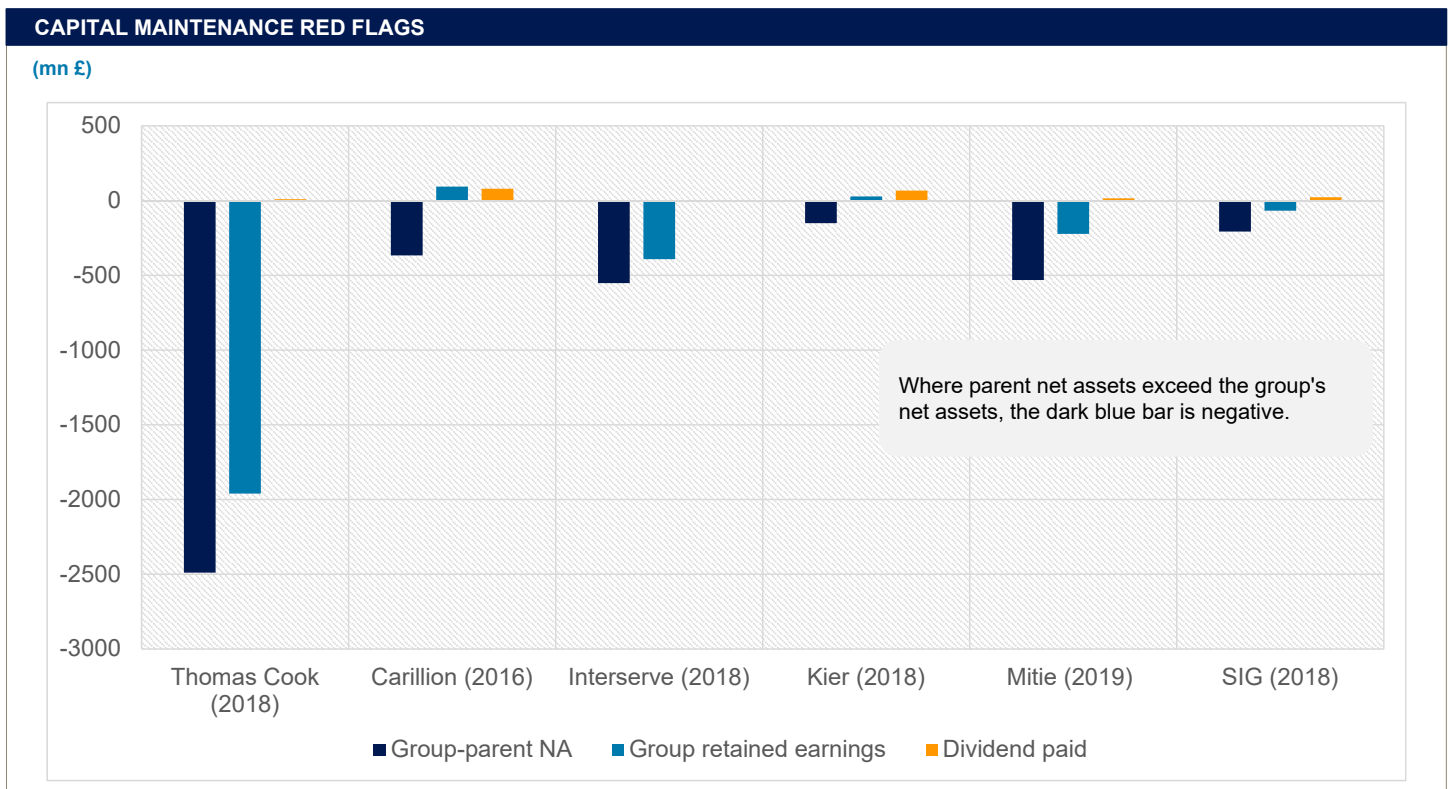
**Key Audit Matter (2018 ARA): Going concern basis used in preparation of the Annual Report & Accounts (EY comment):**

#### Key observations communicated to the Audit Committee

We have assessed that the severe but plausible scenarios identified by management are reasonable.

We conclude that the use of the going concern basis of accounting is appropriate and concur with the directors that no significant uncertainty has been identified.

## Capital protection – Where did the parent's equity come from?



## What are the stewardship proof points you need to look for?

---

### Some questions you might ask your manager

- Have they signed up to the FRC's Stewardship code?
- Can you evidence ESG is factored into your investment analysis? Are these incorporated into analyst models?
- What is your voting record broken down by topic (e.g. remuneration)? Is this made public?
- Can we see an engagement plan for a company you are having a dialogue with? What impacts have you had?
- How you committed to aligning your investment process with the Paris Climate Accord?

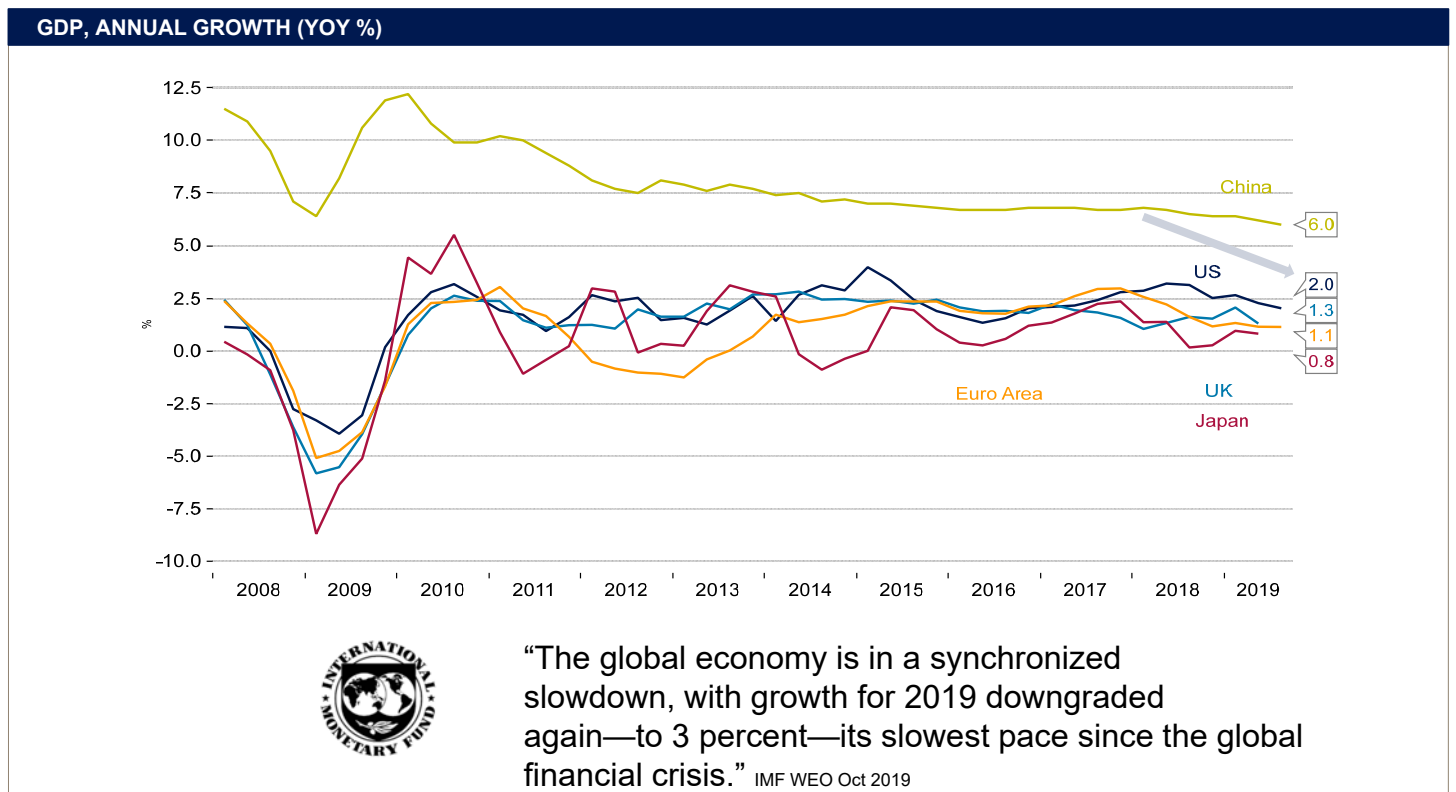


# Tactical outlook

Subitha Subramaniam



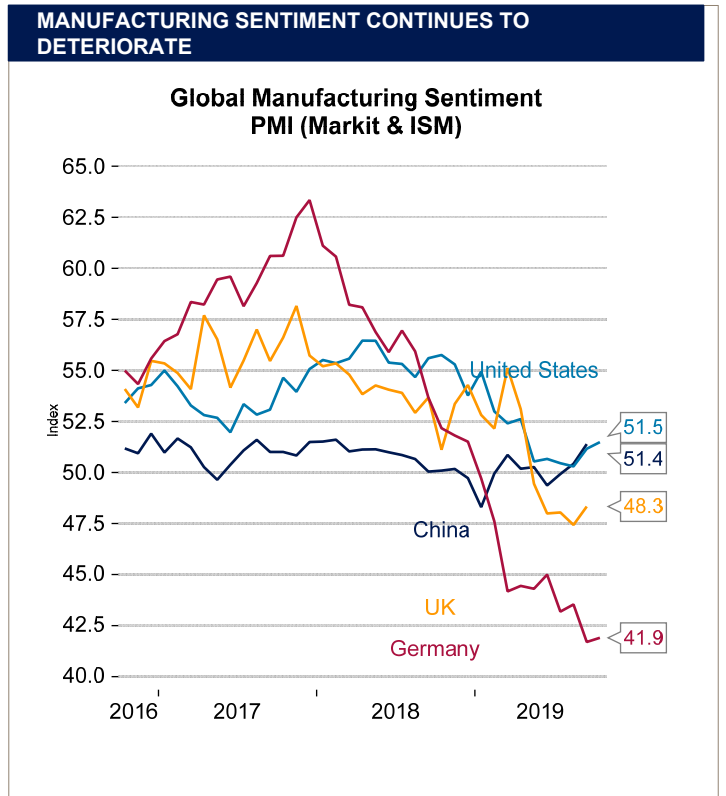
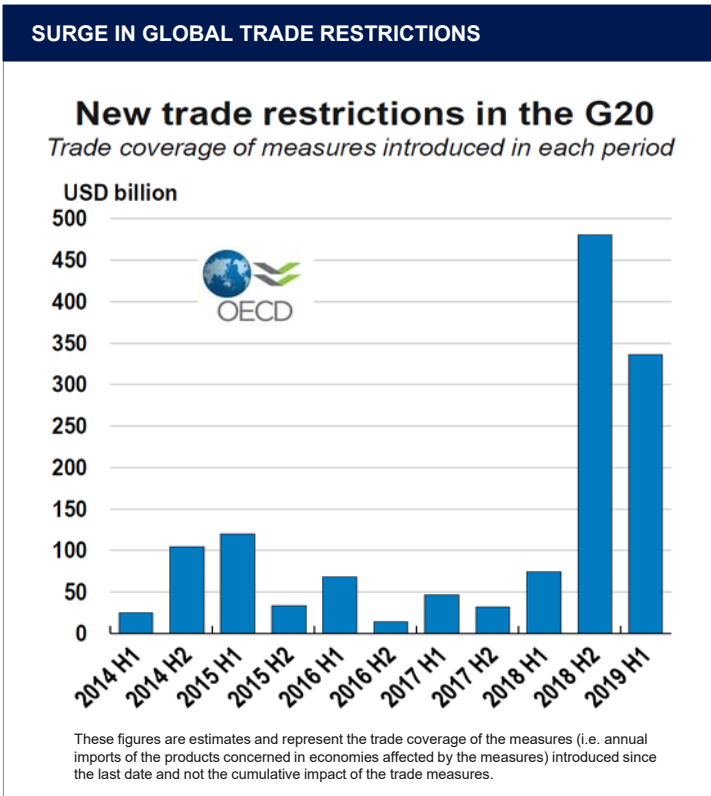
Global growth is slowing in every major region...



