

**THE CHARITY FUNDS ANNUAL REVIEW**  
**SLIDE HANDOUT PACK**

TUESDAY 3 NOVEMBER 2020



# SEMINAR PROGRAMME

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<b>10.00</b>	<b>INTRODUCTION</b> RICHARD MAITLAND
	<b>STRATEGIC OVERVIEW</b> RICHARD MAITLAND
	<b>A YEAR IN REVIEW</b> PHIL COLLINS
<b>10.20</b>	<b>SPOTLIGHTS ON DIGITALISATION</b> JOSH SAMBROOK-SMITH
	<b>A FOCUS ON ALTERNATIVES</b> JAMES HUTTON & TOM LINDSEY
<b>10.50</b>	<b>BREAK</b>
	<b>BREAKOUT SESSIONS, CHOICE OF 3</b>
	<b>1. HOW TO HELP SOLVE THE CLIMATE CRISIS: PUSHING FOR NET-ZERO, AND DRIVING CHANGE</b> NATASHA LANDELL-MILLS & ALEXANDER TRUE
<b>11.05</b>	<b>2. COVID-19 AND THE IMPACT ON PHARMA</b> ALEX HUNTER & MELANIE ROBERTS
	<b>3. INCOME AND THE IMPACT ON THE GLOBAL ECONOMY</b> KAMRAN MIAH WITH PHIL COLLINS & RICHARD MAITLAND
	<b>SETTING THE INVESTMENT LANDSCAPE AND ECONOMIC OVERVIEW</b> GUY MONSON
<b>11.20</b>	<b>INFLATION OR DEFLATION? THE REGIME SHIFT IN THE POLICY LANDSCAPE</b> SUBITHA SUBRAMANIAM
<b>11.40</b>	<b>PANEL AND LIVE Q&amp;A</b>
<b>12.00</b>	<b>CHARITY TEAM OPEN CHAT ROOMS</b>
<b>12.20</b>	<b>END</b>

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# CHARITY AUTHORISED INVESTMENT FUNDS (CAIFS)

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 3.2%.

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 3.2%.

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

Sarasin & Partners LLP is a London-based asset management group that manages £15.2 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 £144 billion\*\*.

as at 30.09.20, \*\*as at 31.12.19. Sarasin & Partners LLP is authorised and regulated by the Financial Conduct Authority.



# SPEAKERS BIOGRAPHIES

## **RICHARD MAITLAND, PARTNER, 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, PARTNER, HEAD OF MULTI-ASSET**

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.



## **JOSH SAMBROOK-SMITH, FUND MANAGER**

Josh is a sector analyst covering technology, media and telecoms on a global basis. Josh is also the fund manager for the recently launched, Digital Opportunities Fund.

Prior to joining Sarasin & Partners, Josh worked at Putnam Investments as an Equity Analyst covering pan-European financials, telecoms, tech and utilities companies. Prior to Putnam, he worked for a small Private Equity firm focusing on researching and analysing potential investments into software companies. He also worked at BNY Mellon Asset Management in a middle office role.



## **JAMES HUTTON, PARTNER, CHARITIES**

James is responsible for the management of portfolios on behalf of charities and UK and international private clients. He is also a member of our Investment Policy Committee and the co-author of the Sarasin Compendium of Investment.

Prior to joining Sarasin & Partners in October 2012, he spent seven years at GAM London Limited where he was a Portfolio Director managing a diverse range of private client and charity portfolios. He started his investment career working for Newton Investment Management.



## **TOM LINDSEY, ASSOCIATE PARTNER**

Tom is currently responsible for managing discretionary portfolios for charities, foundations and endowments.

Tom's career started in the industry in 2013. He joined Sarasin & Partners in 2017. Previously Thomas worked for Standard Life Investments for a number of years managing multi-asset and absolute return portfolios for corporate pension schemes and institutions.



## **NATASHA LANDELL-MILLS, PARTNER, HEAD OF STEWARDSHIP**

Natasha is currently responsible for overseeing stewardship activities undertaken by the investment team with individual companies, and sustaining policy and positioning of stewardship issues internally and externally. Natasha is a member of the firm's Investment Strategies Group.

Natasha has a background in development economics and responsible long-term investment. She is a currently member of the International Corporate Governance Network's Accounting and Audit Practices Committee, and is a member of the International Audit and Assurance Standards Board Consultative Advisory Group.





# SPEAKERS BIOGRAPHIES

## ALEXANDER TRUE, BUSINESS PARTNER, CHARITIES

Alexander is primarily responsible for the management of charity portfolios, as a member of the core Sarasin & Partners charity team.

Alexander joined Sarasin & Partners LLP in 2014. He has worked in financial services for over 10 years, most recently at Newton Investment Management where he managed international private clients and Trusts, as well as investment models.



## MELANIE ROBERTS, PARTNER, CHARITIES

Melanie has over 20 years of investment experience and joined Sarasin & Partners in 2011. She is primarily responsible for the management of charity and pension fund portfolios.

Melanie is primarily responsible for the management of charity and pension fund portfolios, as a member of the core Sarasin & Partners charity team. She is the current Editor of the Sarasin House Report.



## ALEX HUNTER, PARTNER, ASSET MANAGEMENT

Alex has been with Sarasin & Partners since 2007, working primarily with the Global Equity franchise and is global equity portfolio manager for the Equity Opportunities fund.

Alex is a portfolio manager for the Global Higher Dividend fund, and analytically looks at the global healthcare sector and the ageing theme.



## KAMRAN MIAH, INVESTMENT MANAGER

Kamran is responsible for managing discretionary portfolios for charities, foundations and endowments.

He joined Sarasin & Partners in 2019 and previously worked at JP Morgan Geneva as support to the Head of Investments for EMEA, before moving to JP Morgan London where he covered ETFs and Mutual Funds. Kamran has worked in the industry since July 2016.



## GUY MONSON, SENIOR PARTNER AND CHIEF INVESTMENT OFFICER

Guy co-manages Sarasin's global equity income strategies for institutional and retail clients. He has over 30 years of investment experience and joined Sarasin in 1984, and is a fellow of Lady Margaret Hall, Oxford.

In 1988 he became manager of Sarasin's flagship GlobalSar family of balanced investment funds, winning awards for investment performance and risk profile. He has pioneered the use of thematic investment in the management of global equity portfolios and today manages the Sarasin Global Opportunities fund as well as leading the firm's investment strategy.



## SUBITHA SUBRAMANIAM, PARTNER, CHIEF ECONOMIST AND HEAD OF ASSET MANAGEMENT

Subitha is currently responsible for the macroeconomic backdrop underpinning Investment Strategy.

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.



# Strategic Overview

Richard Maitland



## Your investment universe

When constructing portfolios we consider a very wide range of asset classes, as allowed by the Trustee Act:

### Core Asset Categories

- Cash
- Government bonds
- Corporate bonds
- Inflation-linked bonds
- UK equities
- Global equities
- UK property
- + currency hedging

### Peripheral Asset Categories

- Global property
- Private equity
- Hedge funds
- Commodities
- Infrastructure
- High yield bonds
- + derivatives for EPM

Wherever possible, in-house expertise is utilised to maximise appropriateness, oversight and control, and to minimise cost. Third party funds are used sparingly to gain specialist exposure to esoteric asset classes.

# Strategic asset allocation considerations

	Short-term reserves	Medium-term reserves	Long-term reserves
Time frame	0 – 18m	18m – 5yrs	5yrs +
Investment objective	To improve on the returns from cash	A return that at least matches inflation	To maintain the real value whilst providing sufficient income
Greatest risk	The impact of <b>any</b> volatility	The impact of <b>some</b> volatility	The impact of <b>inflation</b>
Implementation	Cash, certificates of deposit and short dated government bonds	<b>Reserves Strategy</b> Predominantly bonds with some risk assets	<b>Endowments Strategy</b> Predominantly real assets with some defensive assets

## Asset allocation

### Risk and return characteristics

#### Strategic asset allocations

	Projected total return p.a. %	Income & Reserves (Asset Allocation %)	Endowments (Asset Allocation %)
	0.4	35.0	7.5
	2.5	30.0	7.5
	6.3	10.0	20.0
		10.0	50.0
	5.0	0.0	5.0
	4.5	10.0	10.0
	1.0	5.0	0.0
	<b>Total fund</b>	<b>100</b>	<b>100</b>
Projected returns	Projected income yield	2.9	2.7
	Trend total annual return	2.3	5.3
	Trend annual 'real' return	0.3	3.3
Key risk metrics (Based on historic index performance)	Maximum annual drawdown %*	-7.8	-24.9
	1 Year 5% Value at Risk (VaR)*	-6.1	-11.4
	Annualised Volatility %*	5.1	10.1

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 30.09.20.

# The Sarasin charity funds today

## Fund size (£m)

Portfolio Name	Launch Dec 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Endowments Fund (£m)	40	124	313	326	420	675	826	979	1,186	1,248	1,351	1,636	1,742	1,538	1,695	1,808
Climate Active Fund (£m)	-	-	-	-	-	-	-	-	-	-	-	-	-	169	229	325
Income & Reserves (£m)	0	43	44	39	30	34	40	58	65	83	102	127	153	136	152	173
CCF Diversified Fund (£m)	-	-	-	-	-	-	10	13	22	28	31	43	50	54	66	77
<b>Combined Total (£m)</b>	<b>40</b>	<b>167</b>	<b>356</b>	<b>365</b>	<b>450</b>	<b>709</b>	<b>876</b>	<b>1,050</b>	<b>1,273</b>	<b>1,359</b>	<b>1,485</b>	<b>1,806</b>	<b>1,945</b>	<b>1,898</b>	<b>2,142</b>	<b>2,382</b>

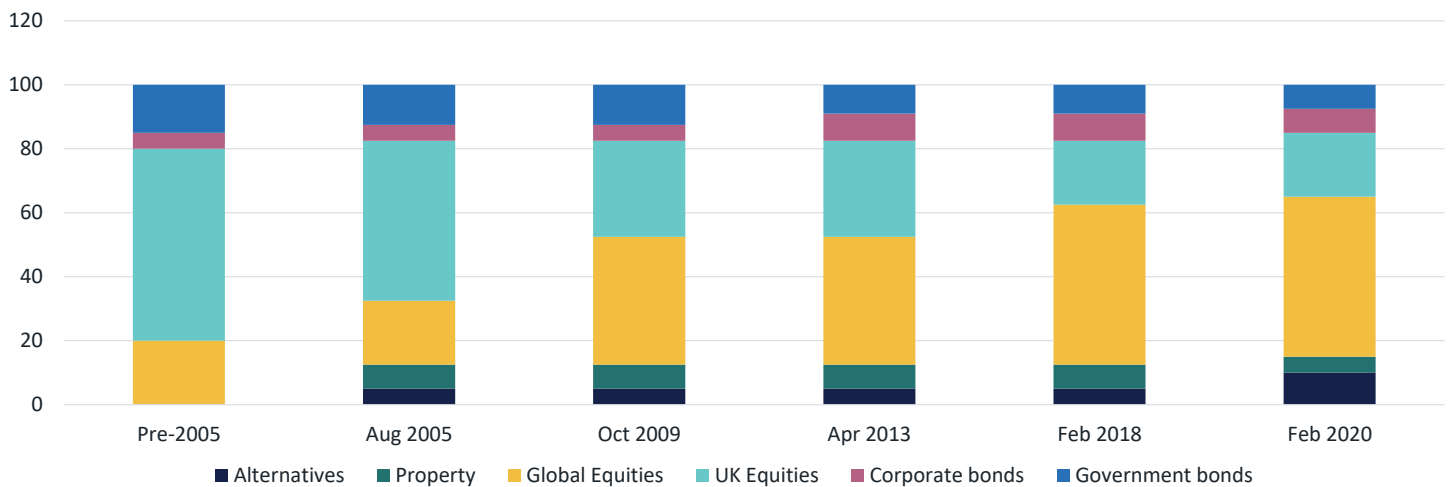
- The five funds continue to attract new unit holders
- There continues to be interest from charities with less than £1m and by those with significantly more than £20m to invest
- These funds represent 34% of Sarasin & Partners charity AuM

