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3D Fund Profile – Sarasin IE Sustainable Global Real Estate Equity

1 January 2020

Our View

This fund is a clear leader amongst real estate funds with ESG factors being very evident in stock selection. The managers have considerable expertise in assessing ESG issues with a strong conviction that higher standards of ESG lead to superior performance in the real estate space. As a result the fund is largely composed of 'best of sector' stocks and is globally diversified to reduce risk. Performance is proven over the long term.

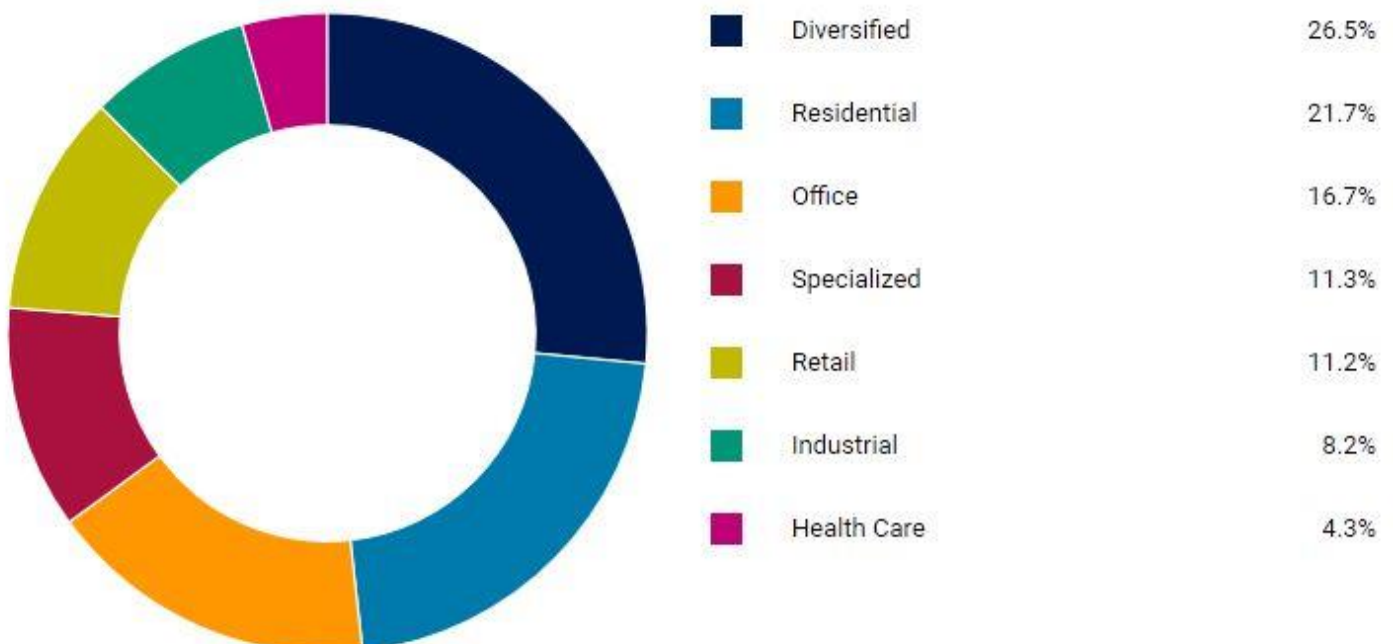


Investment Strategy & Fund Composition

The fund invests in liquid real estate companies on a global basis. The main driver behind the fund is the contention that green buildings offer a more attractive investment proposition than the market as a whole, based on lower running costs, higher growth in asset values and premium rentals, as well as avoiding regulatory issues. Sarasin looks for long-term trends that provide opportunities for companies to grow revenues, and research companies that are likely beneficiaries from these trends. They couple this with company characteristics that they believe will increase the likelihood of that company outperforming over the long term. These include:

- Quality of assets/locations/earnings
- A well-defined strategy
- Active and/or strong management
- A solid balance sheet
- Scale advantage
- Resilient earnings/cash harvest

The fund is mainly invested in residential, diversified and office properties, with a lesser amount in retail and specialized property. Geographically, the fund is diversified across the globe, with approximately 70% of assets held in the US and Europe.