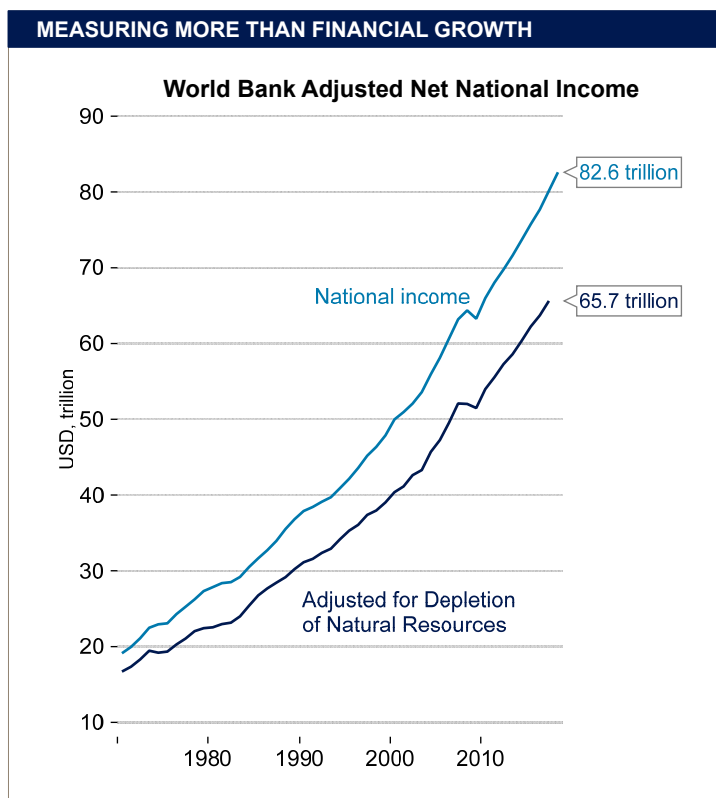
Source: Macrobond



# Escalating trade conflicts are taking an increasing toll on confidence and investment...



# And this is *before* taking a haircut for climate change and resource depletion



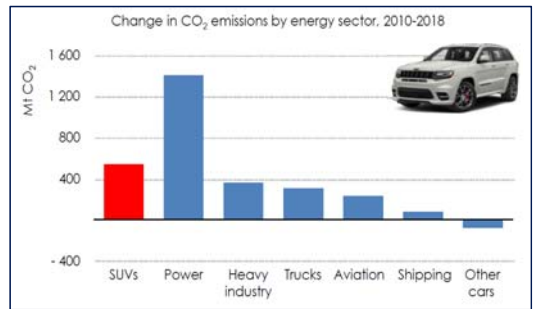
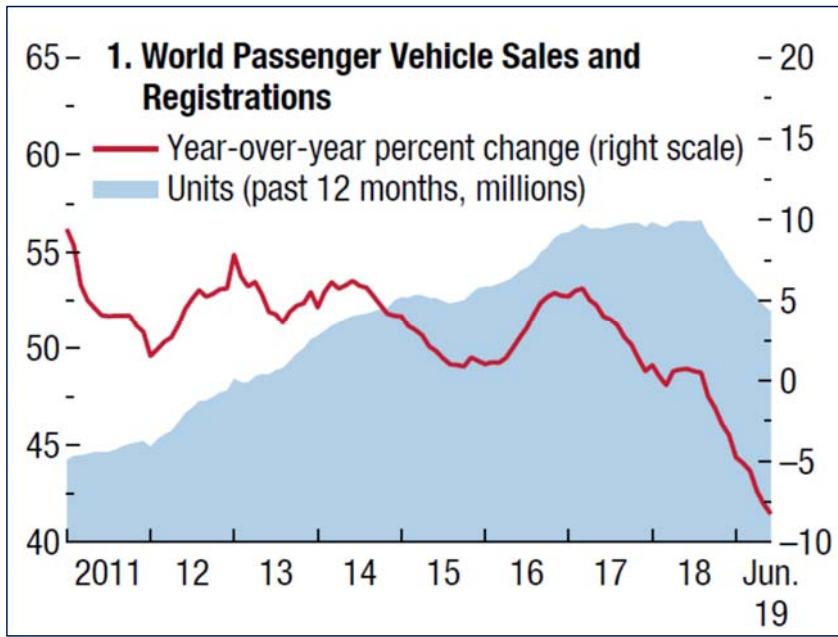
### World Bank Adjusted Net National Income

Natural capital depletion accounts for:

- Carbon dioxide damage
- Depletion of fossil energy resources
- Air pollution damage
- Net forest depletion
- Depletion of metals and minerals

# Global auto sales have led the downturn driven by weaker Chinese demand, tougher emissions and few affordable EV's

## GLOBAL CAR SALES CONTRACTED IN 2018 FOR THE FIRST TIME SINCE THE 2008 FINANCIAL CRISIS



Note: **SUVs** were the second-largest contributor to the increase in global CO<sub>2</sub> emissions since 2010. They are taking over the roads, as they have increased from 35 million in 2010 to over 200 million in 2018

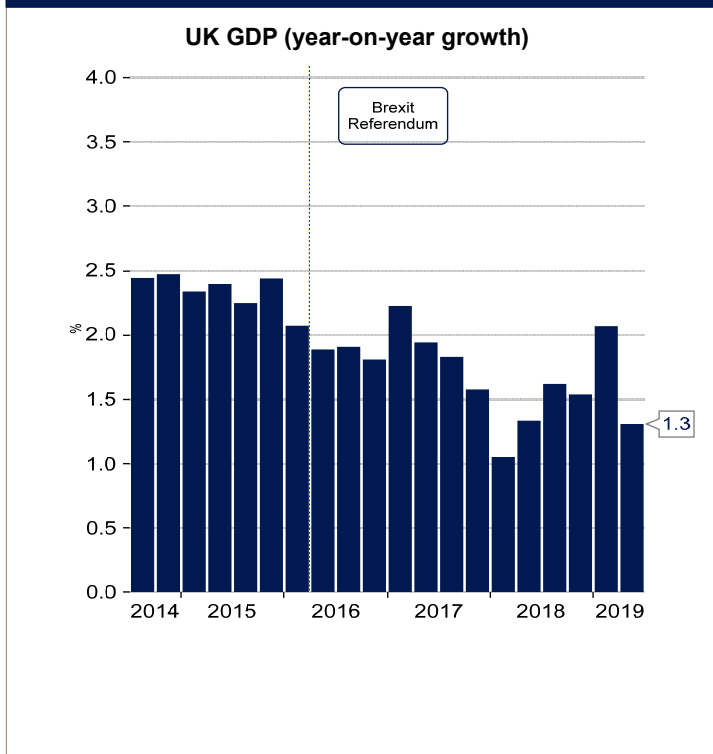
IEA 2019

Source: IMF WEO Oct 2019 & IEA



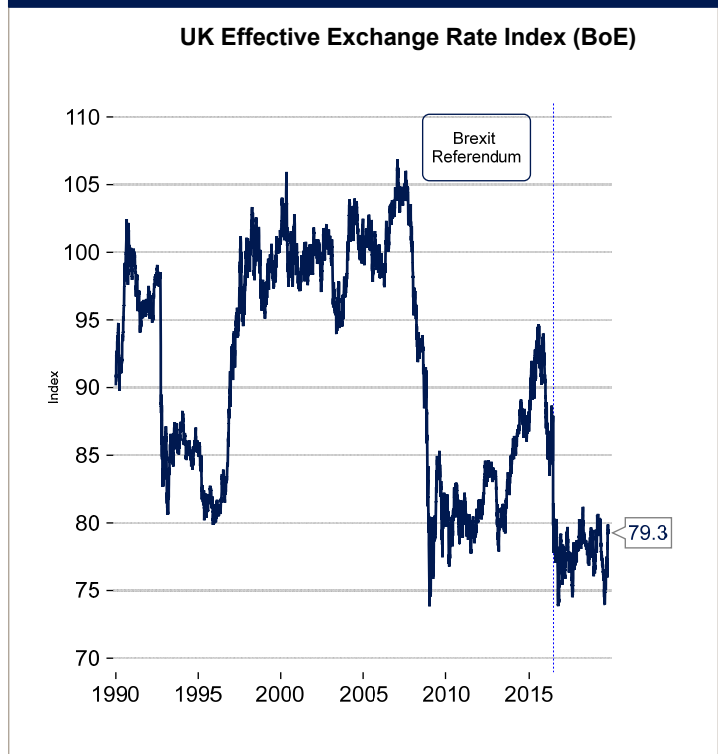
# If a new government signs a Brexit deal could the UK could look a comparative safe haven?

## UK GDP - SLOW FADE POST BREXIT



Source: Macrobond

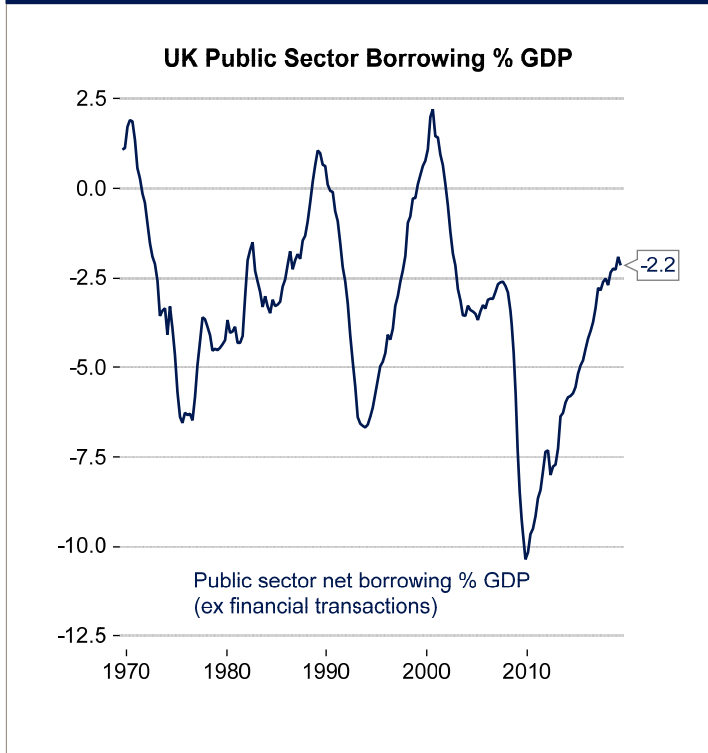
## UK EFFECTIVE EXCHANGE RATE



Source: Macrobond

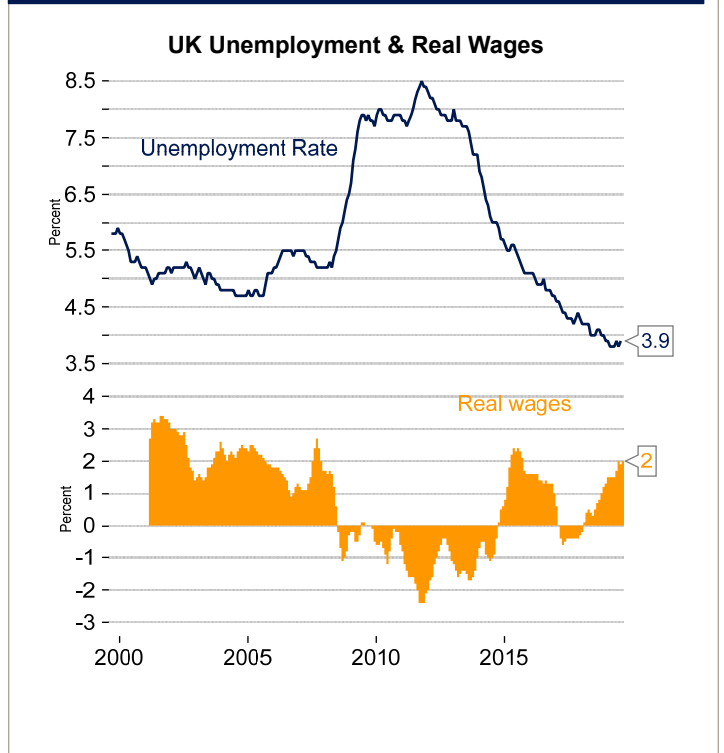
# The wider economy is more resilient than expected - wage growth, employment and public finances robust...