Source: Sarasin & Partners, 30.09.20

# Sarasin Endowments Fund

How the strategic allocation has evolved

## Strategic Allocation

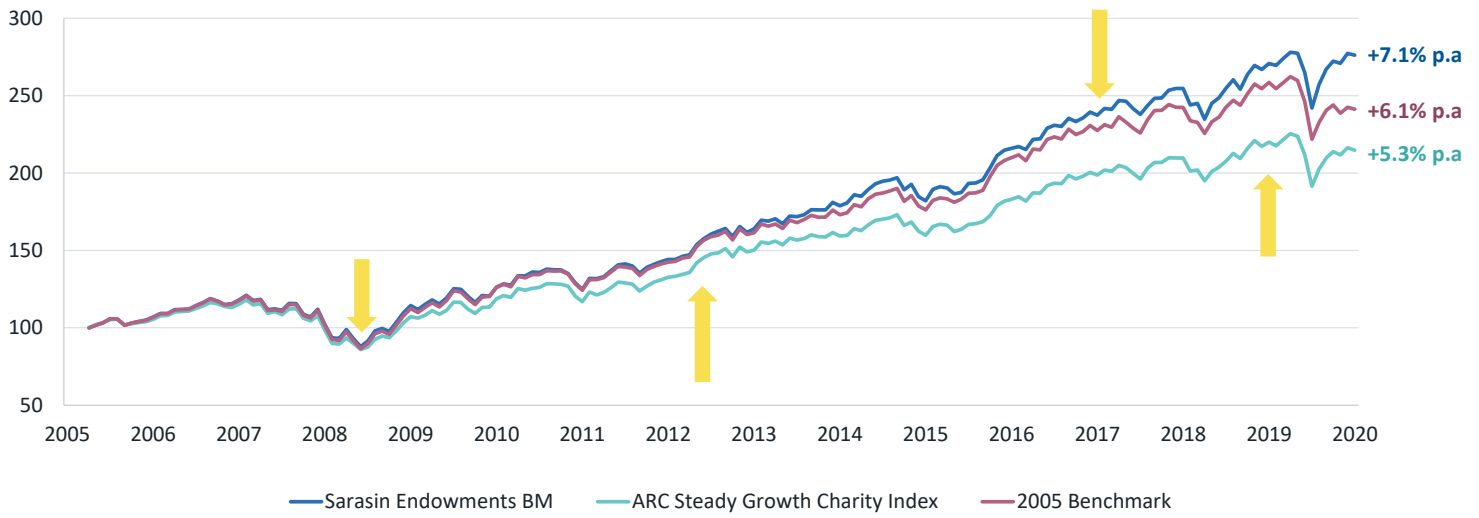


Source: Sarasin & Partners, 30.09.20



# Evolution of the Sarasin Endowments benchmark

How it has impacted strategic performance



Source: Sarasin & Partners, 30.09.20



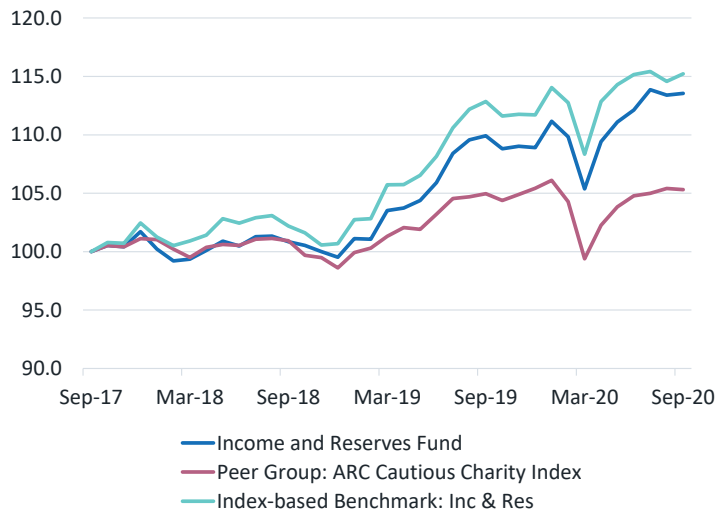
SARASIN  
& PARTNERS

The recent past

# Income & Reserves CAIF

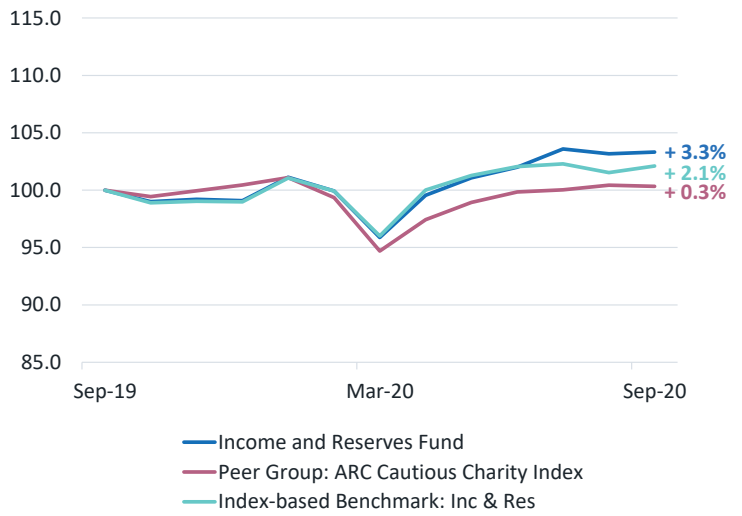
3 year and 12 month performance

**3 year performance**



Source: Sarasin & Partners, 30.09.20

**12 month performance**

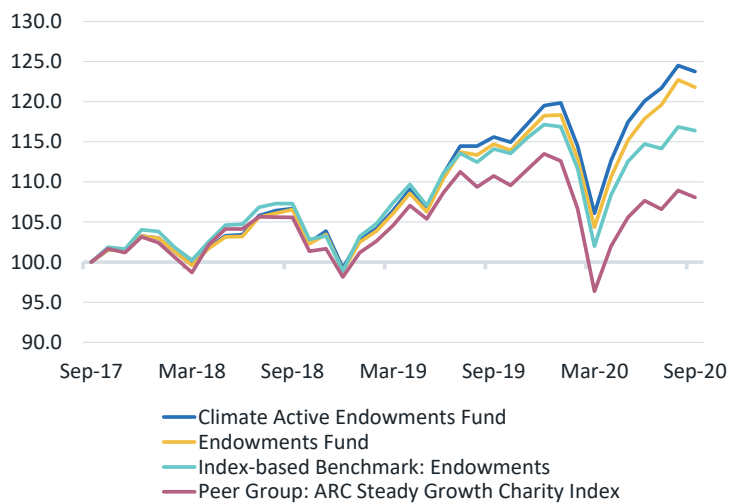


Source: Sarasin & Partners, 2020

# Endowments CAIFs

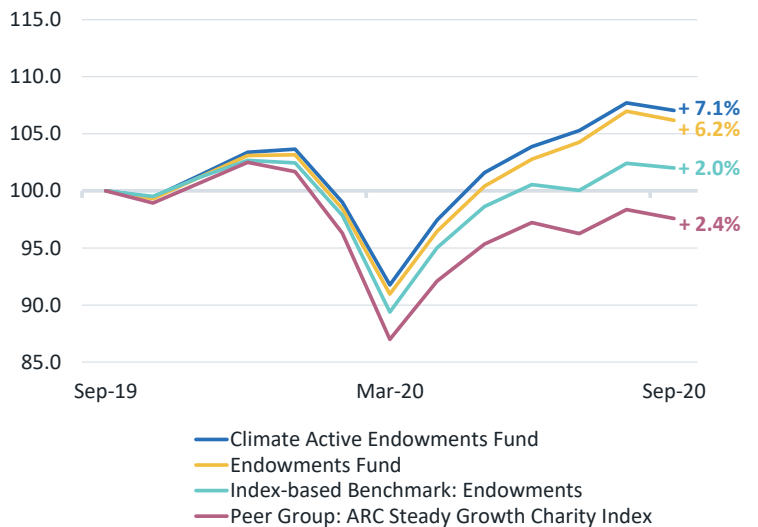
3 year and 12 month performance

**3 year performance**



Source: Sarasin & Partners, 30.09.20

**12 month performance**



Source: Sarasin & Partners, 30.09.20

# A year in review

Phil Collins

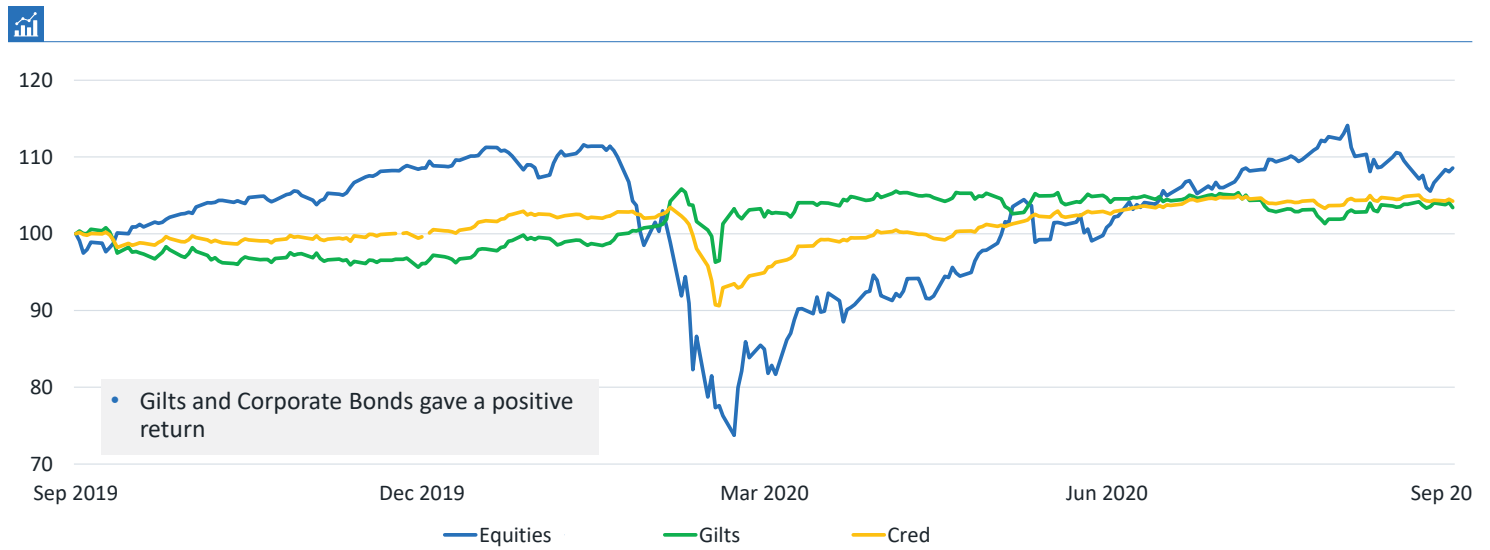


## The past year for equities



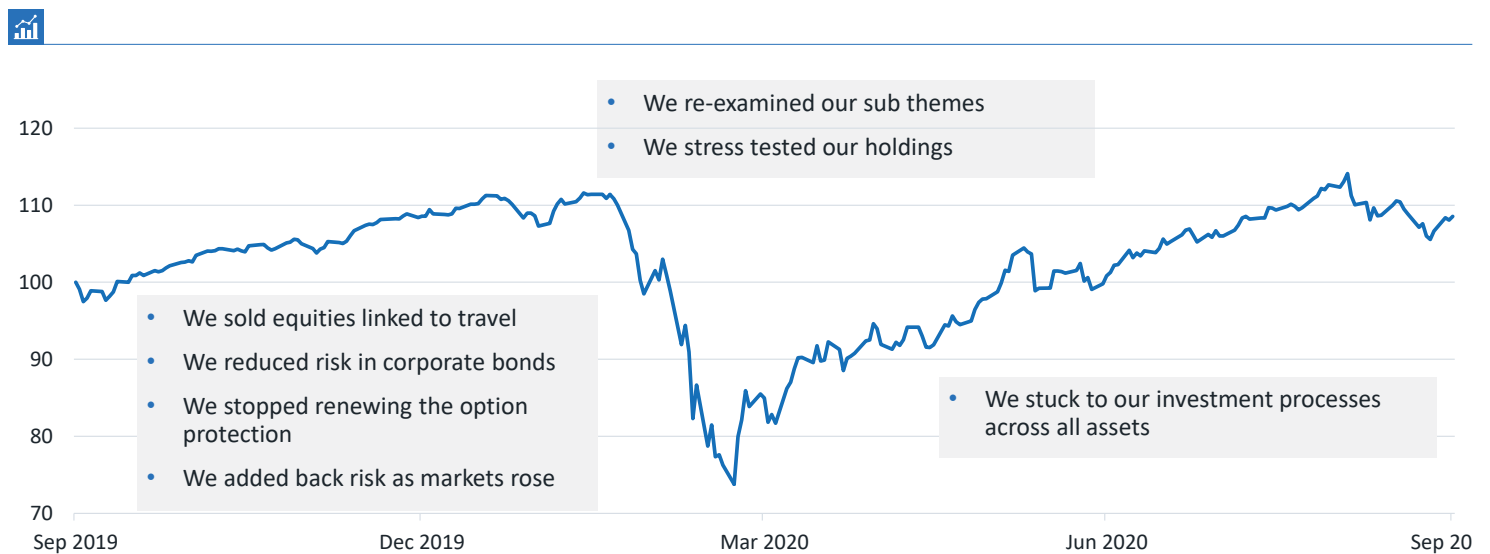
Source: Bloomberg, MSCI, Sarasin & Partners LLP. Series rebased to 100 as at 30.09.2019.

## The past year for equities and bonds



Source: Bloomberg, MSCI, FTSE, BofAML, Sarasin & Partners LLP. All series rebased to 100 as at 30.09.2019.

## The past year – actions taken

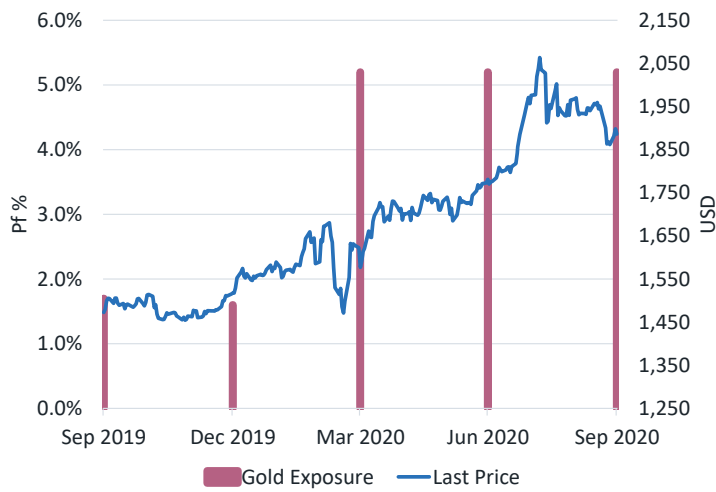


Source: Bloomberg, MSCI, Sarasin & Partners LLP. Series rebased to 100 as at 30.09.2019.

## Significant transactions

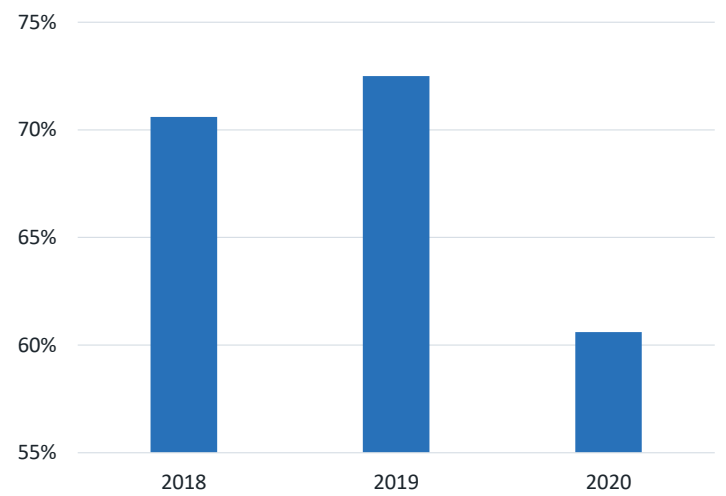
Increase in gold and reduction in £ early in the year

 Gold exposure & gold price



Source: Bloomberg, Sarasin & Partners, Sarasin Endowments Fund 30.09.20

 £ exposure



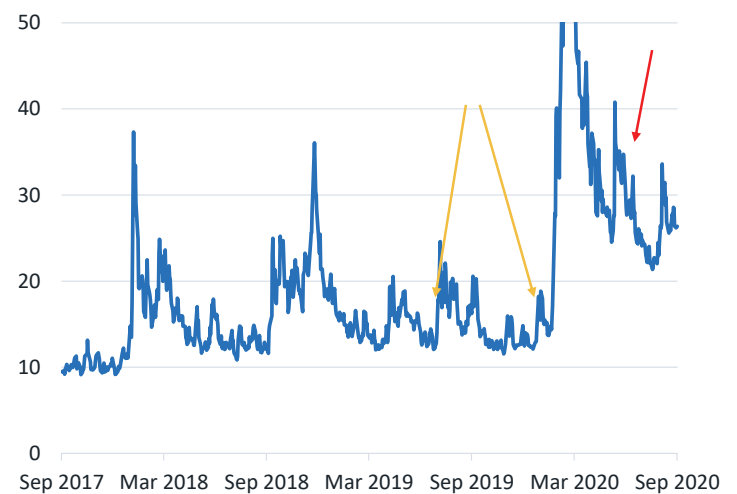
Source: Sarasin & Partners, 30.9.18/19/20, Sarasin Endowments Fund

## Significant transactions

Change in use of options

- VIX Index shows the cost of options
- When VIX is low and we are nervous of markets we may buy index protection
- When VIX is high, we are more likely to use options
- We sell puts to buy attractive thematic stocks and sell calls to sell stocks we no longer like