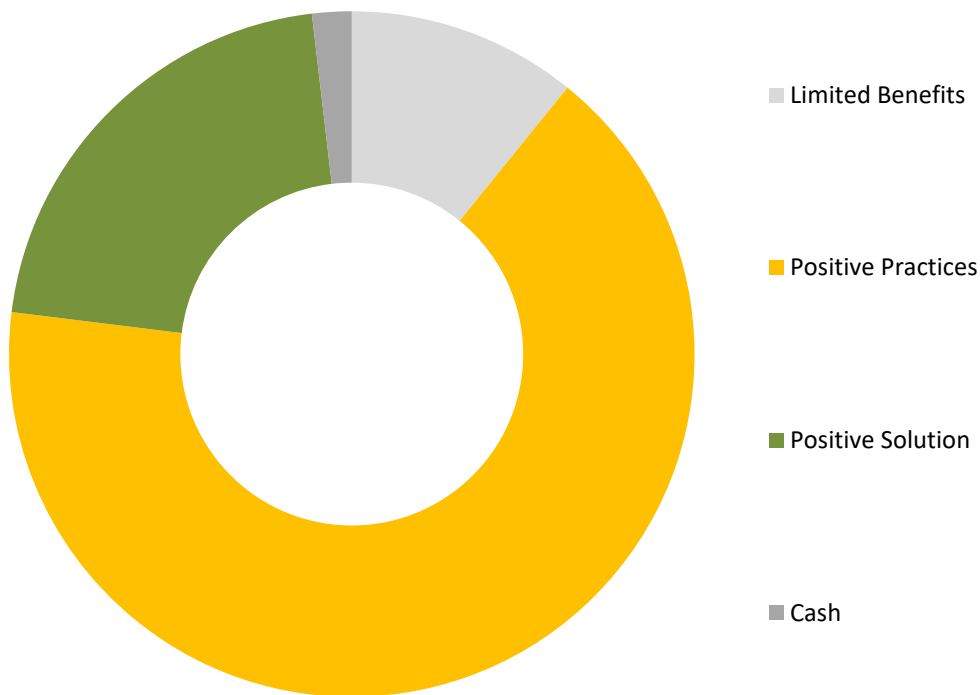
Avoidance of Controversies



Given the fund's focus on property there are few major ethical concerns. However, no screening is conducted on tenants of property companies held in the portfolio. Most of these are residential, diversified properties or offices.

Social Impact

As one might expect, the exposure to companies providing solutions to social and environmental challenges is low given the mandate to invest in real estate. However, the quality of the ESG research is evident in the very high proportion of the portfolio invested in real estate companies that are sustainability leaders in their industry. The indirect benefits are high, since buildings are responsible for a third of the world's greenhouse gas emissions and stocks held by the fund are leading the way in reducing these emissions.



* Positive Solution - > 50% of revenues (net of any revenues that have a negative impact) in solutions (see notes below).

Positive Practices – core operations deliver major SDG benefits that are most material to their business.

Limited Benefits – SDG benefits are unquantified or small relative to company size.

Harmful impact – Company operations hinder SDGs

Environmental, Social & Corporate Governance

Internal Resource: ESG analysis is undertaken by a substantial team of 18 sustainability researchers.

ESG Practice: An ESG Matrix as below. Controversies and reputational risks of companies are systematically recorded and reflected in the company's rating. Limited exclusion criteria are also

applied and there is a preference for positive themes.

External Screening: MSCI ESG, RepRisk, Governance International

Engagement: Engagement is largely undertaken by the London-based team. This includes thought leadership and policy outreach.

Industry Materiality Matrix

	Operations	Costs	Revenues
Environment (40%) Opportunities in Green Building			Business Development
Social (20%) Human Capital Development	Continuity and Quality	Operational	Business Preservation and Development
Health and Safety	Continuity	Operational, Legal	
Governance (40%) Corporate Governance	Quality	Cost of Capital	
Corruption and Instability		Legal	Business Preservation

Potential impact on the related value driver
 Null or Limited Medium High

Sarasin Sustainability Matrix®



Source: Bank J Safra Sarasin Ltd, 2019

Risk Management

The fund diversifies amongst different geographic regions to reduce the risk, an important factor given the low correlation of inter-regional returns. The fund holds around 35 stocks, at least 85% of which have to be held in the form of equity. There is a limit of 10% on any one holding and the maximum that can be held in stocks with a weighting of 5% or more is 40%. No more than 10% of the portfolio will be in stocks that take greater than 5 days to liquidate. It should be noted that the fund carries equity risk, since investment is made in real estate equities.