## A TRANSFORMATION IN GOVERNMENT FINANCES



Source: Macrobond, 2019

## LABOUR MARKET TIGHTNESS LIFTING WAGES

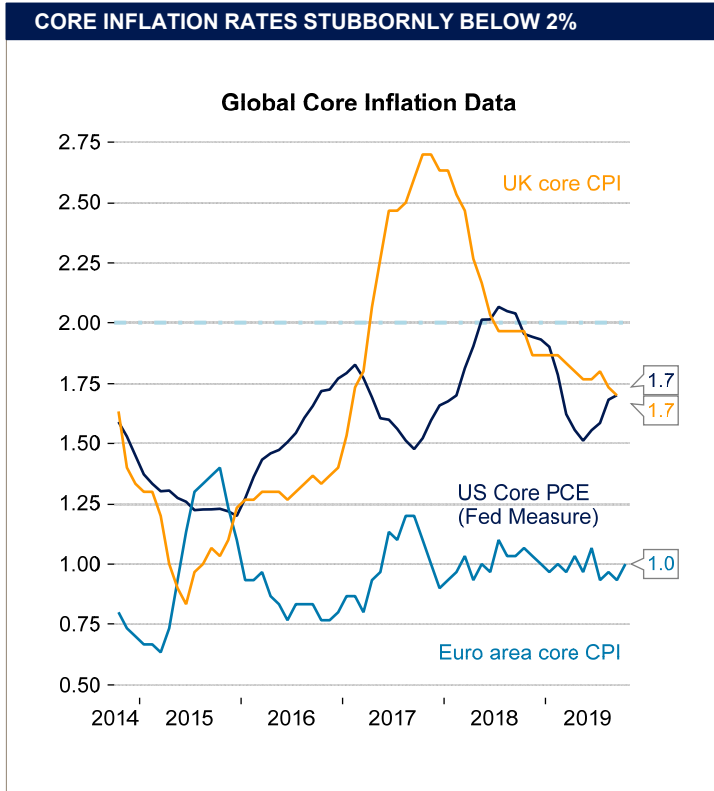


Source: Macrobond, UK ONS Dec 2018

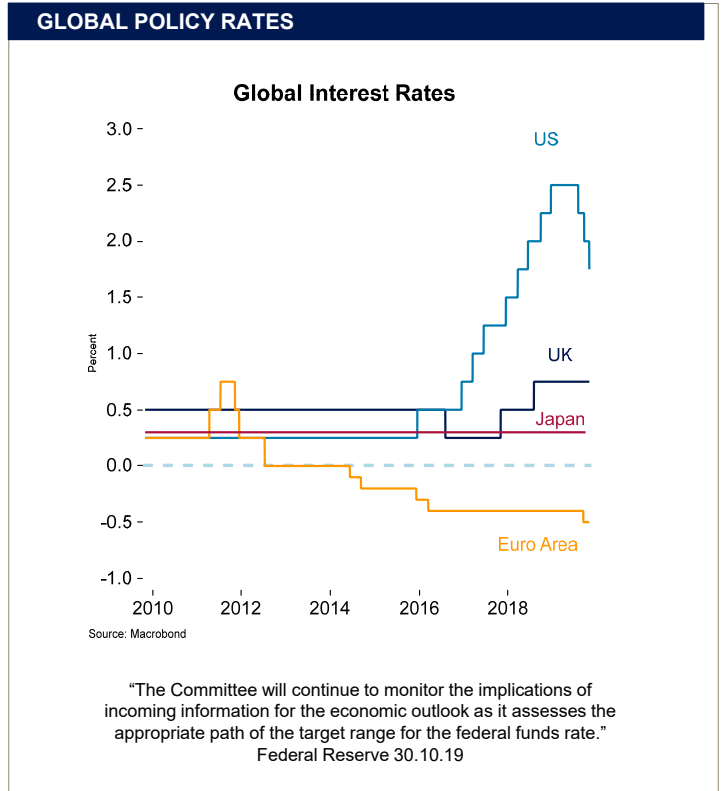
## How will policy makers respond...?



# With core inflation below 2% central banks can ease but their toolkit is largely exhausted....



Source: Macrobond



Source: Macrobond



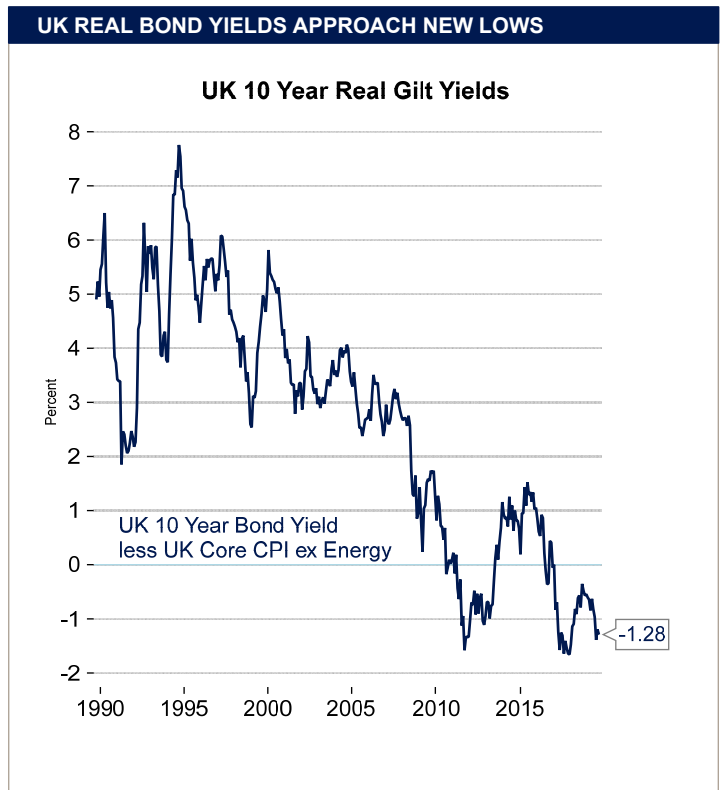
# Government borrowing costs are negative in much of Europe & negative 'real' in the UK/USA

### 10 YEAR GERMAN GOVERNMENT BOND YIELDING -0.4%

Issuer Information		Identifiers	
Name	BUNDESREPUB. DEUTSCHLAND	ID Number	AZ4612356
Industry	Treasury (BCLASS)	ISIN	DE0001102473
Security Information		FIGI	BBG00PMGJFZ2
Mkt Iss	Euro-Zone	Bond Ratings	
Country	DE	Currency	EUR
Rank	Unsecured	Fitch	AAAu
Coupon	0.000000	DBRS	AAAu
Cpn Freq	Annual	Composite	NR
Day Cnt	ACT/ACT	Scope	AAA
Maturity	08/15/2029	Issuance & Trading	
BULLET		Amt Issued/Outstanding	
Iss Sprd		EUR	16,000,000.00 (M) /
		EUR	16,000,000.00 (M)

**\$13trillion of Debt Securities globally are trading at negative nominal yields**

Source: Barclays/Bloomberg Oct 2019/ Macrobond/Bloomberg



Source: Macrobond

### GRADUALLY LOOSER FISCAL STANCE IN THE EURO AREA

**Eurozone fiscal stance**

Wolfgang Schaeuble's staff form a 'Black Zero' on his retirement to celebrate a balanced German federal budget. **Oct 2017**

It is a "legitimate question" to ask why the German state is not investing more, "at a time when you're being paid to take on more capital". Joe Kaeser CEO Siemens **Sept 2019**

Source: Macrobond

### US FEDERAL DEBT TOTALS 144% OF GDP BY 2049 ON CURRENT PROJECTIONS

**Debt and deficits**

Over the next 10 year **US budget deficits** are projected to average 4.7% of GDP (compared to 2.9% of GDP on average for the last 50 years)

Source: Congressional Budget Office Long-Term Budget Outlook

## Inequality: The global middle class (*which contains the poorest 90% of EU & US*) has been squeezed...

### 35 YEAR GLOBAL REAL INCOME GROWTH BY INCOME PERCENTILE

**The elephant curve of global inequality and growth, 1980-2016**

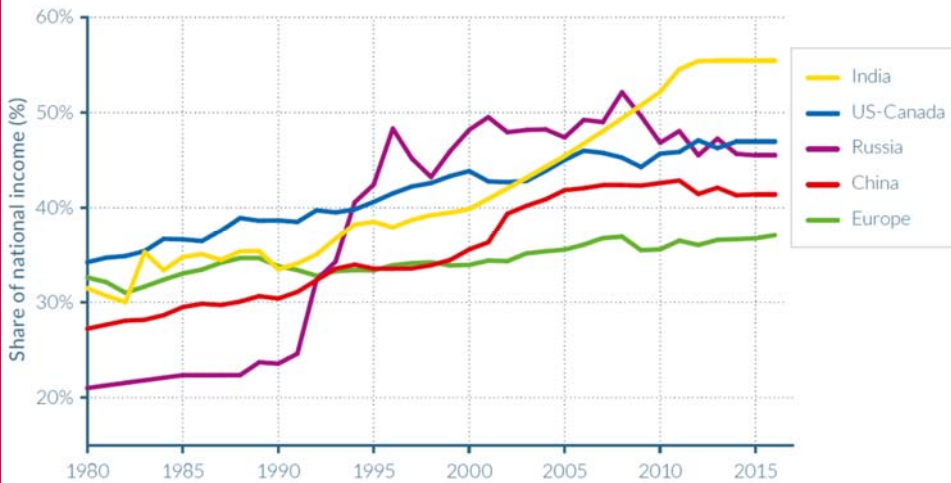
Source: WID world (2017). See [wir2018.wid.world](#) for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

# Fiscal Policy & Inequality: Note recent riots citing inequality even in 'successful' Emerging Economies....

## INEQUALITY HAS RISEN IN NEARLY ALL REGIONS AND OFTEN IN ECONOMIES WITH STRONG ECONOMIC GROWTH MODELS

Top 10% income shares across the world, 1980-2016: Rising inequality almost everywhere, but at different speeds



Global Demonstrations/Riots citing Inequality in Q4 2019

- Chile
- Ecuador
- Lebanon
- Iraq
- Indonesia
- Hong Kong.