 VIX Index



Source: Bloomberg, 30.09.20



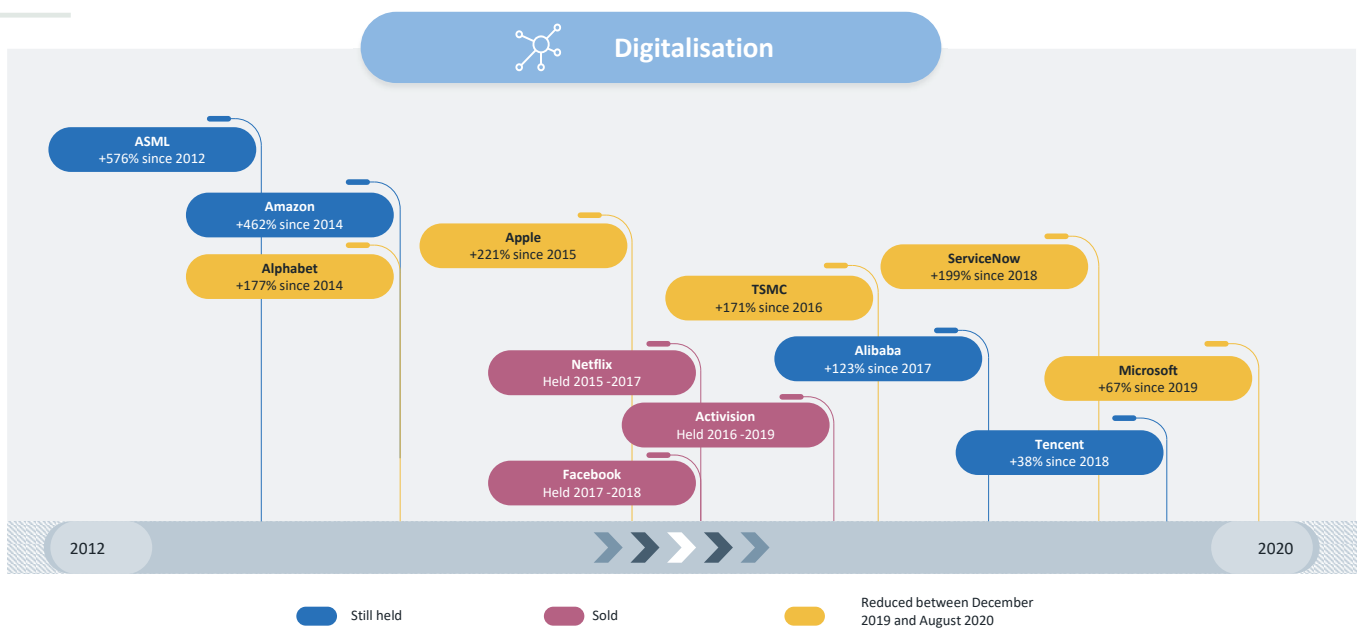
# Significant transactions

## Equities

	Sale of travel related names	>	Carnival, Samsonite, Marriott
	Sale of financial companies due to income concerns	>	ING, Swiss Re, Citigroup, Lloyds
	Sale of oil companies	>	Royal Dutch Shell, BP, Total (Climate Active sold all last year)
	Purchases of cheaper thematic stocks	>	Daikin, Otis, Home Depot, Ecolab
	Recycling of tech giants on valuation grounds		

# FAANG-tastic

Technology helping to drive returns but reduced recently on valuation concerns



# The past year relative performance by quarter

The 2 Endowments Funds maintained their distributions

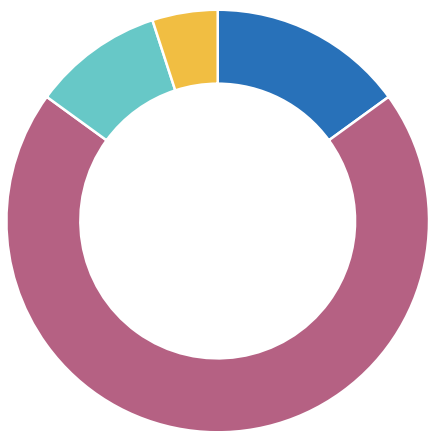


Source: Bloomberg, MSCI, Sarasin & Partners LLP. Series rebased to 100 as at 30.09.2019.

# Long term Asset Allocations



Endowments & Climate Active Endowments

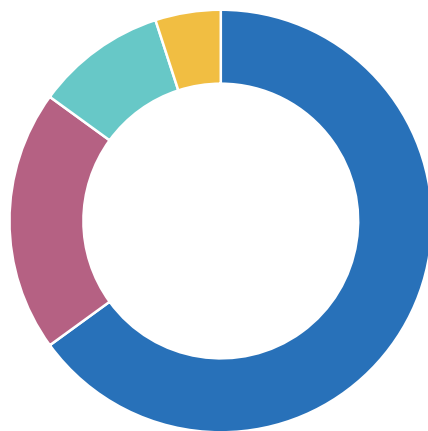


■ Bonds ■ Equities ■ Alternatives ■ Cash & Property

Source: Sarasin & Partners, October 2020



Income & Reserves

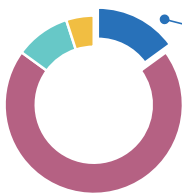


■ Bonds ■ Equities ■ Alternatives ■ Cash & Property

Source: Sarasin & Partners, October 2020

# Fixed Interest relative performance

## Endowments & Climate Active Endowments



## Income & Reserves



■ Bonds ■ Equities ■ Alternatives ■ Cash & Property

Source: Sarasin & Partners, October 2020

## Relative performance

Bonds	1 year
Sarasin Endowments Fund	+0.3%
Sarasin Climate Active Endowments Fund	+0.2%
Sarasin Income & Reserves Fund	+0.1%

Past performance does not guarantee future returns

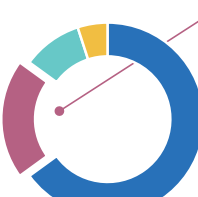
Source: Sarasin & Partners, year to 30.9.20

# Equity relative performance

## Endowments & Climate Active Endowments



## Income & Reserves



■ Bonds ■ Equities ■ Alternatives ■ Cash & Property

Source: Sarasin & Partners, October 2020

## Relative performance

Equities	1 year
Sarasin Endowments Fund	+7.6%
Sarasin Climate Active Endowments Fund	+8.6%
Sarasin Income & Reserves Fund	+7.0%

Past performance does not guarantee future returns

Source: Sarasin & Partners, year to 30.9.20

## Largest equity contributors & detractors to Sarasin Endowments Fund performance

### Contributors

Contributors	Theme	Impact
Apple (reduced)	Digitalisation	+1.1%
Microsoft	Digitalisation	+0.7%
Amazon	Digitalisation	+0.7%
TSMC (reduced)	Digitalisation	+0.7%
United Parcel Service (increased)	Digitalisation	+0.7%
Orsted (increased)	Climate Change	+0.5%
ASML	Digitalisation	+0.5%
Amgen	Ageing	+0.5%
ServiceNow (reduced)	Digitalisation	+0.4%
Alibaba	Digitalisation	+0.4%

Source: Sarasin & Partners, year to 30.9.20

### Detractors

Detractors	Theme	Impact
HSBC	Income	-0.7%
Lloyds (sold)	Income	-0.6%
Marriott (sold)	Evolving Consumption	-0.6%
Aramark	Evolving Consumption	-0.5%
Compass (increased)	Evolving Consumption	-0.4%
Credicorp (reduced)	Evolving Consumption	-0.4%
CME	Automation	-0.4%
BP (sold)	Income	-0.3%
ING (sold)	Income	-0.3%
Bank of Nova Scotia	Income	-0.3%

Source: Sarasin & Partners, year to 30.9.20

## Largest equity contributors & detractors to Sarasin Endowments Fund performance

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Source: Sarasin & Partners, year to 30.09.20

### Detractors

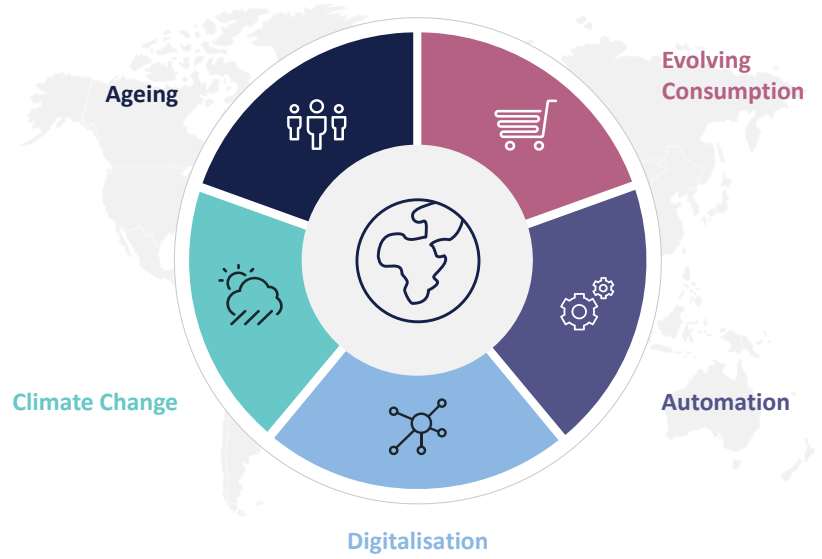
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Source: Sarasin & Partners, year to 30.09.20

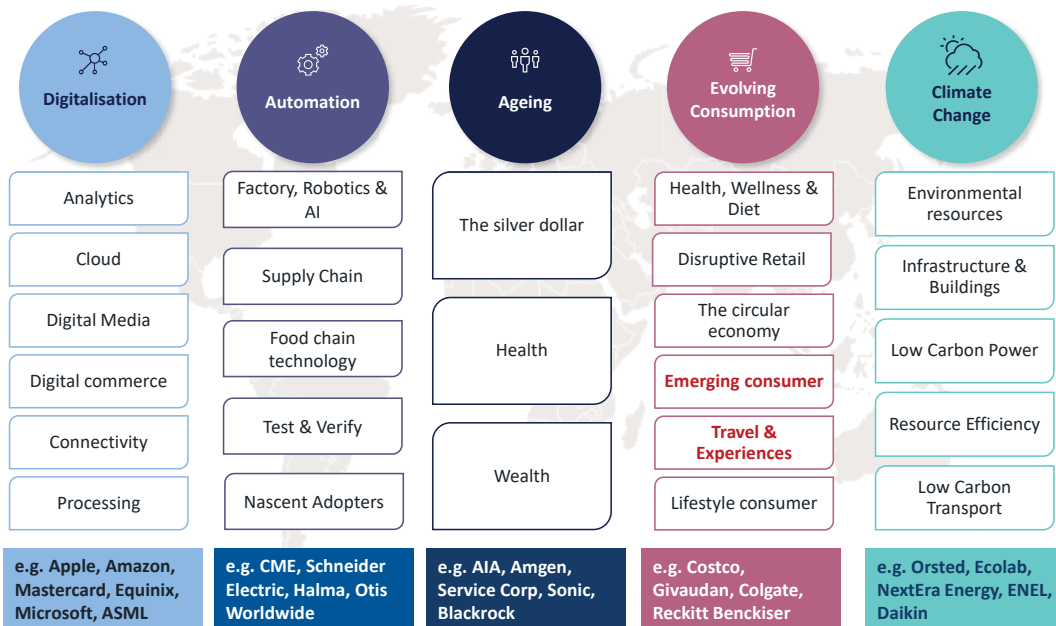
# Equity stock selection has driven the results

Themes anchor our equity investment process

- 5 **themes** structure our thinking around the long-term development of society
- We identify underlying **sub themes** to generate investment ideas
- Companies who are beneficiaries of these sub themes are well placed to deliver sustainable, long-term growth
- We then apply rigorous valuation assessments



