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## 3D Fund Profile – Sarasin Responsible Global Equity

1 January 2020

## Our View

This is a large cap fund which combines a thematic approach with ethical exclusions, whilst also considering a number of key policies on ESG issues. The fund clearly delivers on these objectives, and is distinguished by the combination of all three approaches within a large cap fund. The fund is also proven over a considerable period and actively engages with companies on their preparedness and commitment to the Paris Climate agreement.



## Investment Strategy & Fund Composition

The fund invests in themes that are shaping the investment landscape over the long term. These include digitisation, automation, climate change, ageing and evolving consumption.

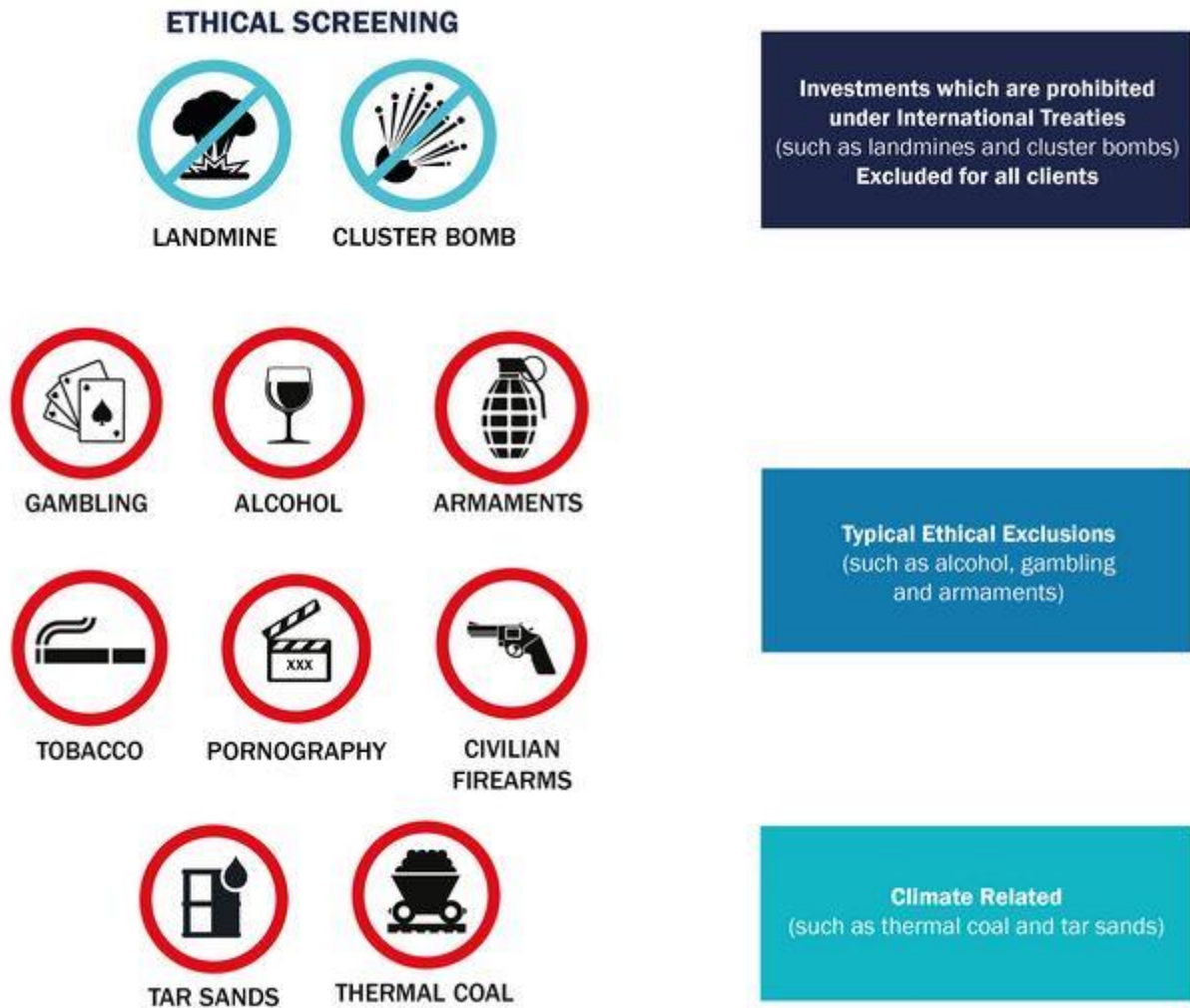


The managers seek to avoid companies out of balance with societal needs, and consider the legacy that companies leave for the next generation. The strategy goes beyond an exclusion approach to consider carefully a number of key policies on ESG issues. The managers typically invest in multi-national corporations with global supply chains and worldwide customers.

The fund does not follow a benchmark for geographic or sector exposure. Over half of the fund being invested in US stocks, but this is a reflection of the conviction in the underlying stocks rather than an intentional allocation to the US.

## Avoidance of Controversies

The fund employs ethical exclusions but has some exposure to ethical controversies. Investments are held in financial institutions which have few constraints on the type of business that they lend to or invest in. The fund also invests in healthcare companies which conduct testing on animals (in order to demonstrate product safety). One of the larger holdings is Amazon, a company which has engaged in aggressive tax mitigation. An investment is also held in Hexcel which produces carbon fibre products that reduce the weight and energy consumption of aircraft, but which has significant sales for use in fighter aircraft. Food company, ABF, adopts several positive practices, but is also engaged in intensive agriculture.