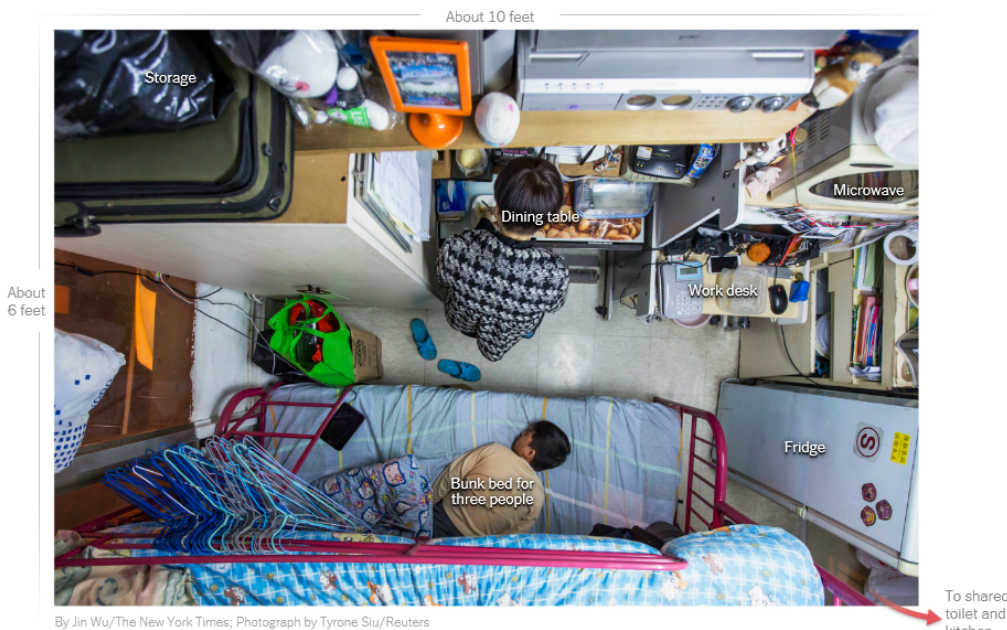


Source: World Inequality Report 2018

# Hong Kong: Tiny apartments – punishing work hours

## 210K HONG KONG RESIDENTS SUSPECTED TO LIVE IN ILLEGALLY SUBDIVIDED APARTMENTS

A typical subdivided flat in Hong Kong



By Jin Wu/The New York Times; Photograph by Tyrone Siu/Reuters

### Hong Kong

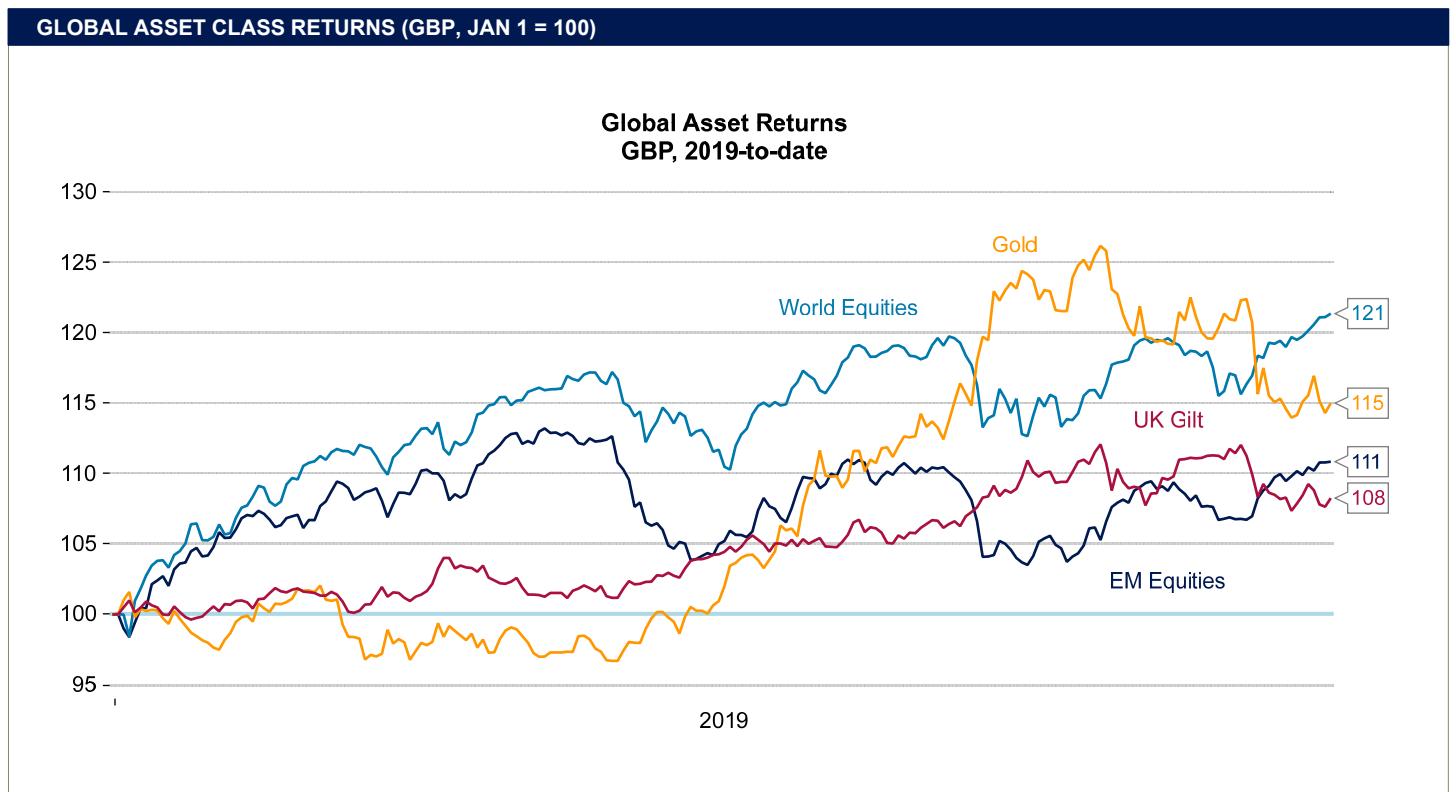
‘Rents higher than New York, London or San Francisco for apartments half the size. Nearly one in five people living in poverty. A minimum wage of \$4.82 an hour.’

NY Times July 2019

Source: NY Times

# What does this mean for asset markets?

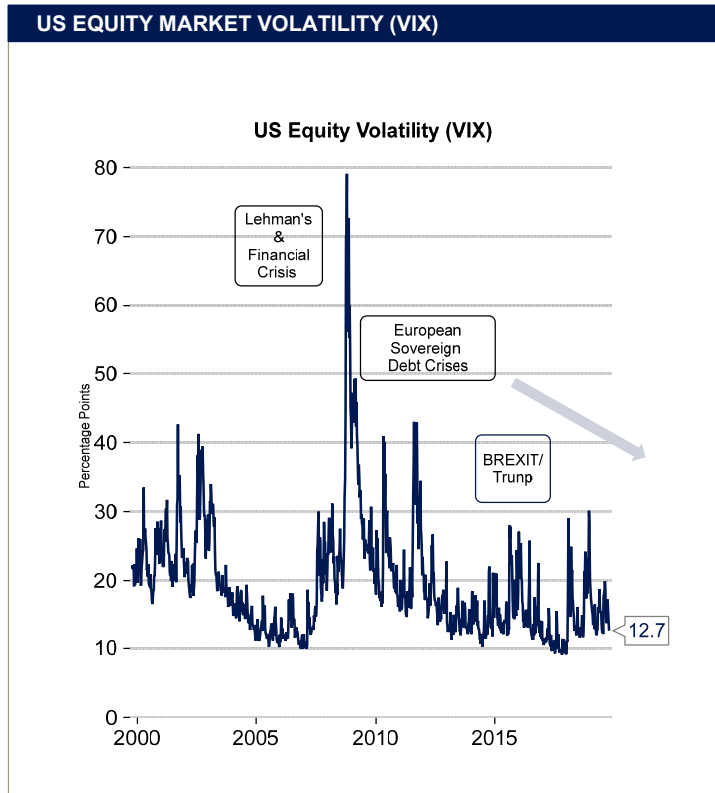
## A strong year for all major asset classes led by global equities...