# Themes and sub themes

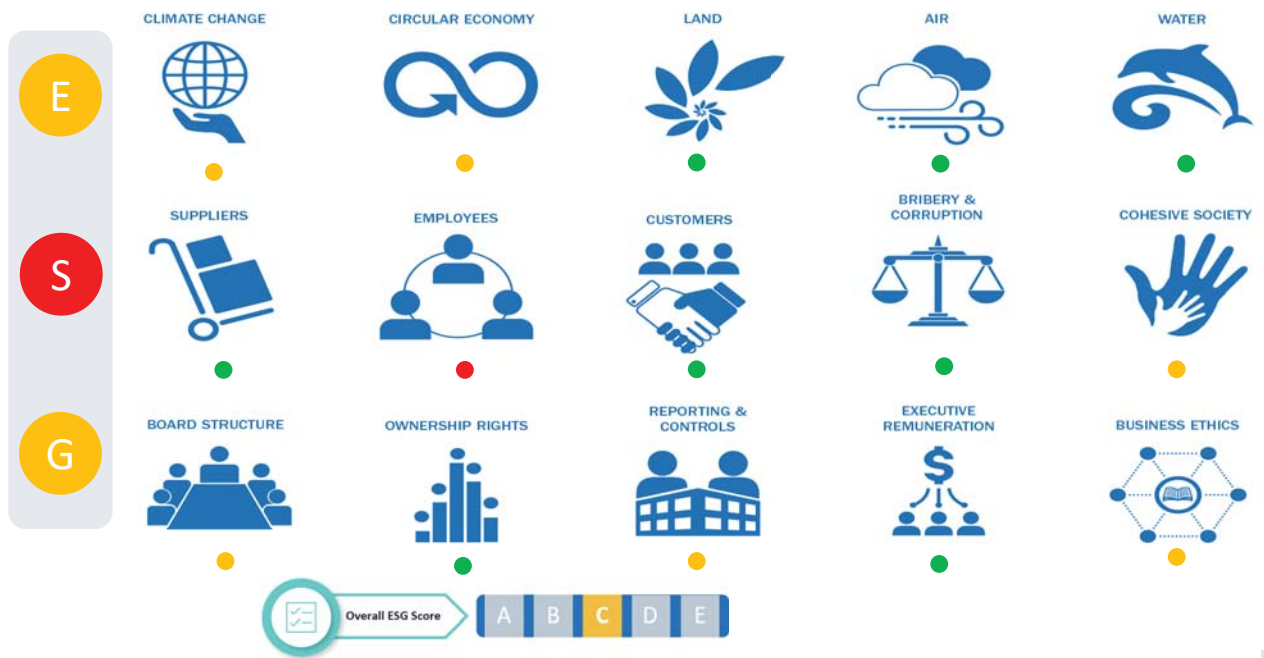


Source: Sarasin & Partners, October 2020



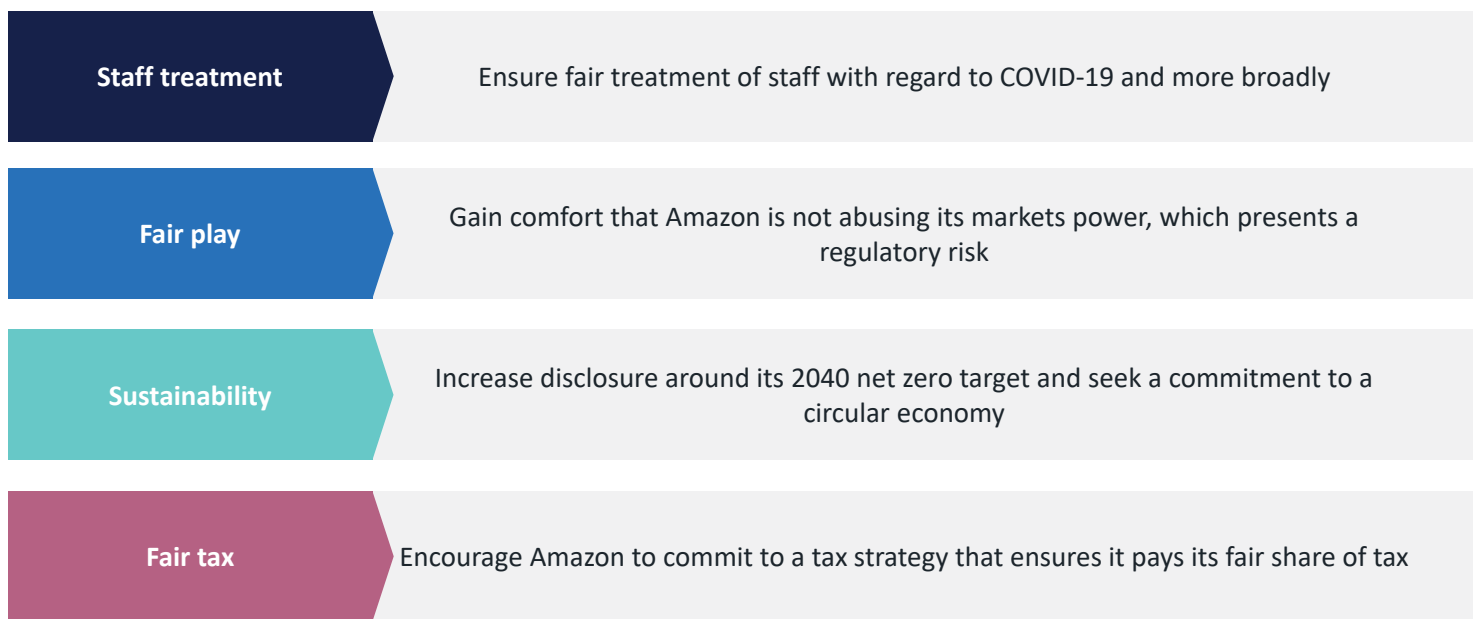
# ESG Analysis

AMAZON.COM INC



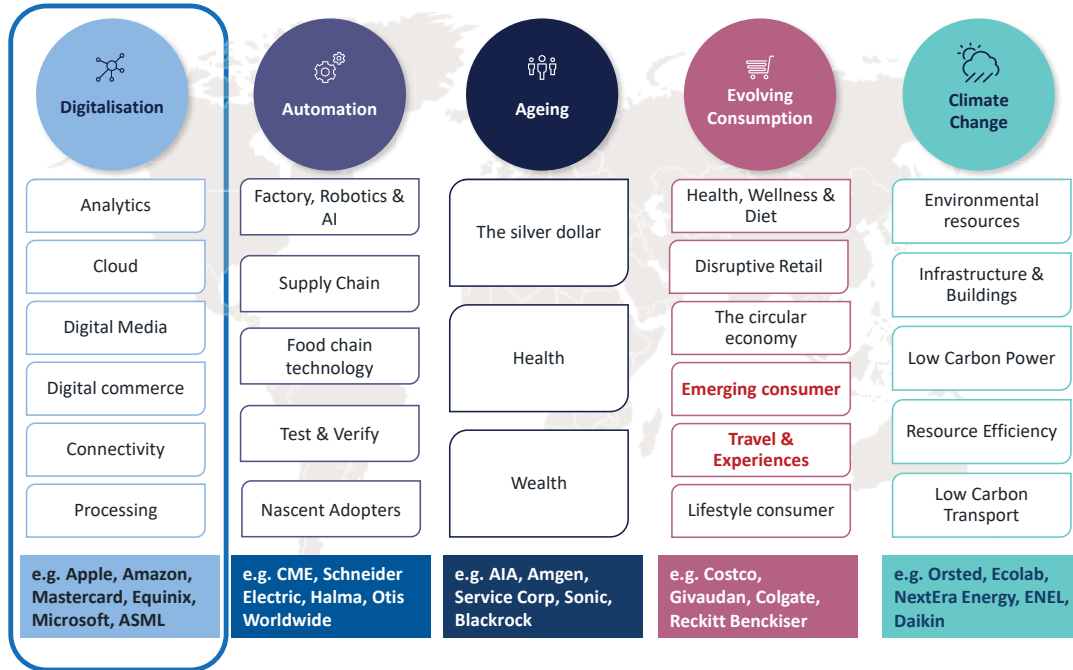
## Amazon

4 main elements to our engagement



# Idea generation

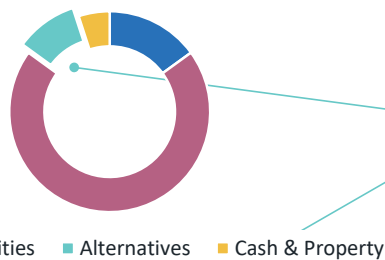
## Themes and sub-themes



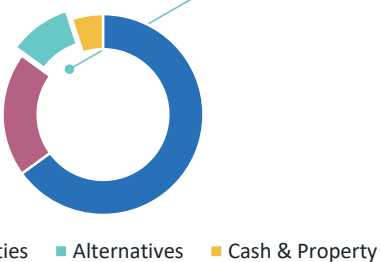
Source: Sarasin & Partners, October 2020

# Alternatives absolute performance

## Endowments & Climate Active Endowments



## Income & Reserves



Source: Sarasin & Partners, October 2020

## Absolute performance

Alternatives (absolute)	1 year
Sarasin Endowments Fund	+13.9%
Sarasin Climate Active Endowments Fund	+13.5%
Sarasin Income & Reserves Fund	+14.8%

## Past performance does not guarantee future returns

Source: Sarasin & Partners, year to 30.9.20

# Alternatives

- We increased alternatives to 10% of the benchmark of each fund
- Gold accounts for about half the alternatives – we doubled positions ahead of the equity market falls in the Spring
- The remainder are renewables and infrastructure with a small allocation to private equity and hedge funds
- We first invested in an energy storage fund a year ago through Gresham House Energy Storage Fund



## Absolute performance

Alternatives (absolute)	1 year
Sarasin Endowments Fund	+13.9%
Sarasin Climate Active Endowments Fund	+13.5%
Sarasin Income & Reserves Fund	+14.8%

### Past performance does not guarantee future returns

Source: Sarasin & partners, October 2020

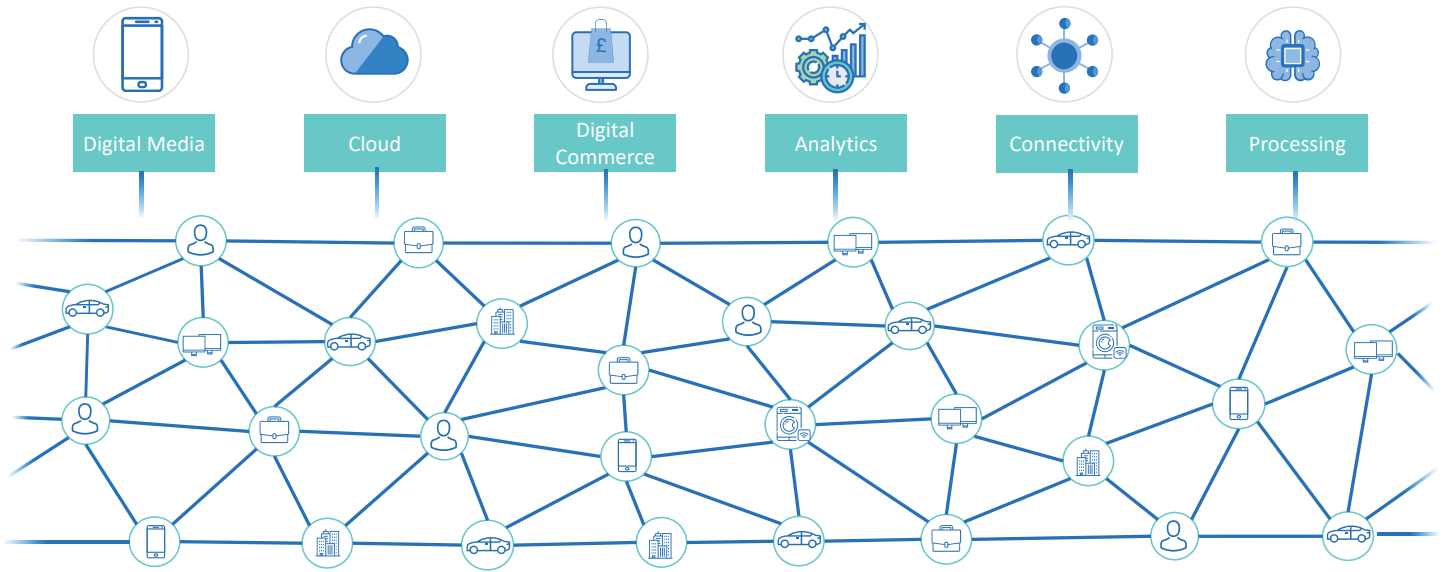
# Spotlights on digitalisation

Josh Sambrook-Smith



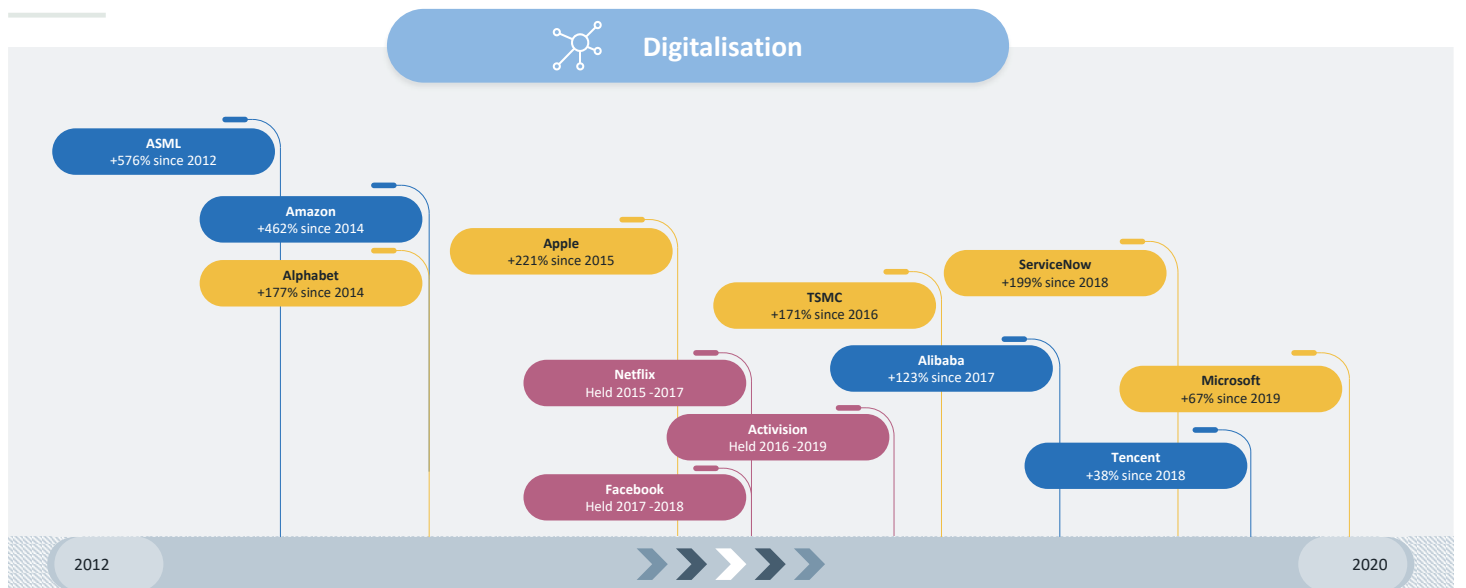
# Digitalisation

The rapid adoption of digital products and services within the interconnected economy



# FAANG-tastic!

Technology helping to drive returns but reduced recently on valuation concerns



Source: Sarasin Endowments Fund as at 30.09.2020

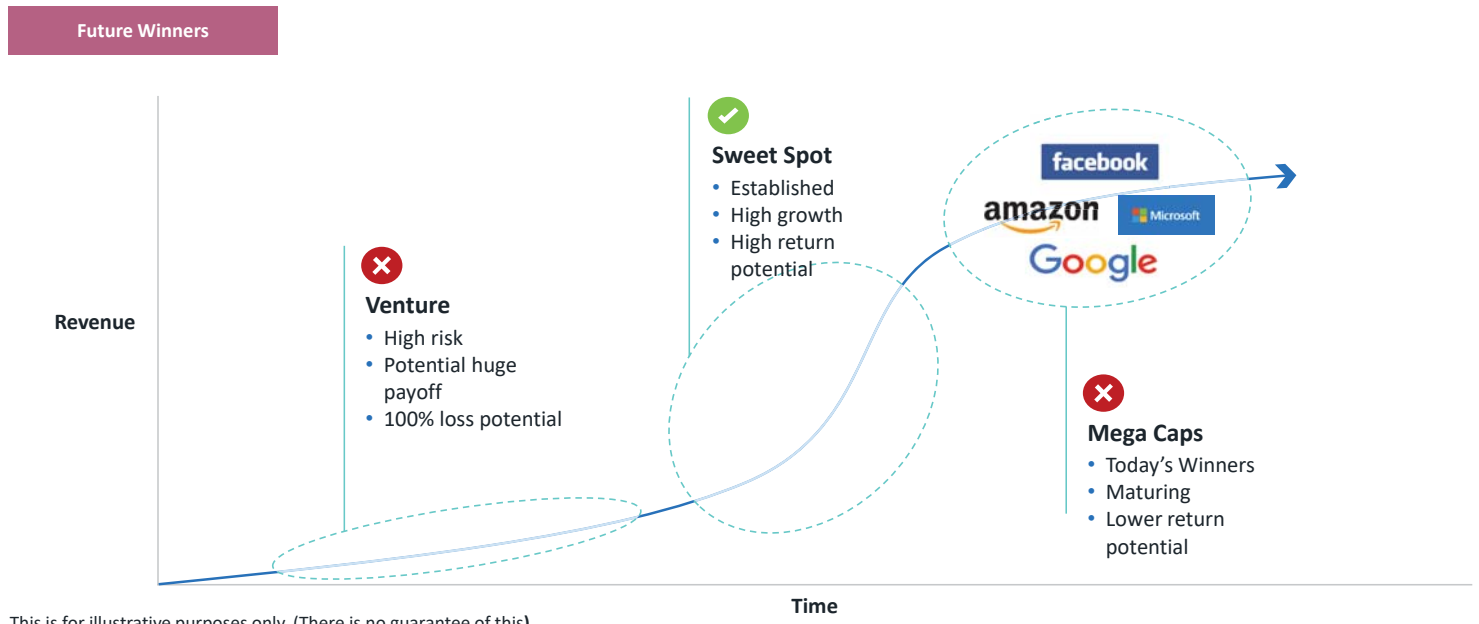
Still held

Sold

Reduced between December 2019 and August 2020

# Undiscovered sources of long term returns

The next generation



This is for illustrative purposes only. (There is no guarantee of this)

# Sarasin Digital Opportunities Fund

Investing in the interconnected economy

**Strategy**

A global equity fund that aims to provide long term capital growth through an unconstrained, concentrated portfolio of companies that benefit directly from the on-going adoption of digital technologies, products and services.

**01** Digitalisation spreads across traditional sector boundaries...

Consumer	Real Estate	IT	Comms Services	Financials	Health Care	Construction
----------	-------------	----	----------------	------------	-------------	--------------

← Digitalisation →

**02** Avoids Mega Caps...

**03** High Conviction

Digitalisation Holdings:	25	Competitor Holdings:	63
--------------------------	----	----------------------	----



# Alteryx

Stock Example



Analytics

# alteryx

## COMPANY DESCRIPTION

Alteryx sell an off-the-shelf, self serve data science platform to SMEs and large enterprise customers. Customers access an advanced data science platform without having to build a data science team.

## THEMATIC OPPORTUNITY

- Machine learning and data science adoption rapidly increasing.
- Data science software market is \$30bn, growing at 15%.
- Explosion in computing power enables advanced analytical applications.

## INVESTMENT THESIS

- >\$10bn vertical specific data science opportunity.
- ROIs can be very large: saving costs, increasing efficiency, etc.
- Alteryx capabilities in finance, retail, logistics, tech are industry leading.
- Leading position in expert and re-sellers reviews.
- Ability to sustain c.30% growth revenue growth CAGR for 5 years.