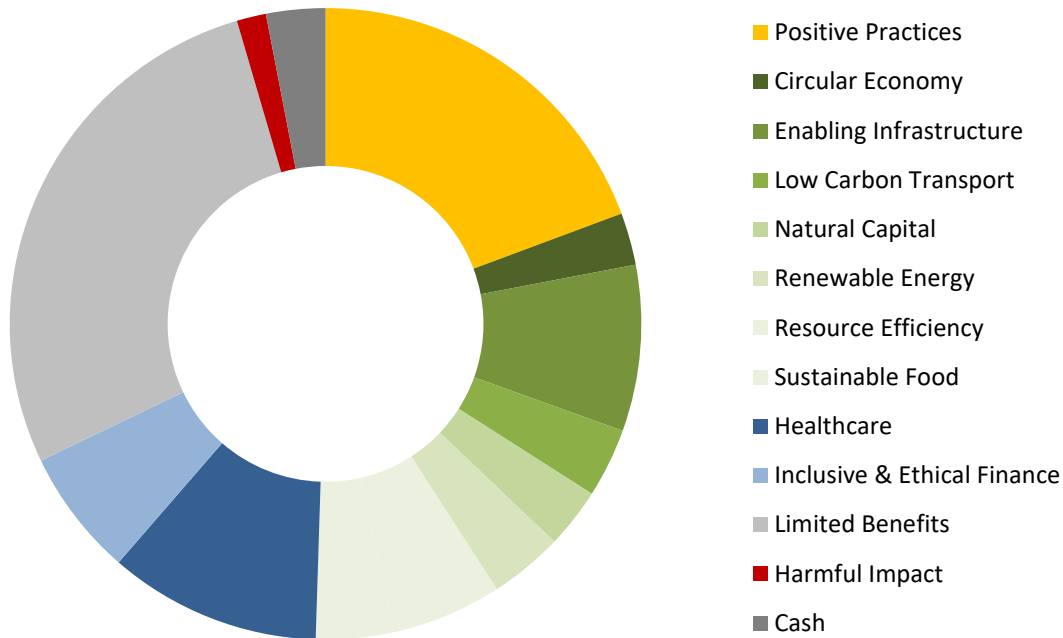
## Risk Management

The fund invests in large and mega-cap companies on a global basis, very largely in developed markets. A dedicated sterling-hedged fund is offered for investors who prefer to mitigate currency risk. Diversification is achieved by exposure to different themes and a spread of corporate characteristics.

**FUND RISK LEVEL 3 / 5**

## Social Impact

The fund has a thematic focus and this is largely reflected in the exposure to companies with a positive social or environmental impact, with around two thirds of the portfolio being invested in such companies. Some of the themes of the fund fall outside the 3D classification of social impact, most notably the digitisation theme.



\* 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 each analyst, supported by the Stewardship team, comprising 3 specialists and one head of team

**ESG Practice:** A range of exclusion criteria are systematically applied. ESG performance on a range of key issues are also considered, with active engagement being employed

**External Screening:** A range of external providers are used, but these are treated as an input to an internal assessment

**Engagement:** Engagement consists of voting all shares in line with policy, active engagement on key environmental and social issues as well as governance, collaborative engagements, thought leadership and policy outreach. Investee companies are pressed to publish their strategies and to meet their responsibilities in line with the Paris Climate Agreement. Sarasin also endorses the Ellen MacArthur Foundation's New Plastics Economy Global Commitment and uses this as a framework for engagement with plastics companies.

## Transparency

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

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

Impact Report: No

Justification of Holdings: 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, although environmental issues also feature strongly in the overall engagement reporting

Validation: UN PRI Signatory, Paris Climate Pledge

## Financial Confidence

Lead Manager, Jerry Thomas, has over 20 years' investment experience. He joined Sarasin & Partners in 2016 from Allianz Global Investors where he spent 12 years as a UK, European and Global Equity fund manager. Jerry works with co fund manager, Alex Bibani, who has 13 years of experience, several of which were focused on small and mid-cap stocks. The managers also benefit from the shared knowledge of an 83-strong investment team.

Performance has been in line with the benchmark and above that of the sector.



## Key Facts

<b>Manager</b>	Sarasin Investment Funds Limited
<b>Launch Date</b>	1 <sup>st</sup> June 2011
<b>Structure</b>	OEIC
<b>Domicile</b>	United Kingdom
<b>ISIN Code</b>	GB00B8369M57
<b>Currency</b>	£
<b>Size</b>	£109.2 million (unhedged and hedged share classes)
<b>Sector</b>	IA Global
<b>Number of holdings</b>	46
<b>Historic Yield</b>	1.34%
<b>Ongoing Charges</b>	0.97%
<b>Volatility</b>	10.30
<b>Beta</b>	0.94
<b>Alpha</b>	-0.72
<b>Benchmark</b>	MSCI AC World Daily (Net TR)
<b>Last Updated</b>	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.

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- Changes in legislation may adversely affect the value of the investments.
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