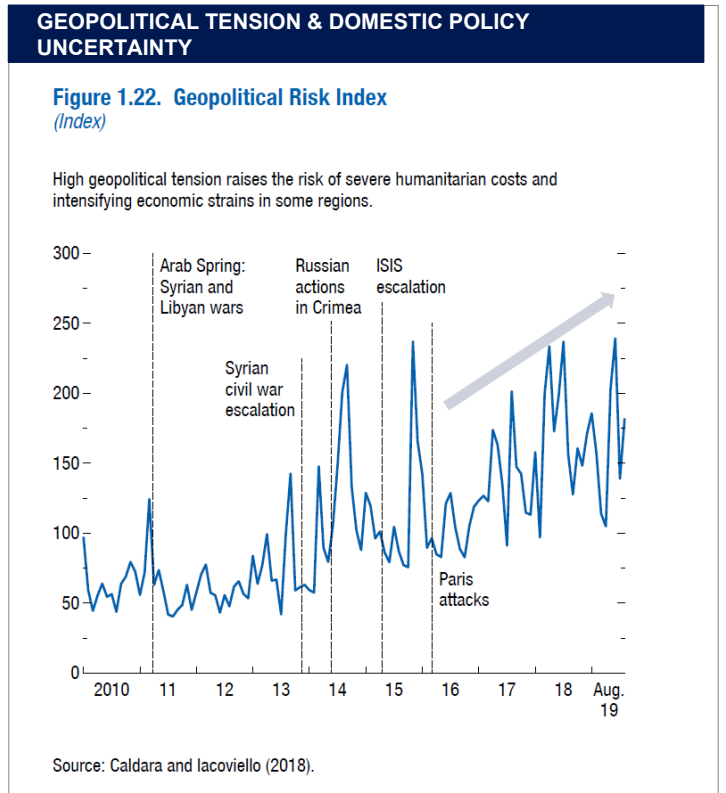
Source: Macrobond



# And while geopolitical risks rise stock market volatility is close to all time lows...

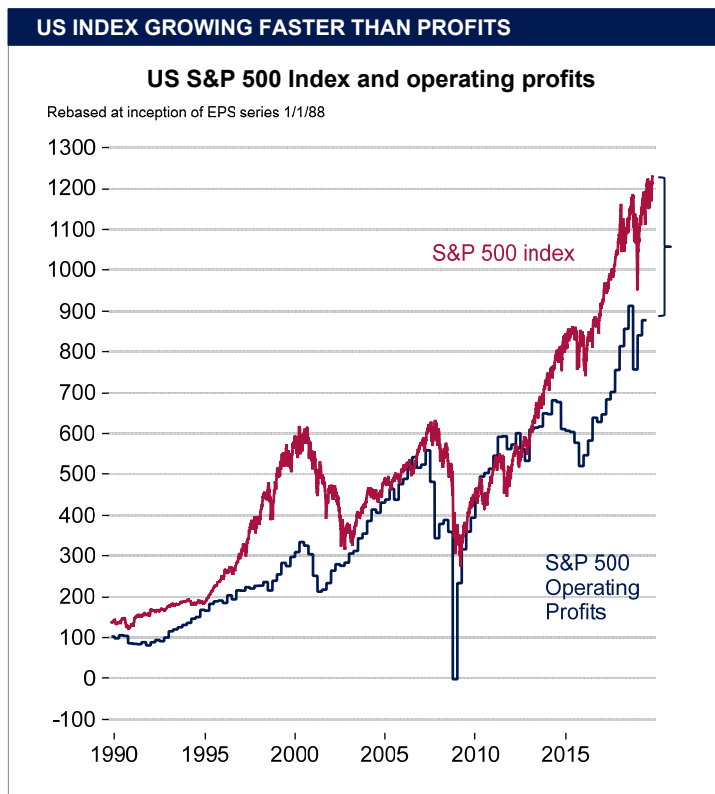


Source: Macrobond

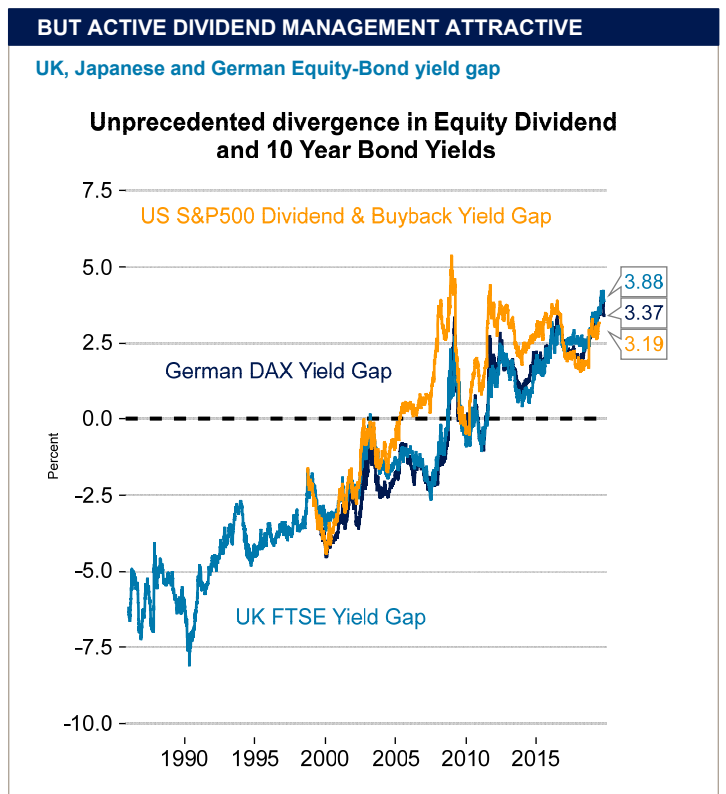


Source: IMF WEO October 2019

# US profits are lagging equity market growth...but there is still value in global dividends



Source: Macrobond

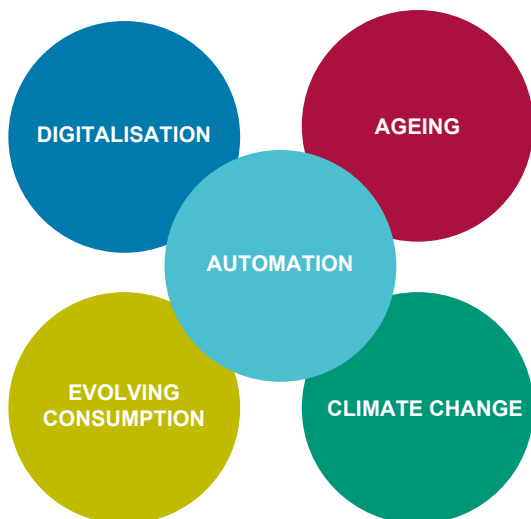


Source: Macrobond

# So where to look for growth...?

## Themes and stewardship Securing tomorrow

### Thematic = Cash flows



### Stewardship = Capital protection and growth

CLIMATE CHANGE



SUSTAINABLE ECOSYSTEMS



PROTECTING THE VULNERABLE IN SOCIETY



DIVERSITY



BOARD STRUCTURE



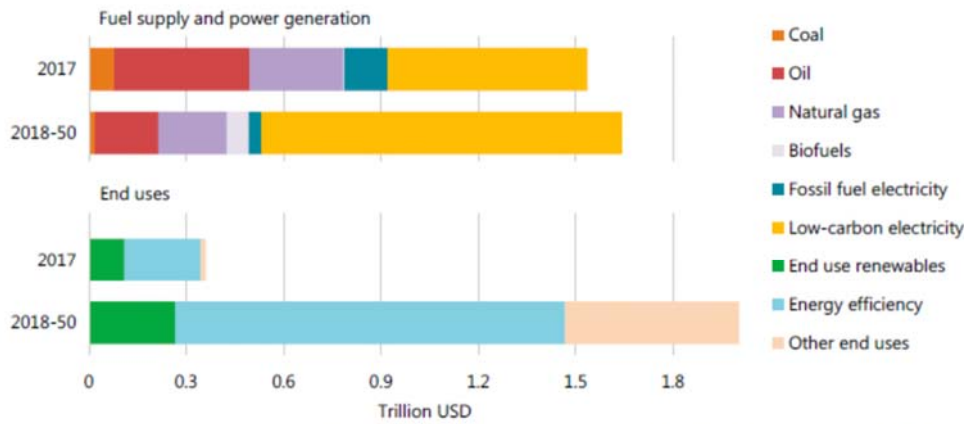
OWNERSHIP RIGHTS



# Theme 1: Achieving climate transition requires a substantial and rapid shift toward clean energy technologies....

## INVESTMENT IN POWER GENERATION REMAINS CONSTANT WHILE INVESTMENT TO DRIVE EFFICIENCY IN BUILDINGS, INDUSTRY AND TRANSPORT SURGES...

Average annual investment needs in the Faster Transition Scenario relative to 2017



### Selected Climate Change Beneficiaries

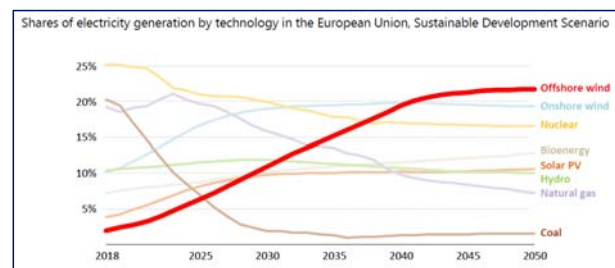
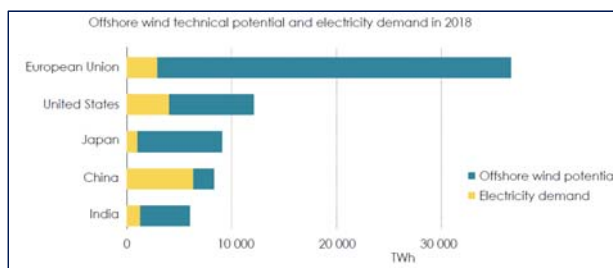
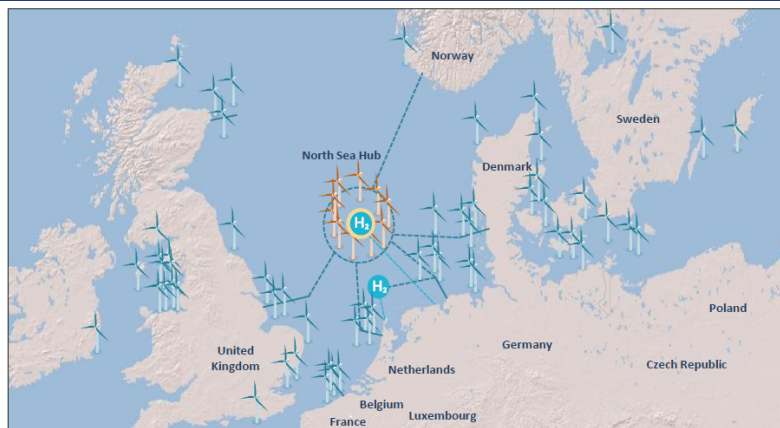
- Ecolab
- Orsted
- Umicore
- Novozymes
- Enel

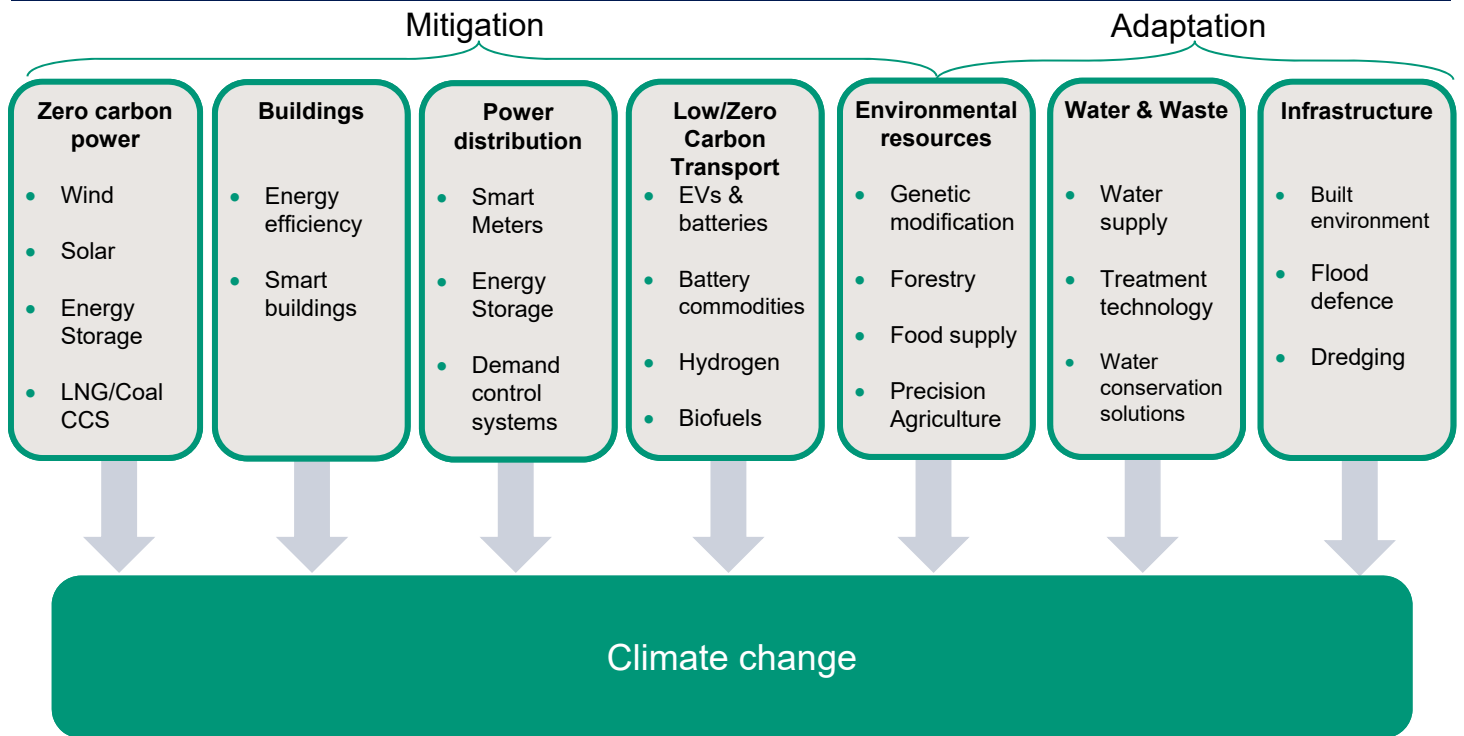
Notes: Low-carbon electricity includes renewables, CCUS, nuclear, networks and storage. Fossil-fuel electricity excludes CCUS. Other end-use includes CCUS in industry and alternative power trains in transport.

Average annual supply side investment in the Faster Transition Scenario increases modestly from today's level, while demand-side investment increases substantially.

# Offshore wind the largest source of electricity in the EU by 2040?

## EUROPEAN OFFSHORE WIND AND POTENTIAL HYDROGEN PRODUCTION...





Should we consider widening the concept to include biodiversity loss? (Back to ‘Earth Matters’?)



## Lower interest rate expectations can still support real assets but global economic outlook has deteriorated...

### GLOBAL STRATEGY UPDATE

- 1. Bonds:** **Reduce underweight – real returns negative but recession risk rising**
  - Corporate spreads
  - Caution on high yield as corporate leverage climbs and liquidity issues emerge
  
- 2. Equities:** **Stay overweight – valuations still attractive as global bond yields decline**
  - Central bank policies and reasonable valuation levels are still supportive
  - US economy close to stall speed suggesting rising risk to US earnings
  - Global dividend strategies attractive where supported by sustainable thematic trends
  
- 3. Alternatives:** **Neutral – liquidity and rate risks in leveraged/opaque assets**
  - Clear preference for gold and uncorrelated assets
  
- 4. Cash:** **Neutral**
  - Active sterling currency management needed in countdown to Brexit ‘resolution.
  