Source: <https://community.alteryx.com/>

SARASIN  
& PARTNERS

37

SARASIN  
& PARTNERS

## A focus on alternatives

James Hutton & Tom Lindsey



# Alternative assets

## Uncorrelated

- Gold
- Absolute return funds

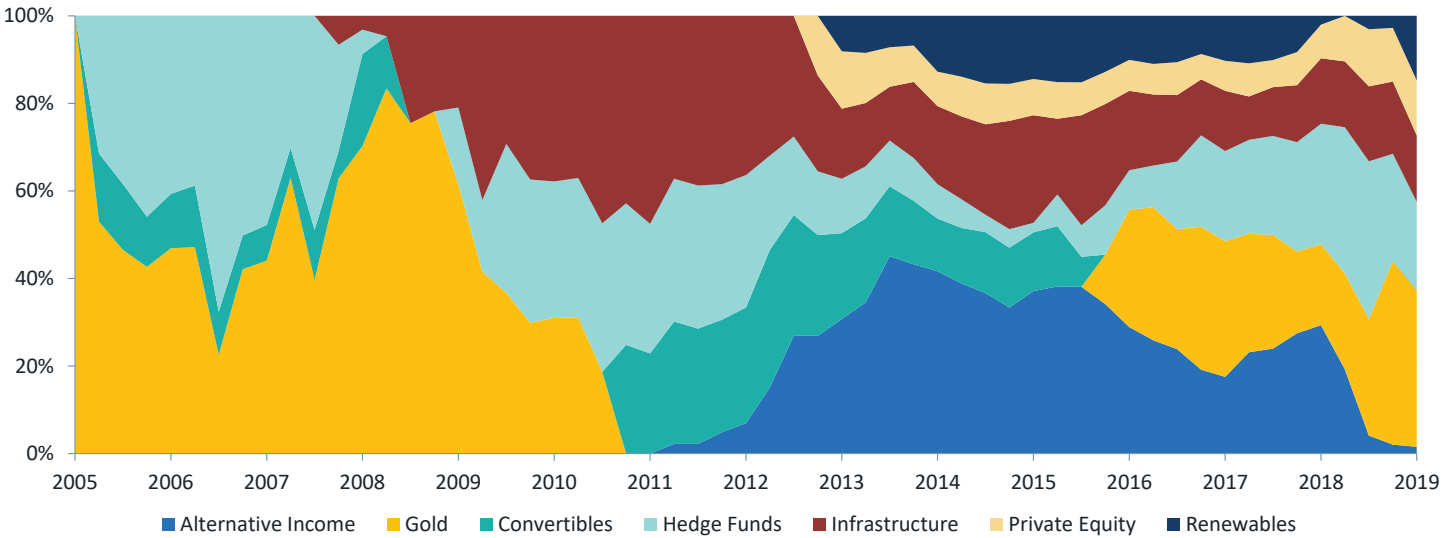
## Correlated

- Private equity
- Infrastructure
- Renewable Infrastructure
- Alternative Income

# Active management of alternatives

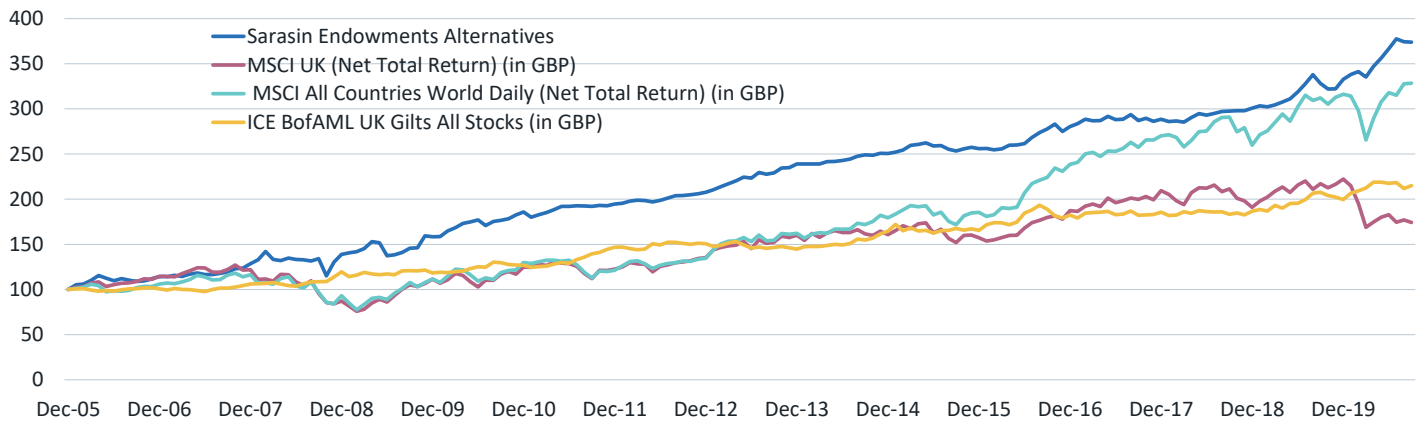
## The benefits of liquidity

The Sarasin Endowments fund has owned an array of alternative investments over time



Source: Sarasin & Partners LLP, 31.12.19, updated annually

# Sarasin Endowments Fund – alternatives performance



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 30.06.20. 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: <sup>1</sup>Benchmark: BofAML Gilts All Stocks Index 7.5%, BofA Merrill Lynch Sterling Corporate 7.5%, MSCI UK IMI 20%, MSCI AC World ex UK (Net Total Return) 40%, MSCI AC World ex UK (Local Currency) (GBP) 10%, MSCI All Balanced Property Funds – One Quarter Lagged 5%, UK cash LIBOR 1 month (Total Return) 10%. Fund Inception: 31.12.2005.

## How to help solve the climate crisis: pushing for net-zero and driving change

Natasha Landell-Mills & Alexander True

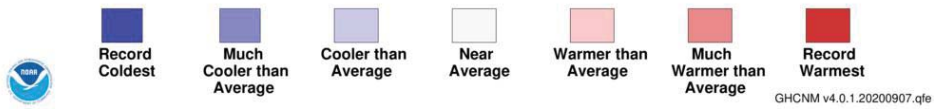
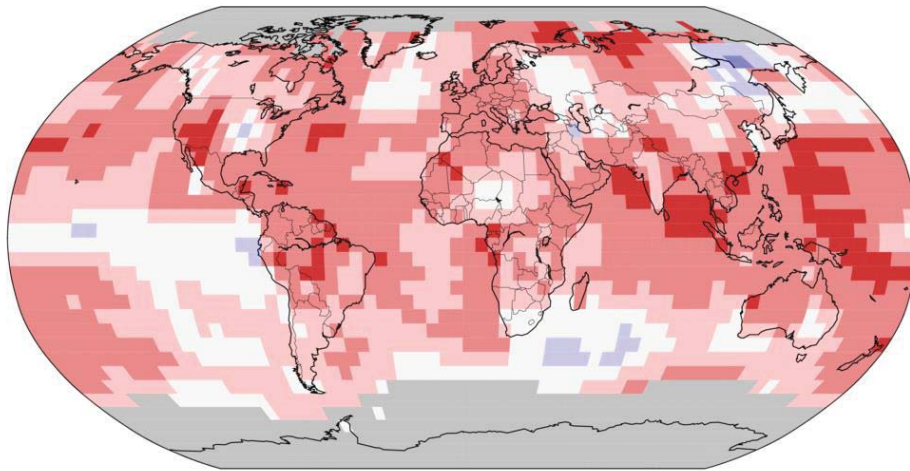


# Climate change is here...but it can feel remote

2020 has seen record-breaking temperatures across the globe

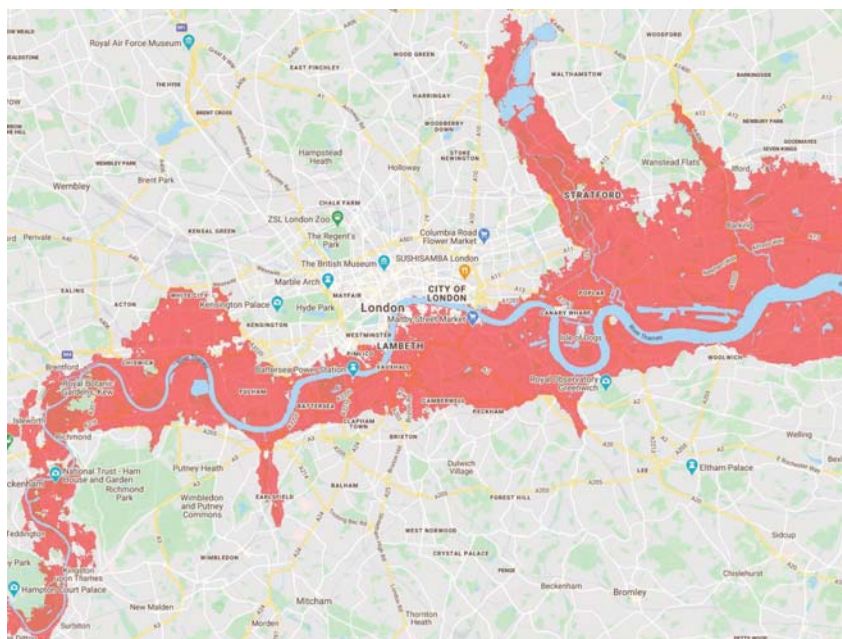
## Land and ocean temperature percentiles January - August 2020

NOAA's National Centers for Environmental Information



Source: NOAA GlobaTemp v5.0.0-20200906, August 2020

# By 2050 swathes of London are projected to be underwater



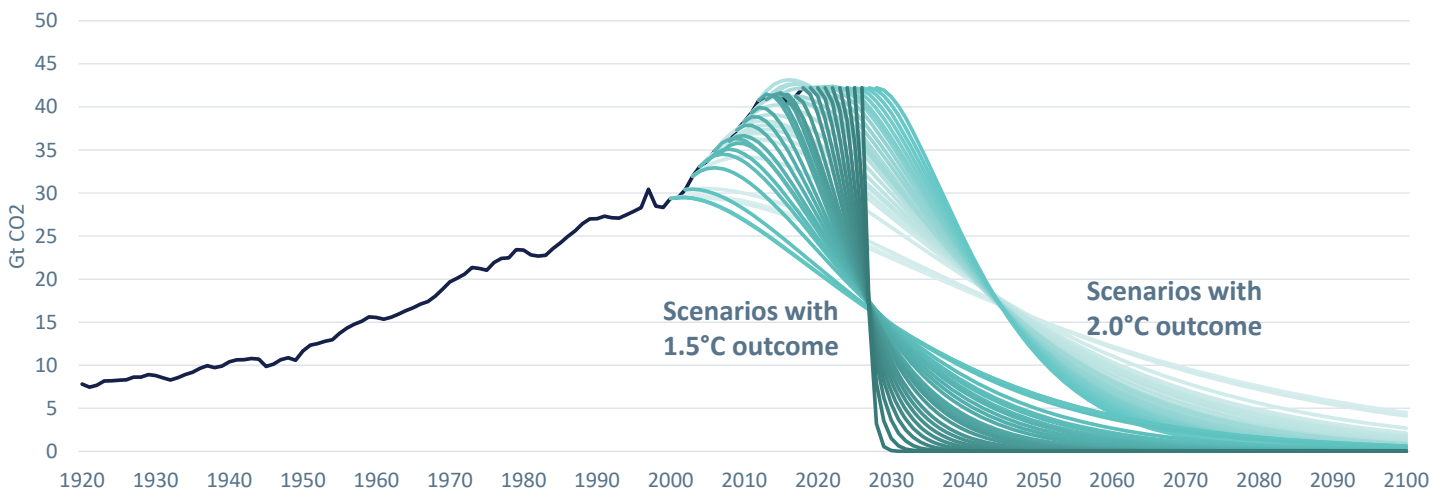
Source: <https://sealevel.climatecentral.org/maps/>, 2020



## Combating climate change: “We have to believe it’s possible” *David Attenborough, October 2020*

### The world’s economic DNA needs to be re-wired

Global emissions reduction scenarios necessary to limit global average warming to 1.5°C & 2.0°C

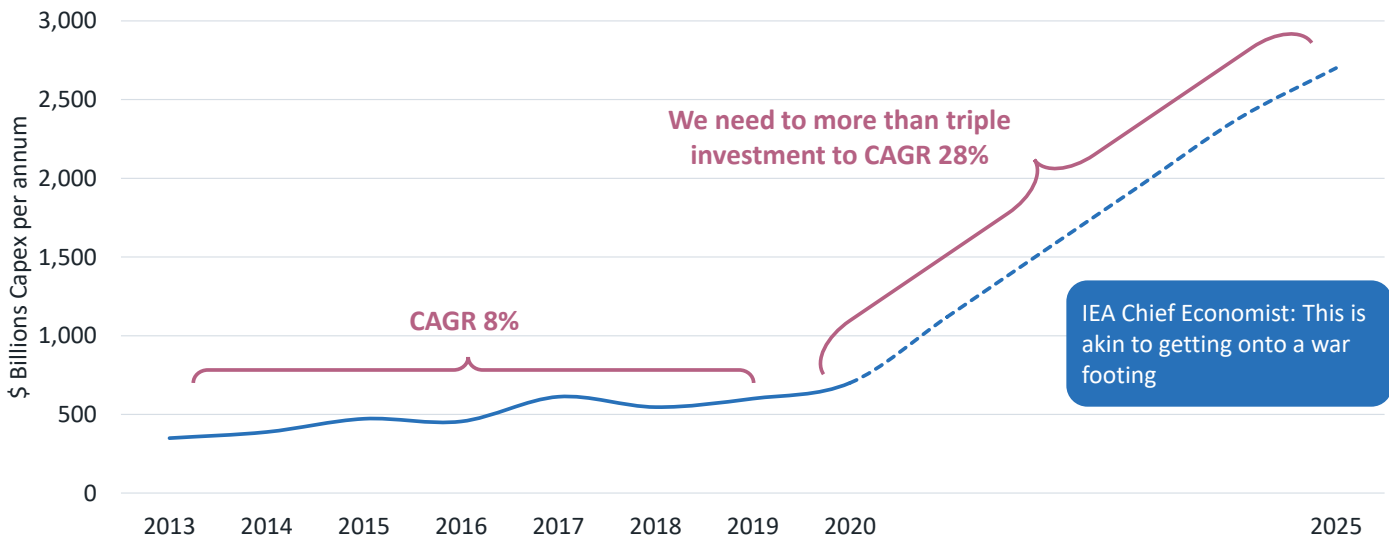


Source: Climate Action Tracker & Global Change Data Lab, 2019

# We will need unparalleled levels of capital

Global investment in climate finance (mitigation and adaptation) needs to rise into trillions