FUND RISK LEVEL 3 / 5

Transparency

All Holdings publicly stated: Annual report provides a full listing of holdings

Justification of Holdings: Selected holdings described

Strategy Statement: Yes, the investment process and ESG criteria are clearly explained.

Impact Report: No

Engagement: A short report is available with details of key votes as well as comprehensive details of each vote cast. These are predominantly on corporate governance issues.

Validation: UN PRI Signatory

Financial Confidence

The investment universe is defined by Sarasin's sustainability team who analyse potential investments according to a sustainability matrix. Approved stocks are then assessed by the portfolio management team. Sarasin uses a property consultant, Jones Lang LaSalle, to provide quality research on supply and demand, rental growth, vacancy levels and regulatory issues to inform investment policy and asset allocation. The original founder of the fund is the current deputy fund manager



Performance net of fees to 31 December 2019. Benchmark: S&P Developed Property Net Total Return. Source: Sarasin Partners LLP

Key Facts

Manager	Sarasin Funds Management (Ireland) Ltd
Launch Date	1 st June 2006
Structure	UCITS Unit Trust
Domicile	Ireland
ISIN Code	IE00B8HDLM64
Currency	£
Size	£18.0 million
Sector	Property - Other
Number of holdings	34
Historic Yield	2.16%
Ongoing Charges	1.04%
Volatility	10.30
Benchmark	S&P Developed Property Index
Last Updated	31 December 2019

Important Notes

The 3D Star Rating is intended to facilitate quick and easy identification of those funds that best meet the 3D Investing objectives of making a positive social impact, avoiding ethically controversial companies and delivering a decent financial return. The 3D Star Rating is a demanding ranking that seeks to identify the very best funds. As such, a three star rating is far from average and in fact means the fund is likely to be amongst the best in its sector. A five star rating is reserved for the very best funds and is an aspirational standard.



The fund is a real pioneer in the industry. It has delivered financial returns in line with expectations, excellent levels of transparency, a high social impact and has a low level of exposure to ethically controversial companies.



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



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



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



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

The above reflects consideration of the following:

Avoidance of Controversies – our assessment of the likely avoidance of ethical controversies, based on an analysis of all stocks in the portfolio, checking them for ethical controversies or common ethical concerns. Areas of controversy include mining, fossil fuels, unscreened finance, intensive agriculture, nuclear power, alcohol, tobacco, armaments, tax avoidance and human rights abuses.

ESG Rating

- * ESG used as risk tool, predominantly focussed on corporate governance
- ** Exclusion policies applied
- *** Integration into investment process with internal ESG specialists
- **** Systematic engagement strategy on environmental and social issues including targets and progress monitoring
- ***** Systematic evidence of positive ESG impacts of portfolio versus the benchmark

Social Impact Rating

- * 0-20% Solutions Based
- ** 20-40% Solutions Based
- *** 40-60% Solutions Based (75-95% infrastructure funds)
- **** 60-80% Solutions Based (100% Infrastructure funds)
- ***** > 80% Solutions Based or high % of unlisted

A solutions based company is defined as deriving >50% of turnover from one or more of clean air and water, healthcare, inclusive and ethical finance, low carbon transport, renewable energy, resource efficiency, social infrastructure, safety and security, education and sustainable food.

Transparency Rating

- * Statutory listing of stocks in report and accounts but nothing more.
- ** Clear documentation of ethical approach and methodology, topical updates
- *** Position papers, sustainability reporting
- **** Engagement report, very clear criteria, ethical news, descriptions of ethical purchases
- ***** Impact report & Descriptions of all holdings in fund

Financial Confidence Rating

- * Poor historical performance. Very little confidence in fund
- ** Unconvincing track record of less than 3 years, or underperformance against benchmark since launch
- *** Performance in line with benchmark or consistent level of absolute returns
- **** Consistent above benchmark performance
- ***** Top quartile performance on a consistent basis over more than 5 years

About Ethical Money

Ethical Money provides research and communication services to help investment managers and advisers to deliver a high quality and distinctive service for the socially motivated investor.

Important Information

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- The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.
- Past performance is not a guide to future performance.
- Changes in legislation may adversely affect the value of the investments.
- The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

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