- Risks:** **Current:** UK election & Brexit, financial market liquidity, Asia/China leverage  
**Longer-Term:** Persistent weakness in global growth, inequality and populism

# Strategic evolution

Richard Maitland

## Operating parameters Sarasin Endowments Fund

Asset Class	Low	Neutral	High	Benchmark Index
Cash	-	-	10.0	1 Month LIBOR
Government Bonds	-	9.0	35.0	BofAML Gilts All Stocks Index
Corporate Bonds		8.5		BofAML Sterling Corporate Bond
<b>Total Bonds &amp; Cash</b>	5.0	<b>17.5</b>	35.0	
UK Equities	10.0	20.0	30.0	FTSE All-Share Index (5% Capped) MSCI UK Index
International Equities (£ Hedged)	30.0	25.0	60.0	MSCI All Countries World ex UK (LC)
International Equities		25.0		MSCI All Countries World ex UK
<b>Total Equities</b>	50.0	<b>70.0</b>	80.0	
<b>Total Property</b>	-	<b>4.0 &amp; 3.5</b>	10.0	MSCI All Balanced Property Fund Index / S&P Developed Property Index
<b>Total Alternatives</b>	-	<b>5.0</b>	20.0	1 Month LIBOR
<b>Total</b>	-	<b>100.0</b>	-	
Sterling Weighting	50.0	<b>71.5</b>	100.0	

Source: Sarasin & Partners LLP, 30.09.19

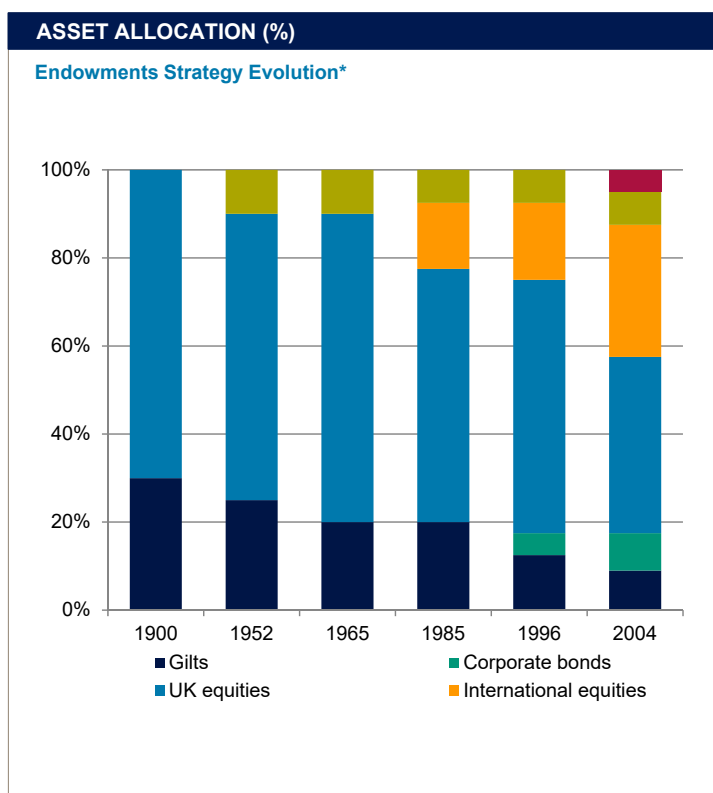
Asset Class	Low	Neutral	High	Benchmark Index
Cash	-	5.0	50.0	1 Month LIBOR
Government bonds	5.0	37.5	95.0	BofAML Gilts All Stocks Index
Corporate bonds	5.0	37.5	95.0	BofAML Sterling Corporate Bond
<b>Total bonds &amp; cash</b>	50.0	<b>70.0</b>	100.0	
UK equities	-	10.0	25.0	FTSE All-Share Index (5% Capped) MSCI UK Index
International equities	-	10.0	25.0	MSCI All Countries World ex UK
<b>Total equities</b>	0.0	<b>20.0</b>	35.0	
<b>Total alternatives</b>	-	<b>0.0</b>	20.0	1 Month LIBOR
<b>Total</b>	-	<b>100.0</b>	-	
Sterling weighting	75.0	<b>90.0</b>	100.0	

Source: Sarasin & Partners LLP, 30.09.19

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## Plausibility of future investment returns



Source: Sarasin & Partners LLP, Compendium 2018.  
\*Historical simulation of Endowment policy over long-term period.

**LONG TERM REAL RETURNS**

Endowments Policy vs Inflation\*

	Endowment strategy %
5 years p.a.	8.5
10 years p.a.	4.4
20 years p.a.	4.1
30 year p.a.	5.7
50 years p.a.	5.6
Since 1900	4.5

A projected REAL return of about 4.5% is in keeping with long-term results

**These returns are GROSS of costs.....**

Source: Sarasin & Partners LLP, Compendium 2018.  
\*Historical simulation of Endowment policy over long-term period.

# Endowment Model Returns

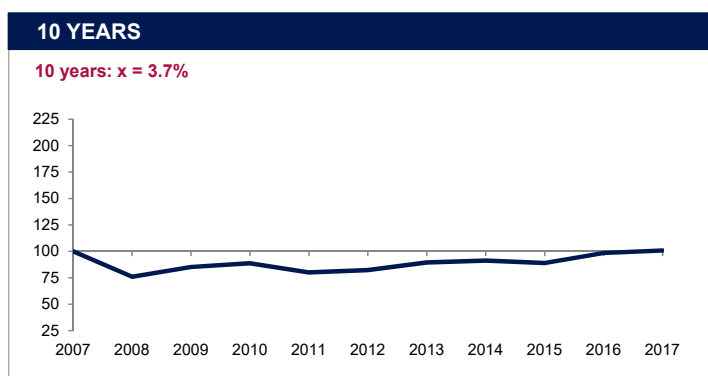
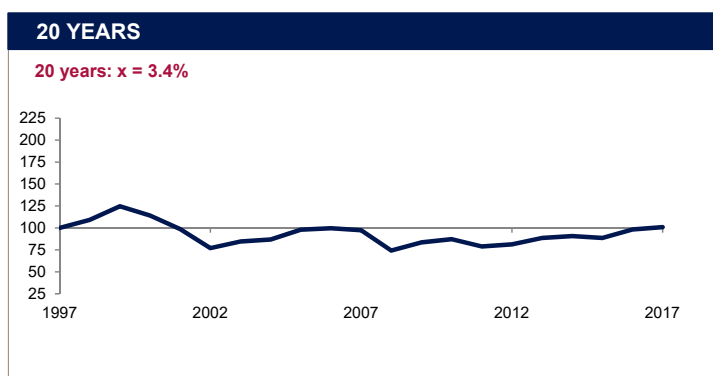
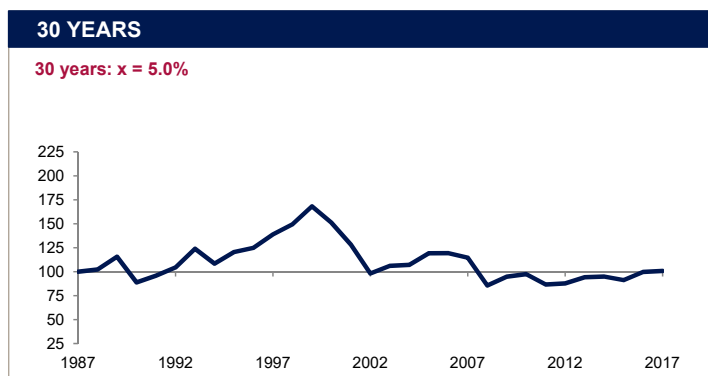
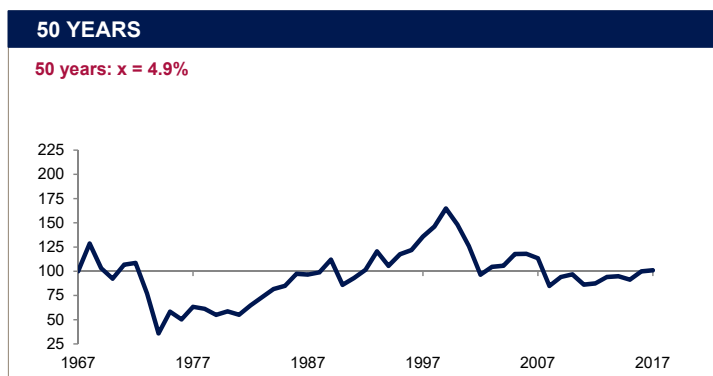
## Real returns NET of 0.65% per annum costs

Time Period	Total absolute return	Inflation	Real return	Expendable return
1900s	2.4	1.3	1.1	0.5
1910s	5.2	8.3	-2.9	-3.5
1920s	5.8	-2.9	9.0	8.4
1930s	4.1	0.4	3.8	3.1
1940s	5.3	2.8	2.4	1.8
1950s	12.9	4.1	8.5	7.8
1960s	8.7	3.7	4.9	4.2
1970s	12.7	13.1	-0.3	-0.9
1980s	20.7	6.9	12.9	12.3
1990s	13.3	3.5	9.5	8.9
2000s	2.8	2.7	0.1	-0.5
2010s	9.7	3.1	6.4	5.8
Since 1900	8.5	3.8	4.5	3.9

Sources: Barclays Equity Gilt Study / © Eroy Dimson, Paul Marsh & Mike Staunton / Sarasin & Partners LLP.  
**Assumptions:** Total return generated by Endowments Model. Costs assumed to be 0.65% per annum.  
 Income yields and income assumed to be average of each asset class each year.

# What is the correct spending level?

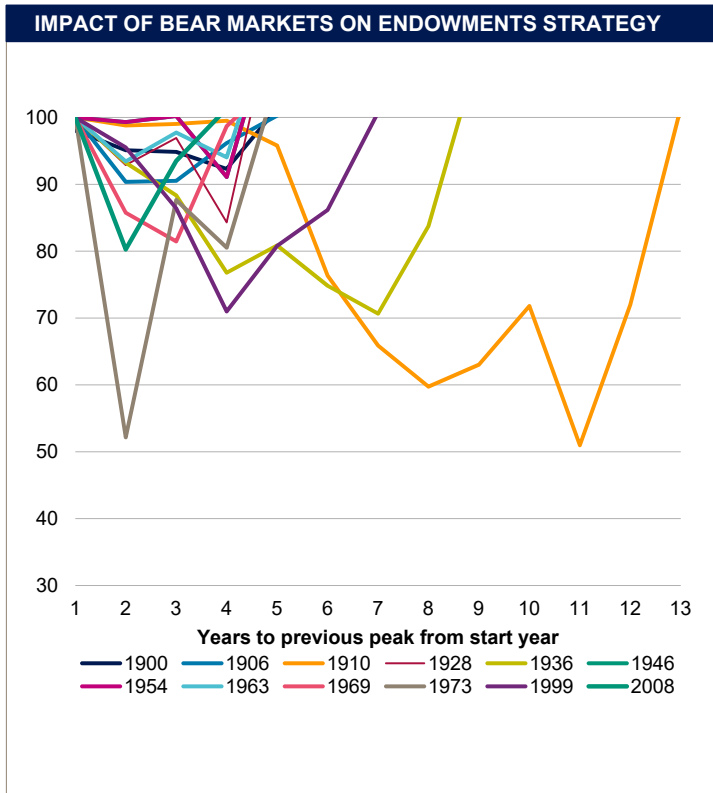
## Real capital value after costs\* and spending x% per annum