Historic and required investment in climate related finance



Source: Global Landscape of Climate Finance 2019 & IPCC

## The goal of Climate Active

Deliver sustainable value by promoting alignment with the Paris Agreement

### Active Management



#### Allocate capital to solutions

Look for leaders in all sectors  
Alignment with a net zero by 2050 pathway

### Active ownership



#### Press companies to align with Paris

Wind down harmful activities

### Active Policy outreach

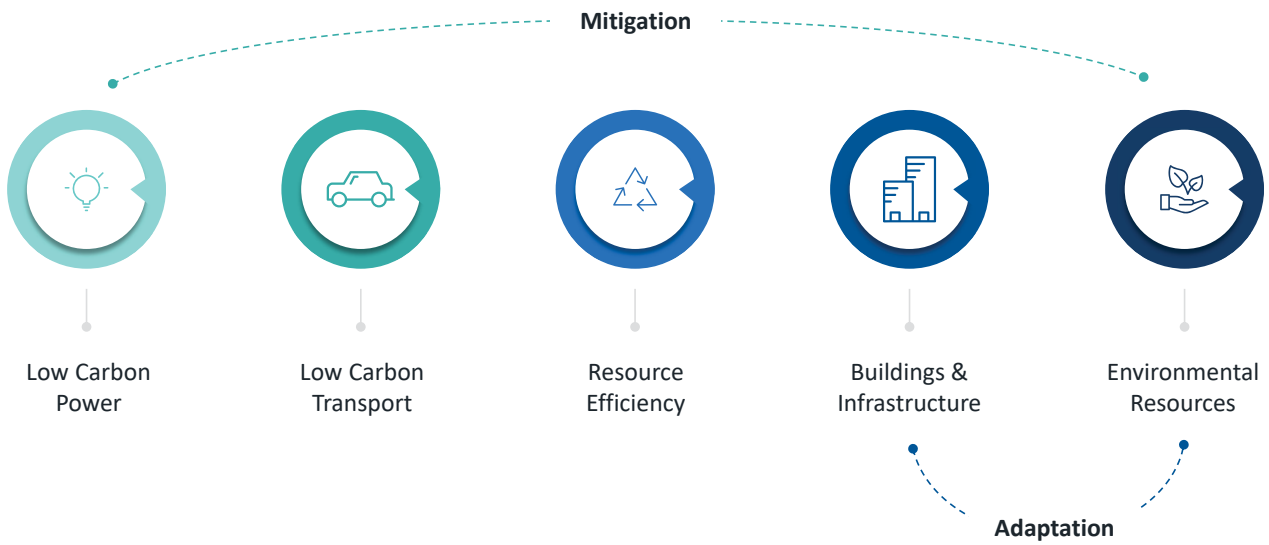


#### Catalyse supportive market incentives

Engage policy makers & market influencers to change the 'rules of the game'

# Finding climate solutions across all sectors

From mitigation and adaptation activities



# Pressing for change at companies

Recent successes in driving Paris-alignment

**Enel** - Escalating engagement & voting from 2018;  
Impact: 2019 Net Zero by 2050 Commitment

**Amazon** - Escalating engagement & voting from 2018;  
Impact: 2019 Net Zero Pledge by 2040

**BP** - Shareholder resolution 2015; escalating engagement & voting;  
Impact: Paris-aligned accounts Spring 2020; Material impairments; Net Zero strategy


**Shell** - Shareholder resolution 2015; escalating engagement & voting;  
Impact: Paris-aligned accounts Spring 2020; Material impairments; Net Zero strategy



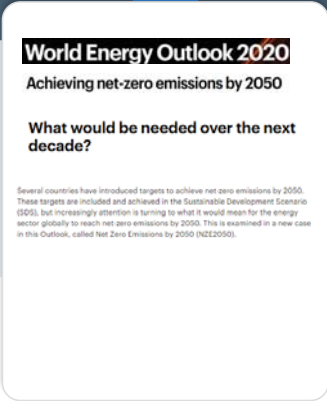
# Catalysing supportive government policies

## Paris-aligned accounting & audit


**Sarasin call for Paris-aligned accounts being echoed by global investors & auditors**



**Sarasin outreach with IIGCC to IEA calling for Net Zero 2050 scenario**



**Sarasin submission to UK government is being actively explored**



# The power of thought-leadership

We continue to speak out

## Oil companies must come clean about their price estimates

Natasha Landell-Mills

assumptions of \$70 to \$80 a barrel from 2020/21, rising by 2 per cent a year thereafter. This translates into a nominal price of between \$127 and \$145 a barrel by 2050. The same oil and gas companies, however, now routinely point with approximately \$114bn of reported equity, this is not small beer. Would a \$60 a barrel oil price assumption wipe out all Total's profit? What about \$40? While oil and gas companies look vulnerable to lower fossil fuel prices, investors

**Exclusive: Big four auditors face investor calls for tougher climate scrutiny**

**Spanish oil giant Repsol pledges to cut emissions to zero by 2050**

**Markets insight**

## Investors should ask if carbon promises are just hot air

Pledges by oil majors to protect the planet often clash with capital spending plans

NATASHA LANDELL-MILLS

## Opinion

# Keep fossil fuel companies inside climate change tent

Selling extractive industry stocks is a blunt instrument that can backfire badly

NATASHA LANDELL-MILLS

**Climate Change**

## How to measure the impact of business decisions on climate change

The effects must be written into rules that govern how companies calculate profit

NATASHA LANDELL-MILLS – HEAD OF STEWARDSHIP AT SARASIN & PARTNERS

**Letters to the Editor**

## Shareholders should help deliver decarbonisation

From concerned asset owners

**Oil & Gas Industry**

## Asset manager Sarasin cuts Shell stake over climate worries

Investor says energy group's fossil fuels plans pose threat to 'planetary stability'

ANJALI RAVAL – SENIOR ENERGY CORRESPONDENT

## Putting a Price on the Risk of Climate Change

Optimistic oil price forecasts 'over-value' majors' assets

The world's biggest oil companies are systematically over-valuing their assets based on excessively optimistic forecasts of future prices, according to a leading investor.

DAVID SHEPARD – ENERGY EDITOR

**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

**Climate change**

## Investors should fire directors who fail to act on climate change

A surge of shareholder resolutions at AGMs shows they are not happy

NATASHA LANDELL-MILLS

Source: Financial Times, December 2017 – May 2020, Bloomberg 2019, CityAM 2019, Reuters 2019



# Incremental steps won't get us to Net Zero

## Purpose of finance

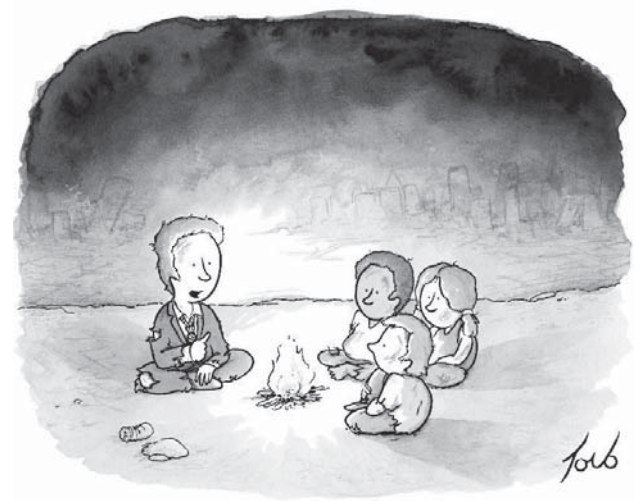
To allocate capital to activities that deliver the greatest societal benefit

## Role of asset managers

As key actors within finance, asset managers act should on behalf of savers:

- to *invest* capital in a way that maximises their welfare; and
- to *press* companies to deploy capital in a way that maximises welfare

We can only grow capital if we protect our planet



*"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."*

CartoonCollections.com

Am I giving up financial returns for this?

# Sarasin Climate Active Endowments Strategy

## Net performance record

### Performance net of fees (% growth)

	31.12.19 to 30.9.20	31.12.18 to 31.12.19	16.2.18 to 31.12.18	Inception <sup>^</sup> to 30.9.20
<b>Total portfolio return</b>	<b>3.5</b>	<b>20.4</b>	<b>-1.4</b>	<b>23.0</b>
ARC Steady Growth	-4.8	15.6	-4.2	5.5
Relative	8.3	4.8	2.8	17.5
Benchmark <sup>1</sup>	-0.7	18.5	-2.6	14.6
UK CPI + 4%	3.1	5.5	6.4	15.7

### Performance is provided net of fees. Past performance is not a reliable guide to future performance.

Performance is calculated in STG on the basis of net asset values (NAV) and gross dividends reinvested. Source: Sarasin & Partners LLP. All data as at 30.09.20

<sup>1</sup>Benchmark: BofAML Gilts All Stocks Index 7.5%, BofA Merrill Lynch Sterling Corporate 7.5%, MSCI UK IMI 20%, MSCI AC World ex UK (Net Total Return) 40%, MSCI AC World ex UK (Local Currency) (GBP) 10%, MSCI All Balanced Property Funds – One Quarter Lagged 5%, UK cash LIBOR 1 month (Total Return) 10%. <sup>^</sup>Fund Inception: 16.02.18

ARC Charity Indices are based on historical information. Past performance is not a guide to future returns and may not be repeated. 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.

Asset Risk Consultants Limited (ARC) is an independent investment consultancy specialising in the analysis of private client and charity investment portfolio performance. Circa 30 investment houses supply ARC with performance data across their entire charity base. Portfolios falling into the Steady Growth risk category will have exhibited a historical variability of returns in the region of between 60 - 80% of UK equity markets. Portfolios in this category usually have a significant allocation to equities (in excess of 50%) but also have material exposure to a range of other asset classes. For more information about ARC, please see 'Important Information' at the back of this document. Source: Sarasin & Partners LLP and ARC (supplied quarterly by Asset Risk Consultants) as at 30.09.20. Data collected from The Sarasin Climate Active Endowments Fund, a multi asset class Charity Authorised Investment Fund, regulated by the FCA and the Charity Commission and audited by Deloitte. <sup>^</sup>Fund Inception: 16.02.18

*“Impossible isn’t a fact, it’s an attitude”*

*Christiana Figueres*

*(Former Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC))*

# Income and impact on the global economy

Kamran Miah, Phil Collins & Richard Maitland



## Your Sarasin team

### Biographies



**Kamran Miah, Investment Manager, Charities**

Kamran joined Sarasin & Partners in 2019. He was previously with JP Morgan, where he supported the regional Head of Investments and worked to expand the firm's Investment Funds platform. He graduated with an Economics degree from the London School of Economics & Political Science.



**Richard Maitland, Partner and Head of Charities**

Richard joined Sarasin & Partners in 1992, was appointed Head of Charities following the merger between Chiswell Associates and Sarasin in 2003 and is a member of the Executive Committee. He specialises in strategy and the management of diversified, multi-asset portfolios. He is author of the Sarasin & Partners Compendium of Investment, which has now been published for 20 years and is Director of the £2bn Sarasin Charity Authorised Investment Funds.



**Phil Collins, Partner, Head of Multi-Asset**

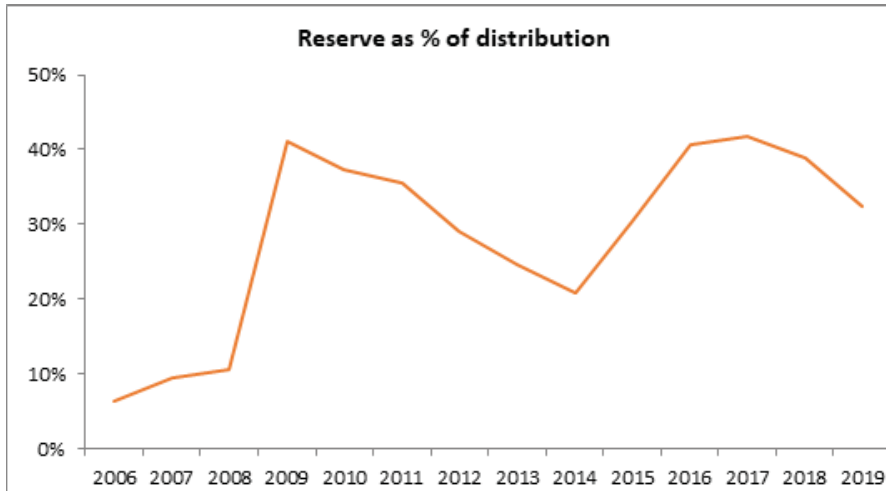
Phil joined Sarasin in 2013 and is lead manager of Sarasin's Multi Asset Charity funds. Prior to joining Sarasin he worked at Newton Investment Management where he was Chief Investment Officer of the private clients and charities division. He established the Newton Phoenix range of funds which enjoyed strong performance and won a number of awards. Before joining Newton, Phil held investment management roles at Capital House & Leopold Joseph.

# Sarasin Endowments Fund

## The Income Reserve



Sarasin Endowments Fund – Income



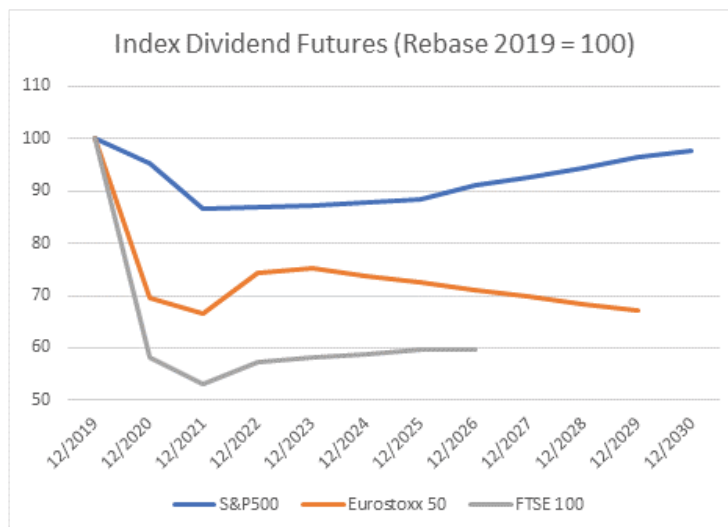
Source: Sarasin & Partners, August 2020

# Income: Under pressure from falling yields & lower dividends

Truly sustainable dividend growth highly prized



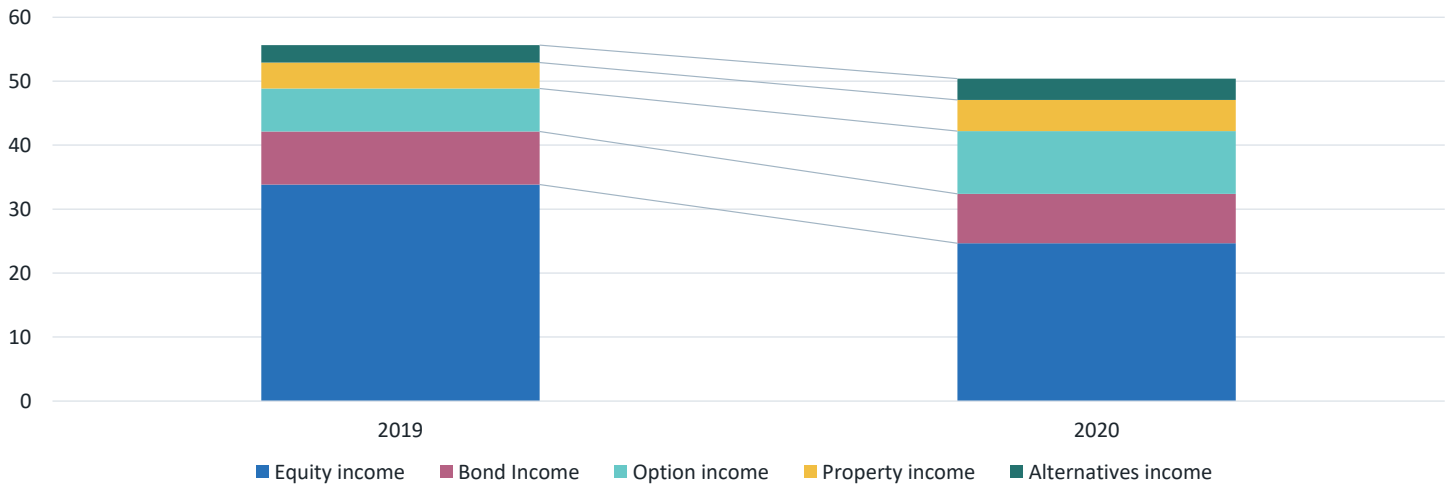
Dividend Futures suggest a long climb back