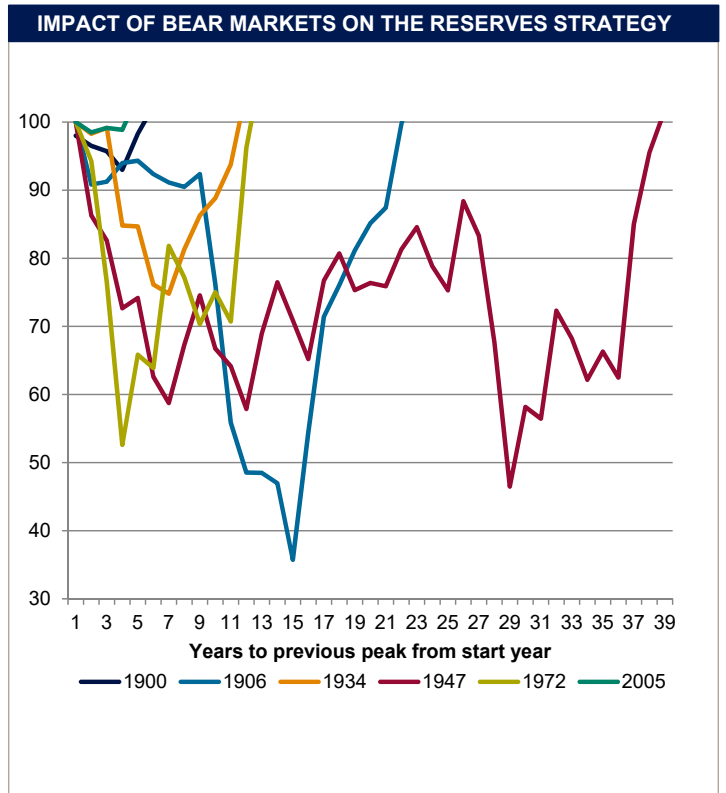
Source: Sarasin & Partners Compendium of Investment, 2018. \*Costs = 0.65% Portfolio: Sarasin Endowments Strategy

# 10 years without a bear market is rare

## And not all bear markets are V-shaped



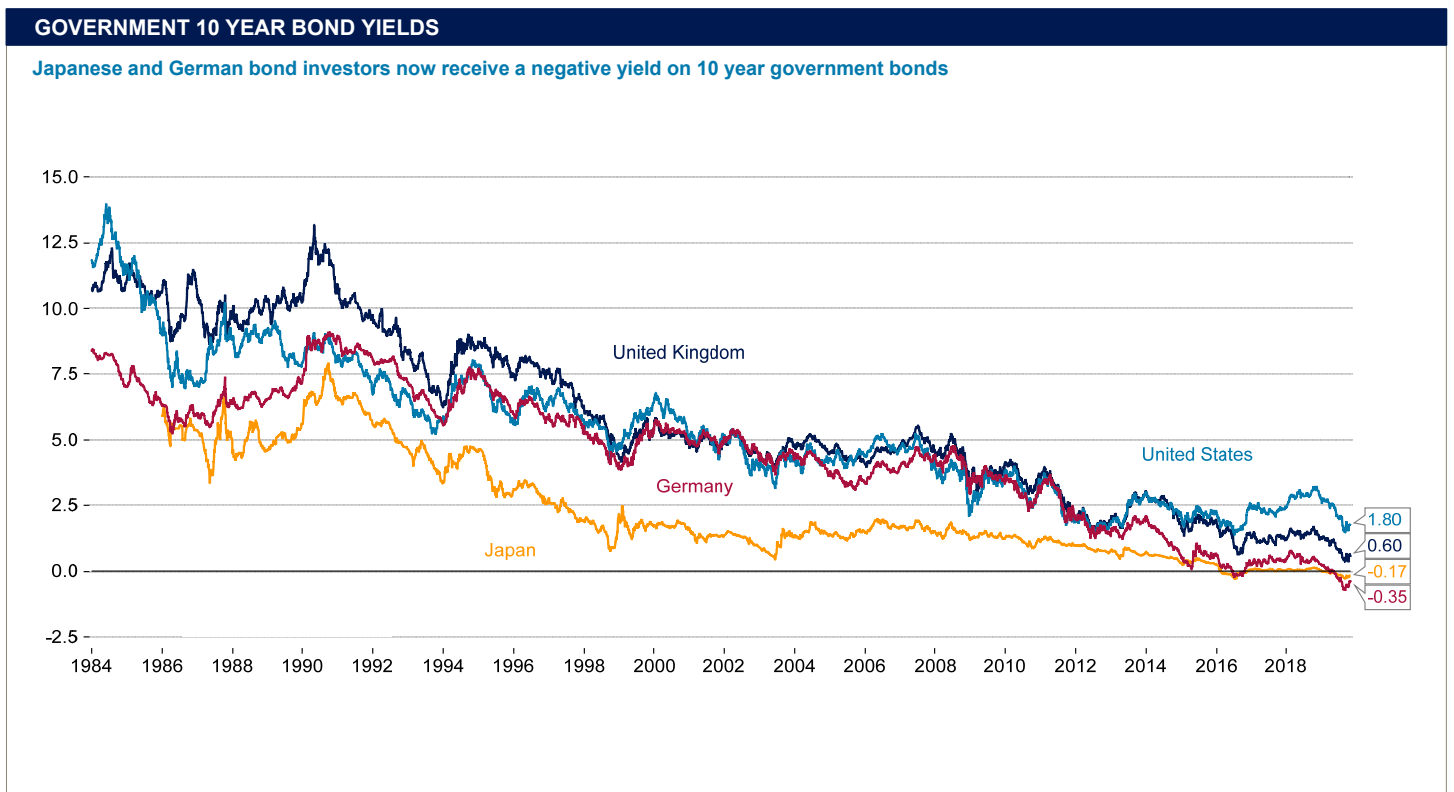
Source: Sarasin & Partners, Compendium 2018



Source: Sarasin & Partners, Compendium 2018

# 1) Less in bonds, given ultra low yields

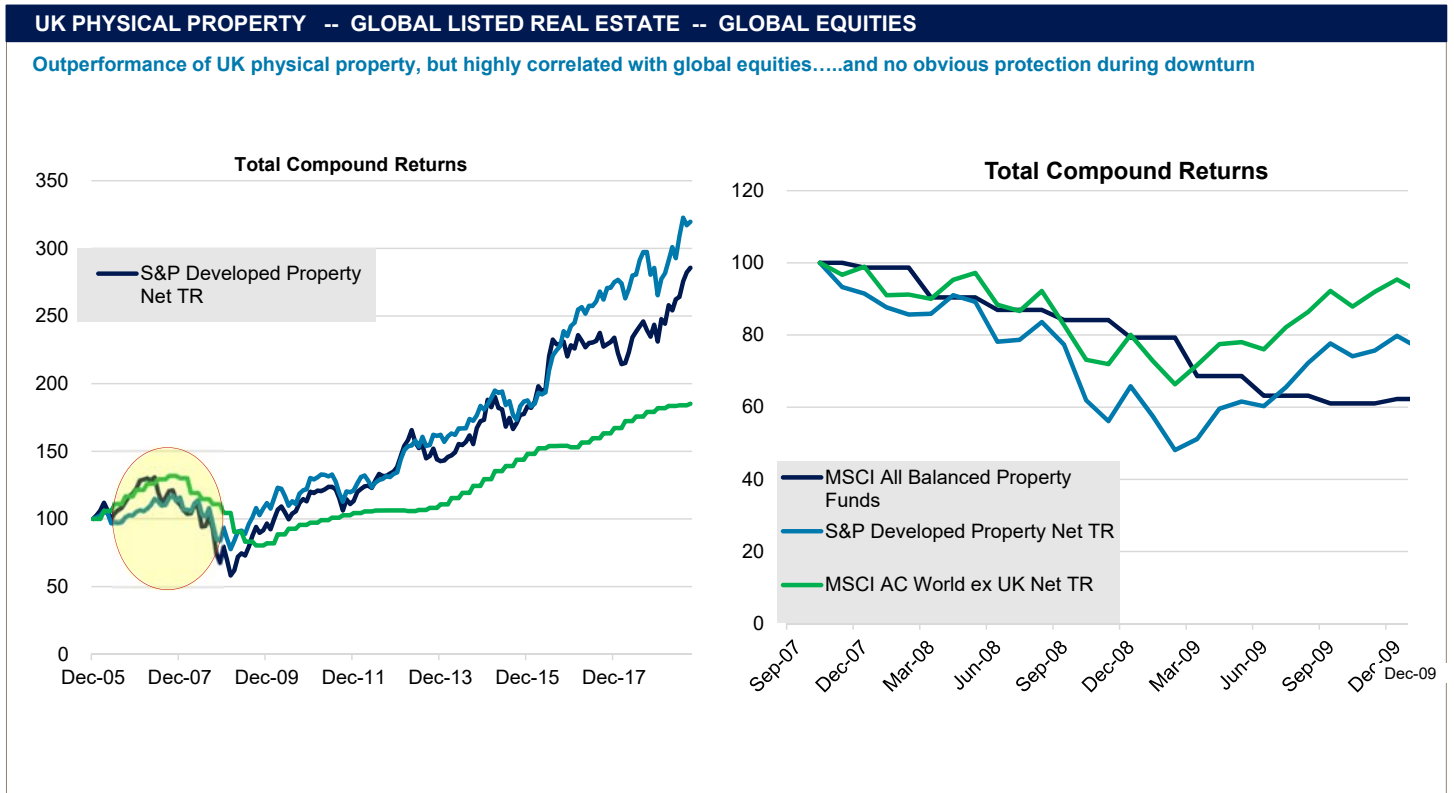
## An extra-ordinary premium for safety...



Source: Macrobond, 2019

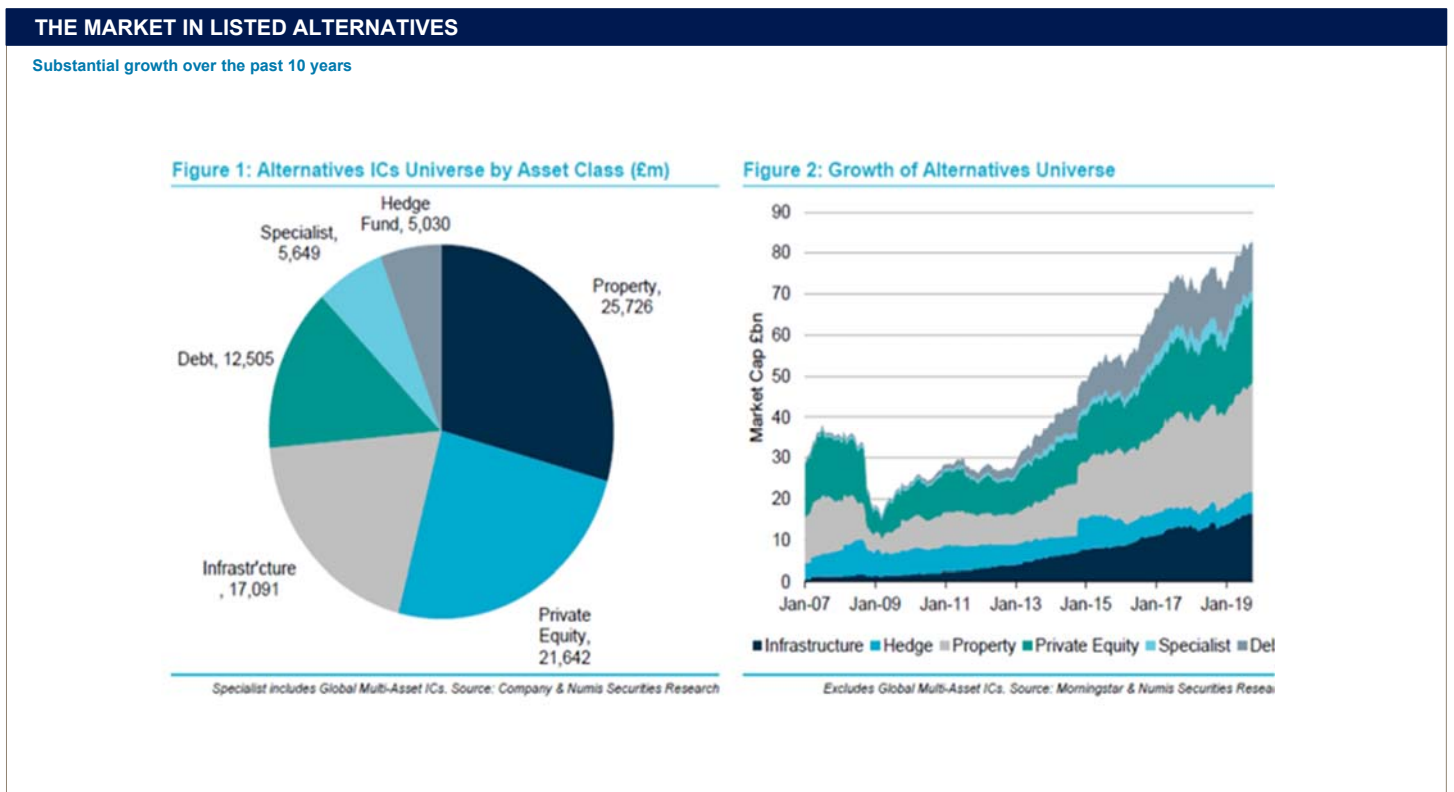


## 2) Remove listed global REITs from benchmark Simplify: no obvious added value over equities, or property



Source: Sarasin & Partners, September 2019. Past performance is not a reliable guide to future performance