Source: Bloomberg/Sarasin, August 2020

# Total income to the Sarasin Endowments Fund dropped 9%

**Sarasin Endowments Fund income (£m)**



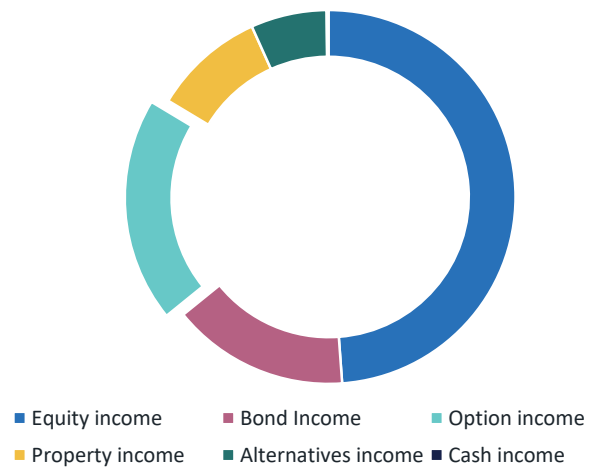
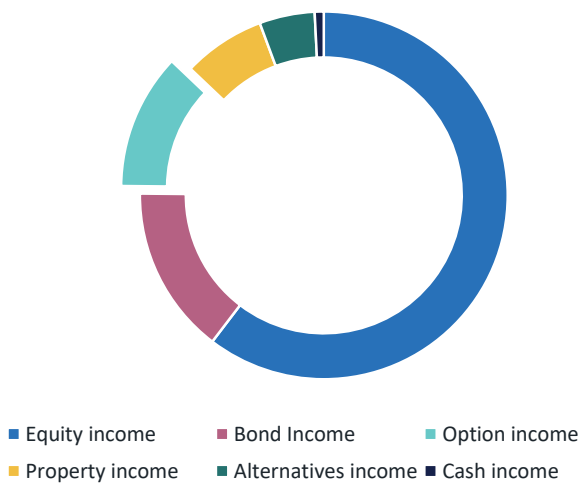
Source: Sarasin & Partners, Sarasin Endowments Fund year to 30 September 2020

# Dividends have been under pressure this year

But more income from Alternatives and Options has made up the difference

**2019 income breakdown by asset class**

**2020 income breakdown by asset class**

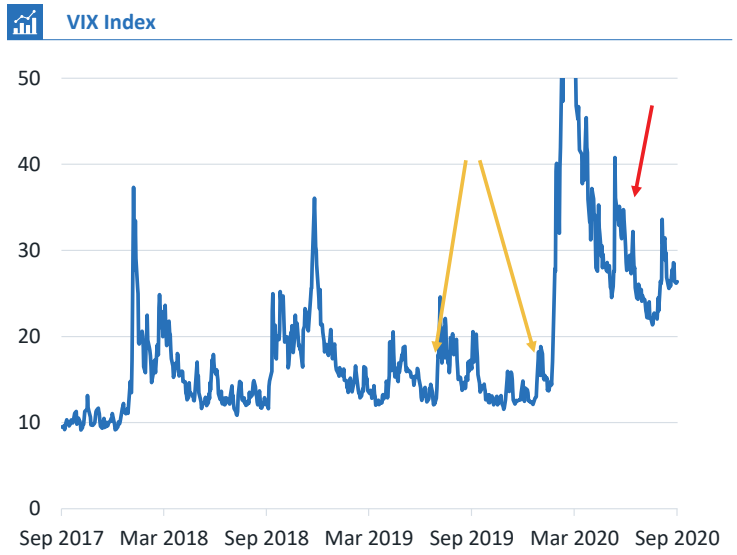


Source: Sarasin & Partners, Sarasin Endowments Fund year to 30 September 2020

# How market volatility defines our use options

## Change in use of options

- VIX Index shows the cost of options
- When VIX is low and we are nervous of markets we may buy index protection
- When VIX is high, we are more likely to use options
- We sell puts to buy attractive thematic stocks and sell calls to sell stocks we no longer like



Source: Bloomberg, 30.09.20

# Single stock option – worked example

## Umicore

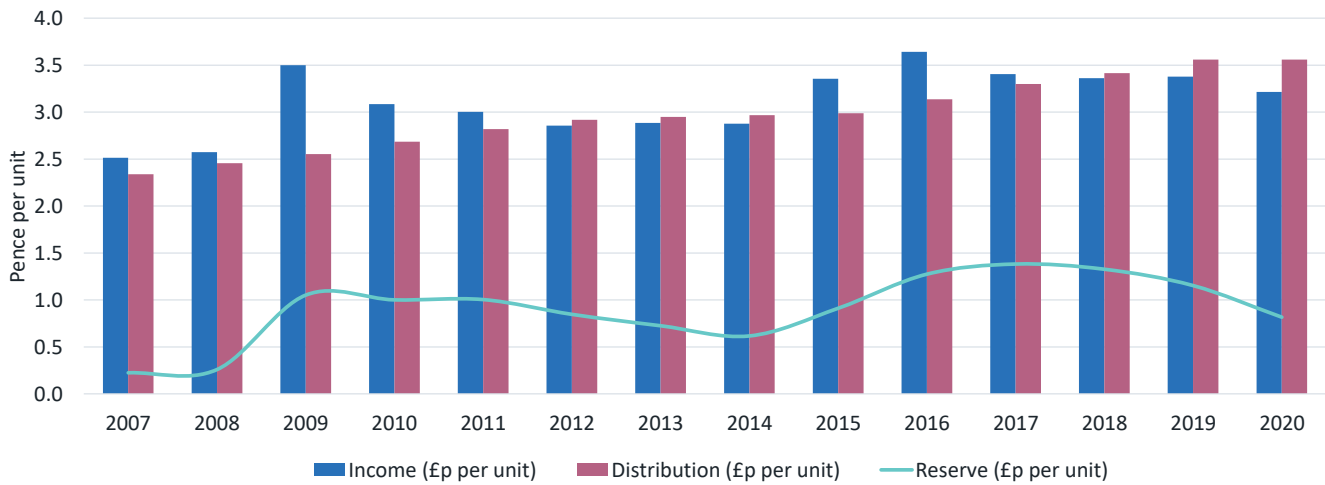
- **22 June** – Umicore share price had risen close to our analyst’s Fair Value estimate, we wished to reduce
- **Reduction method 1** – sell in the market at E42.5
- **Reduction method 2** – sell a E43 call option giving the buyer the right to buy Umicore from the fund at E43, at any time up until July 17. The option earned the fund E1.38 and was exercised
- Method 2 earned the fund E43 of capital + E1.38 of income = E44.38
- This uplift is equivalent to several years worth of dividends from Umicore
- But we lose the certainty of method 1



Source: Bloomberg Sarasin, 31.3.20 to 30.9.20

# Income earned, distributed and cumulative reserve per year

## Sarasin Endowments Fund

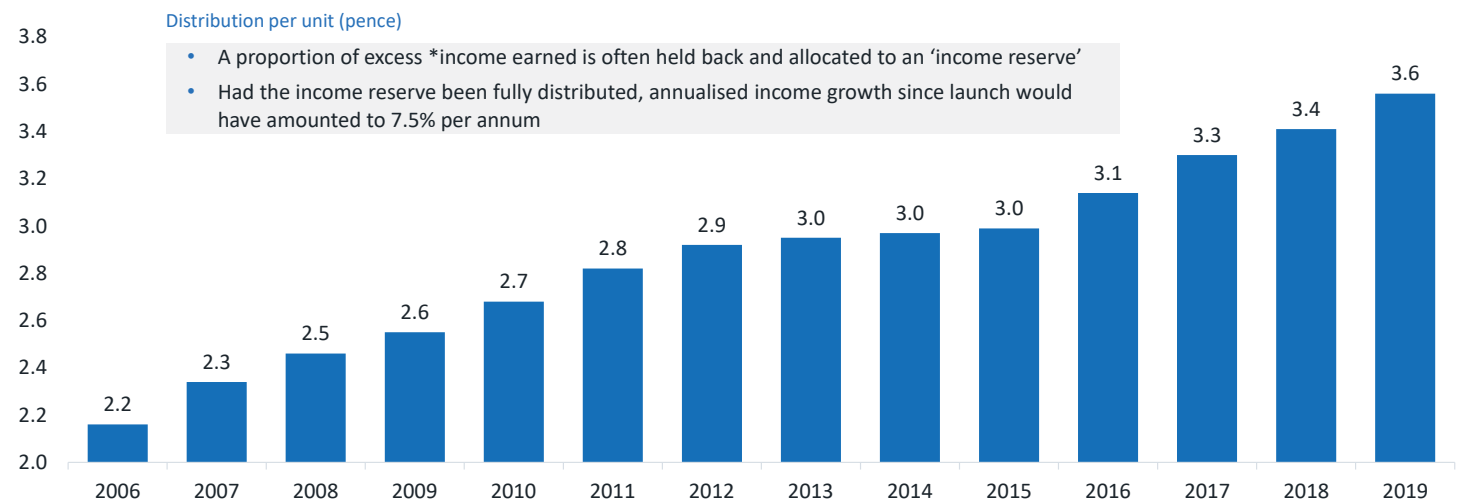


Source: Northern Trust, Sarasin & Partners LLP calculations. Income earned and distributed for FY2020 includes an estimate for Q4, held constant from 2019 rates. Data as of 30.09.2020.

# The key: a sustainable income stream that grows

## Sarasin Endowments Fund

Income has grown by 3.0% per annum over the last 14 years against CPI of 2.3%: 'real' income growth of 0.7%



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), 31.12.19

SARASIN  
& PARTNERS

# Setting the investment landscape and economic overview

Guy Monson



SARASIN  
& PARTNERS

# 01

The COVID economy  
Have we seen the worst?





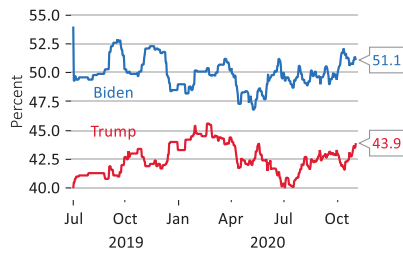
# US Election: Latest Polls

Biden lead still looks firm

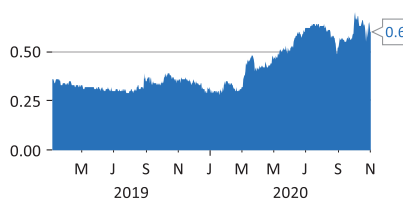


## US political polls in key 'battleground' states – Trump (Republican red) v Biden (Democrat blue)

US National Polls, Trump vs Biden (RCP)



US Political Polls - Who Will Control the Senate After 2020, Democratic (PredictIt)



Source: Macrobond, 02.11.20

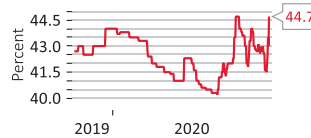
Arizona



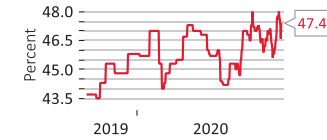
Florida



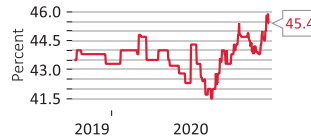
Michigan



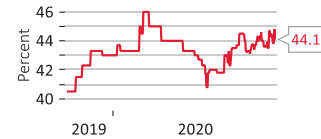
North Carolina



Pennsylvania



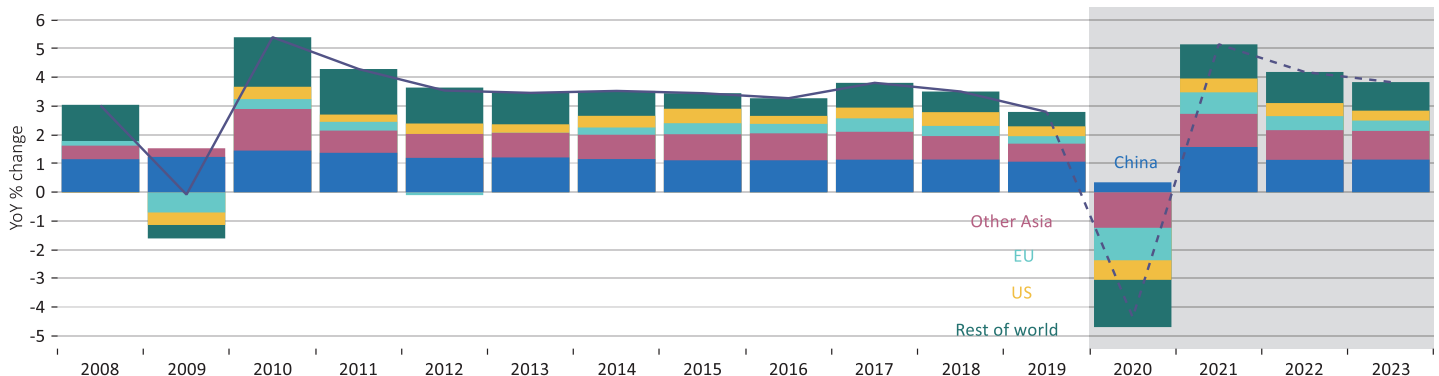
Wisconsin



# China's economy has rebounded much faster & will lead the global GDP rebound in 2021

## China and other Asia hurt much less by the COVID-19 virus

Contribution to global GDP growth at purchasing-power parity, IMF estimates (shaded)



Source: Macrobond, 02.11.20

# European mobility data started to reverse in late August - new lockdowns suggest a 'W' shaped recession

## % of Paris moving compared to usual

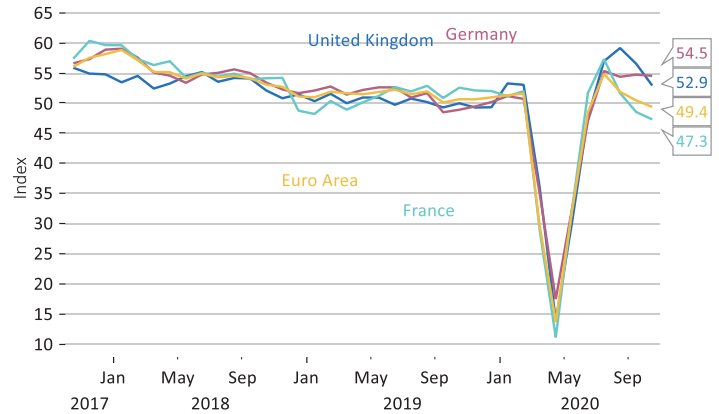
Citymapper Mobility Index, Paris



Source: Macrobond, 02.11.20

## European business survey data already fading...

Composite PMI (Markit, SA)

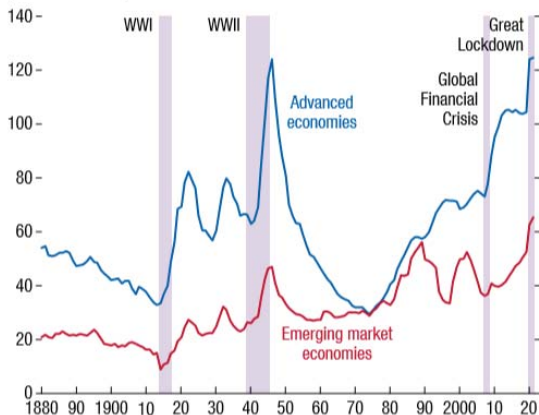


Source: Macrobond, 02.11.20

# Public debt rises to 100% of GDP & higher in advanced countries - much of it funded by central banks

## Government debt rising to near record levels

Figure 1.2. Historical Patterns of General Government Debt (Percent of GDP)

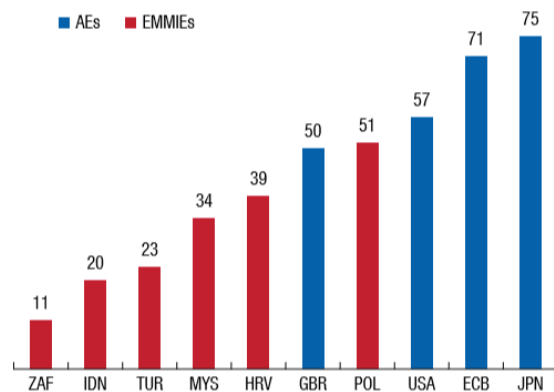


Sources: IMF, Historical Public Debt Database; IMF, World Economic Outlook database; Maddison Database Project; and IMF staff calculations.