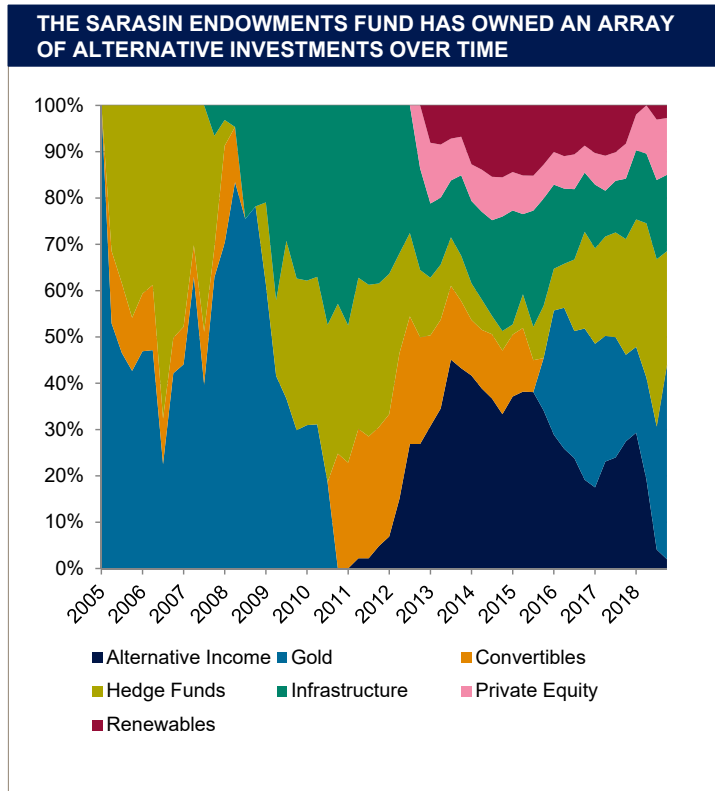
## 3) Increase allocation to alternatives A large market of reasonably liquid, listed funds. (+ commodity ETFs/open-ended funds)



Source: Numis, October 2019

### 3) Increase Alternatives

After 15 years, more faith in our abilities, charity trustees more comfortable



Source: Sarasin & Partners LLP, 30.09.19

**OUR TRACK RECORD**

Date	Alternative Investments		
	Sarasin Endow. Fund Alts.	UK CPI + 4%	Rel
2006	14.3		
2007	12.5		
2008	7.9		
2009	14.2		
2010	17.3		
2011	4.7		
2012	6.7		
2013	15.2		
2014	4.8		
2015	2.1		
2016	9.5		
2017	2.9		
2018	4.2		
2019 YTD	9.1		
5 yrs. p.a.	5.7	5.7	+0.0
Since Inception p.a.	9.0	5.7	+3.3

### Asset allocation changes: Endowments

Status Quo %	Asset Classes	New Allocation %	Change %
9.0	Gilts	7.5	-1.5
8.5	Corporate Bonds	7.5	-1.0
20.0	UK Listed Equities	20.0	-
50.0	Global Listed Equities	50.0	-
7.5	Property	5.0	-2.5
5.0	Alternatives	10.0	+5.0
0.0	Cash	0.0	-
<b>100</b>	<b>Total Portfolio</b>	<b>100</b>	<b>-</b>
<b>3.0</b>	<b>Income Yield</b>	<b>3.0</b>	<b>-</b>
<b>2.0</b>	<b>Expected inflation</b>	<b>2.0</b>	<b>-</b>
<b>3.4</b>	<b>Projected 'Real' Return % pa</b>	<b>3.7</b>	<b>+0.3</b>
<b>9.9</b>	<b>Annualised volatility %</b>	<b>9.8</b>	<b>better</b>
<b>-27.4</b>	<b>Maximum Annual Draw-down %*</b>	<b>-25.1</b>	<b>better</b>
<b>-10.8</b>	<b>Value at Risk (1 Year 5%)</b>	<b>-10.3</b>	<b>better</b>

Please note that there are no guarantees that the projected returns will be achieved.

Source: Sarasin & Partners LLP. \* Data since 31.12.05. As at 30.09.19.

# Asset allocation changes: Income & Reserves

Status Quo %	Asset Classes	New Allocation %	Change %
37.5	Gilts	35.0	-2.5
37.5	Corporate Bonds	30.0	-7.5
10.0	UK Listed Equities	10.0	-
10.0	Global Listed Equities	10.0	-
0.0	Property	0.0	-
0.0	Alternatives	10.0	+10.0
5.0	Cash	5.0	-
<b>100</b>	<b>Total Portfolio</b>	<b>100</b>	<b>-</b>
3.2	Income Yield	3.3	+0.1
2.0	Expected inflation	2.0	-
0.4	Projected 'Real' Return % pa	0.7	+0.3
5.2	Annualised volatility %	4.9	better
-6.3	Maximum Annual Draw-down %*	-7.9	worse
-6.1	Value at Risk (1 Year 5%)	-5.4	better

Please note that there are no guarantees that the projected returns will be achieved.

Source: Sarasin & Partners LLP. \* Data since 31.12.05. As at 30.09.19.

## Q&A

Richard Maitland

Phil Collins

Natasha Landell-Mills

Subitha Subramaniam

# Appendix

## Sarasin Endowments Fund Performance as at 30 September 2019

### ANNUAL PERFORMANCE

	1 month	3 months	YTD	2018	2017	2016	2015	2014	2013
Sarasin Endowments Fund A Acc	1.1	3.9	16.2	-4.4	10.6	10.6	3.4	6.3	17.5
Benchmark	1.5	2.7	15.4	-4.9	11.3	16.6	2.8	8.6	15.8

### CUMULATIVE PERFORMANCE

	1 year	3 years	5 years	AGR 3 Years	AGR 5 Years	% change **	AGR **
Sarasin Endowments Fund A Acc	7.6	26.0	44.7	8.0	7.7	453.0	6.8
Benchmark	6.3	25.4	51.5	7.8	8.7	589.9	7.7

### DISCRETE RETURNS (12 MONTHS TO DATE)

	To 30.09.2019	To 30.09.2018	To 30.09.2017	To 30.09.2016	To 30.09.2015
Sarasin Endowments Fund A Acc	7.6	6.7	9.8	14.3	0.4
Benchmark	6.3	7.3	9.9	18.6	1.8

**Performance is provided net of fees. Past performance is not a reliable guide to future performance.** Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. \*\*A share class launched 28.09.1993

Source: Sarasin & Partners LLP as at 30.09.2019. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. \* Benchmark: 20.0% FTSE All Share Index (5% Capped), 8.50% ICE BofAML Sterling Corporate, 9.00% ICE BofAML UK Gilts All Stocks, 4.00% IPD All Balanced Property Funds, 25% MSCI AC World ex UK Local Currency, 25% MSCI AC World ex UK (Net Total Return), 3.5% S&P Developed Property Net TR, 5.00% UK cash Libor 1 month (TR)

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# Sarasin Income & Reserves Fund

## Performance as at 30 September 2019

### ANNUAL PERFORMANCE

	1 month	3 months	YTD	2018	2017	2016	2015	2014	2013
Sarasin Income & Reserves Fund	0.0	3.5	10.3	-2.0	4.2	9.7	0.9	8.6	4.7
Benchmark	0.6	4.3	12.1	-1.7	5.2	12.9	1.3	11.3	3.2

### CUMULATIVE PERFORMANCE

	1 year	3 years	5 years	AGR 3 Years	AGR 5 Years	% change **	AGR **
Sarasin Income & Reserves Fund	8.8	11.6	28.5	3.7	5.1	106.3	5.2
Benchmark	10.4	14.3	38.6	4.6	6.7	145.4	6.5

### DISCRETE RETURNS (12 MONTHS TO DATE)

	To 30.09.2019	To 30.09.2018	To 30.09.2017	To 30.09.2016	To 30.09.2015
Sarasin Income & Reserves Fund	8.8	1.0	1.6	12.2	2.7
Benchmark	10.4	2.2	1.3	15.7	4.8

**Performance is provided net of fees. Past performance is not a reliable guide to future performance.** Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. \*\*A share class launched 03.08.2005

Source: Sarasin & Partners LLP as at 30.09.2019. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. \* Benchmark: 37.5% ICE BoAML UK Gilts All Stocks, 37.5% ICE BoAML Sterling Corporate, 10.0% FTSE All Share Index (5% Capped), 10.0% MSCI All World ex UK, 5.0% 1 Month LIBOR. The index data referenced is the property of third party providers and has been licensed for use by us. Our third party providers accept no liability in connection with its use. See our website for a full copy of our Index Disclaimers [www.sarasinandpartners.com/docs/default-source/regulatory-and-policies/index-disclaimers.pdf](http://www.sarasinandpartners.com/docs/default-source/regulatory-and-policies/index-disclaimers.pdf)

# Sarasin Climate Active Fund

## Performance as at 30 September 2019

### ANNUAL PERFORMANCE

	1 month	3 months	YTD
Sarasin Climate Active Fund A Acc	0.8	4.1	16.7
Benchmark	1.5	2.7	15.4

### CUMULATIVE PERFORMANCE

	1 year	% change **	AGR **
Sarasin Climate Active Fund A Acc	8.3	14.8	8.9
Benchmark	6.3	589.9	7.7

### DISCRETE RETURNS (12 MONTHS TO DATE)

	To 30.09.2019
Sarasin Climate Active Fund A Acc	8.3
Benchmark	6.3

**Performance is provided net of fees. Past performance is not a reliable guide to future performance.** Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. \*\*A share class launched 16.02.2018

Source: Sarasin & Partners LLP as at 30.09.2019. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. \* Benchmark 9.0% ICE BoAML UK Gilts All Stocks, 8.5% ICE BoAML Sterling Corporate, 20.0% FTSE All Share Index (5% Capped), 25.0% MSCI All World ex UK (Local Ccy), 25.0% MSCI All World ex UK, 4.0% IPD All Balanced Property Fund Index, 3.5% S&P Developed Property, 5.0% 1 Month LIBOR

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