Source: IMF Fiscal Monitor, October 2020

## Central banks have funded large portions of Govt Debt

Figure 1.3. Central Bank Purchases of Government Debt (Percent of central government marketable securities or debt issued since February 2020)



Sources: Country authorities; US Federal Reserve Economic Data; Haver Analytics; and IMF staff calculations.

Source: IMF Fiscal Monitor, October 2020

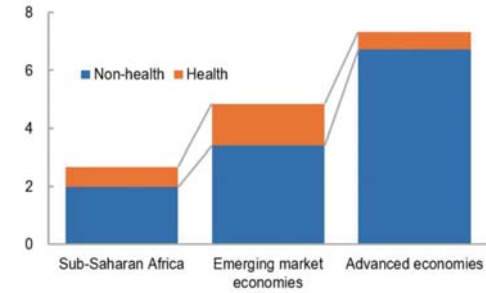
# Advanced economies have spent almost 8% of GDP in Crisis Funding – what does this mean for inflation?



## Crisis spending dominated by Advanced Economies

### Crisis spending

Sub-Saharan Africa's ability to respond to COVID-19 with fiscal measures fell far below advanced economies and emerging markets.  
(percent of GDP)

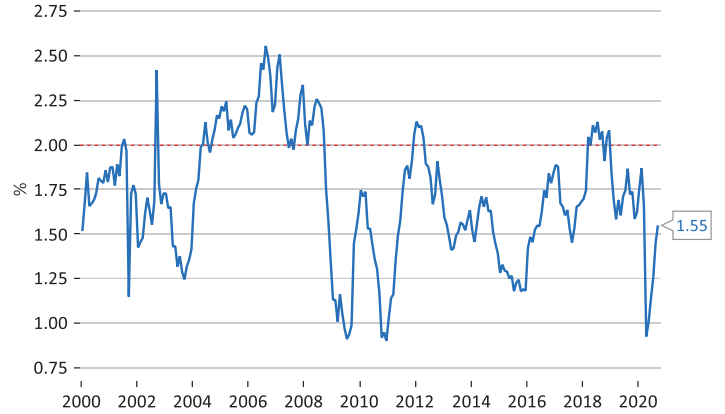


Source: IMF Survey of Policy responses to COVID-19.  
Note: Additional COVID-related spending, January-August 2020.



## US inflation consistently below 2% target even Pre-Crisis

### US Core Inflation (PCE)

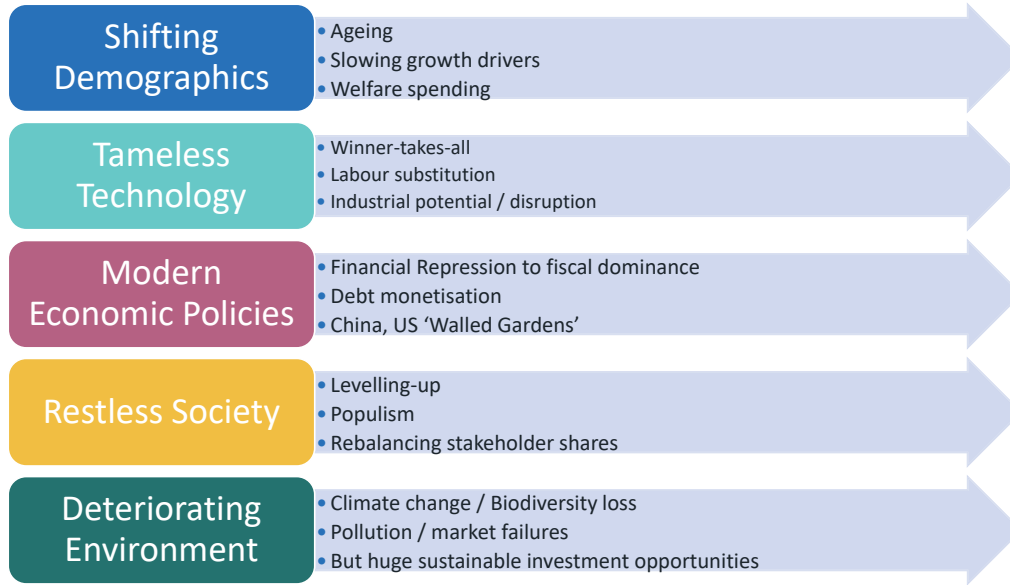


Source: Macrobond, 02.11.20

INTERNATIONAL MONETARY FUND

# Setting out the landscape for a Post Virus World

Stay global, stay thematic & focus on real, sustainable & socially responsible assets



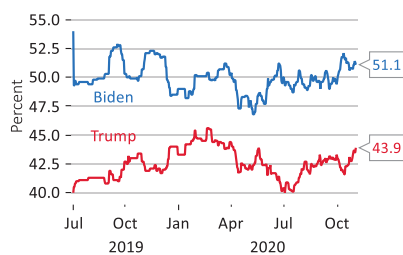
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US political polls in key 'battleground' states – Trump (Republican red) v Biden (Democrat blue)

US National Polls, Trump vs Biden (RCP)

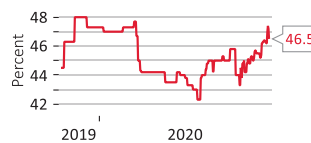


US Political Polls - Who Will Control the Senate After 2020, Democratic (PredictIt)

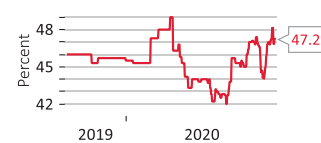


Source: Macrobond, 02.11.20

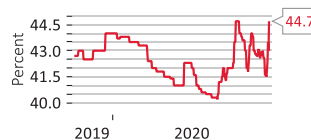
Arizona



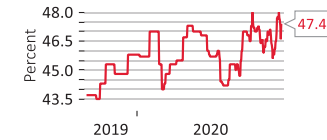
Florida



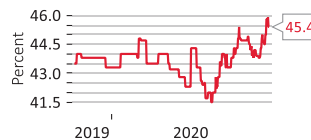
Michigan



North Carolina



Pennsylvania

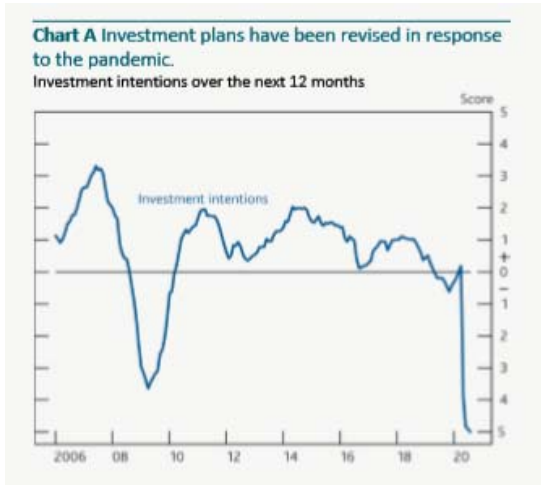


Wisconsin



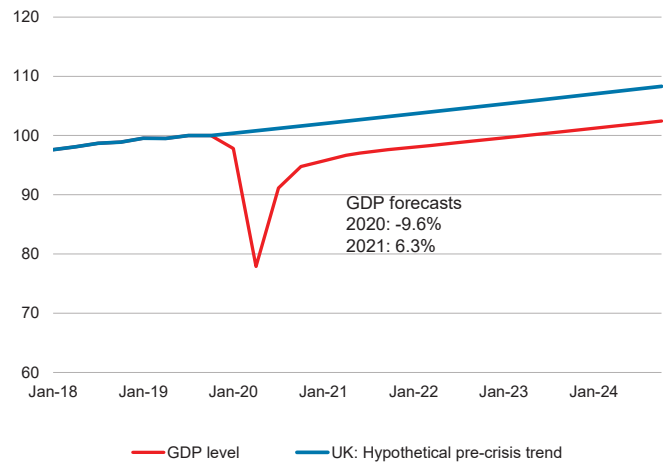
## 2. UK: Outlook clouded by investment uncertainties, and political risk related to Brexit

### Brexit uncertainties



Source: Bank of England Q3 2020

### GDP Growth



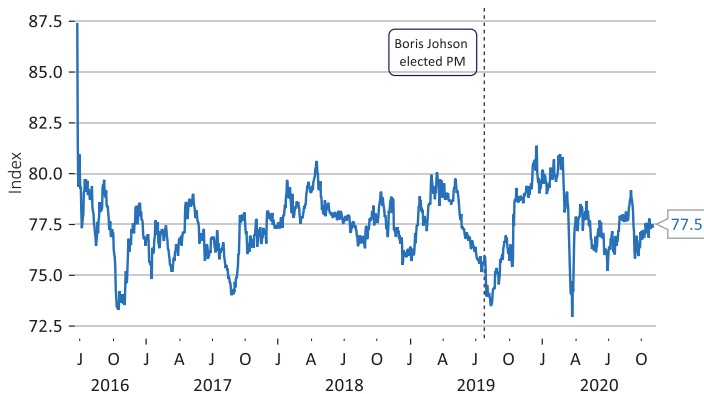
Source: Sarasin and Partners, Bloomberg, Macrobond Q3 - 2020

## Brexit Deal: Odds finally improving



### Sterling has been a reasonable barometer of 'Deal/No-Deal'

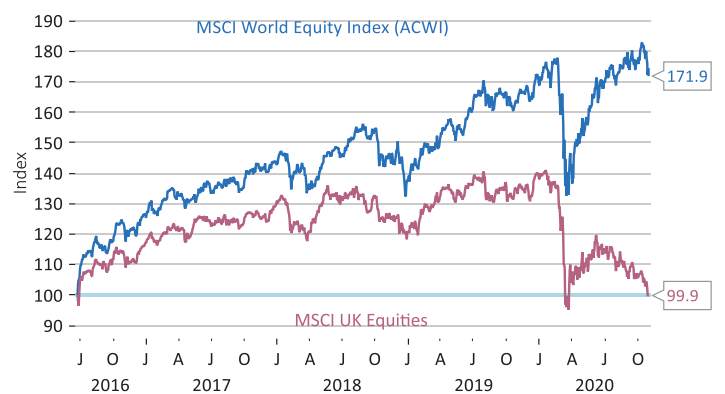
#### Bank of England Sterling index since Brexit Vote



Source: Macrobond, 02.11.20

### An astonishing underperformance of UK assets...

#### UK and Global Equity & FX returns since Brexit Vote (23/6/2016)



Source: Macrobond, 02.11.20

# 03

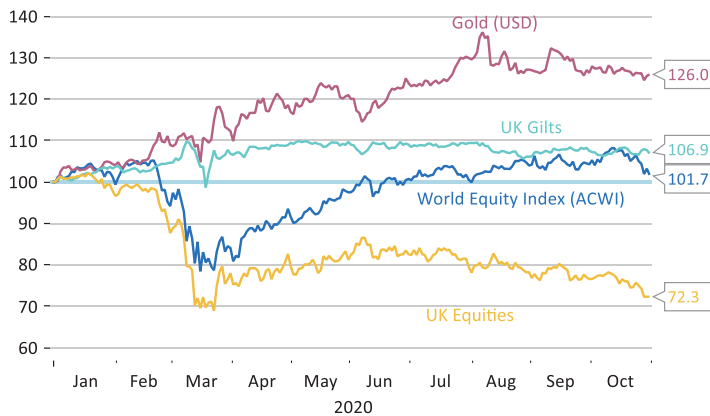
## Market outlook Risk assets continue to rally

### Markets 2020:

Gold still leads a global asset rally – UK equities continue to lag – volatility elevated

 Equities reverses COVID losses for a sterling investor

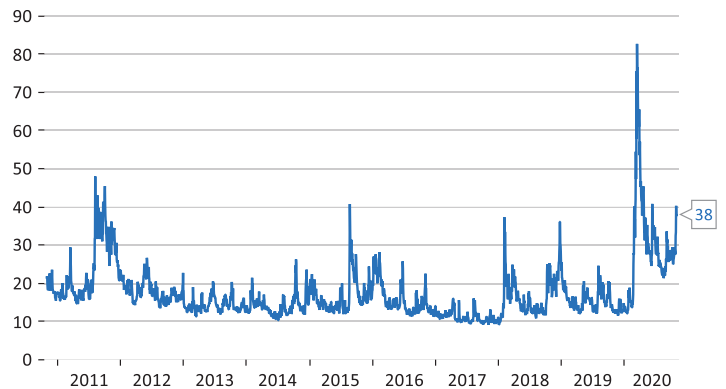
Global Asset Class Returns 2020 (GBP)



Source: Macrobond, 02.11.20

 Equity volatility close to ex-Covid19 highs

US Equity Volatility Index (VIX)



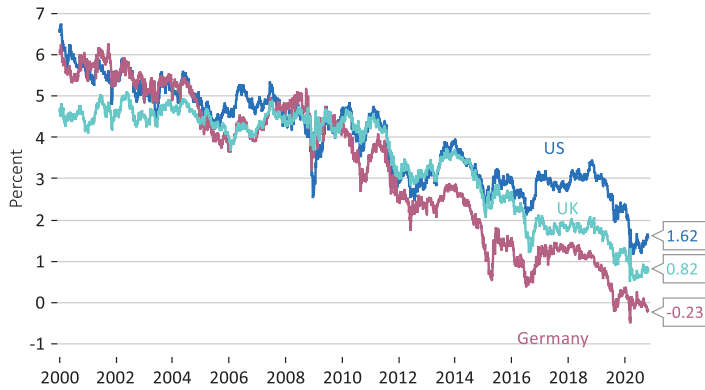
Source: Macrobond, 02.11.20

# Why are asset prices still elevated?

## 1. Lower inflation for longer means higher asset prices...

 The time value of money has disappeared...

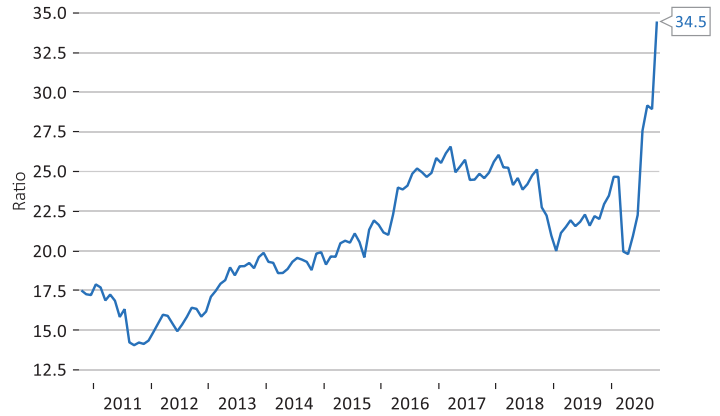
30 Year Bond Yields



Source: Macrobond, 02.11.20

 Resulting in higher multiples for long-term growth stocks

United States S&P 500 Index, P/E Ratio



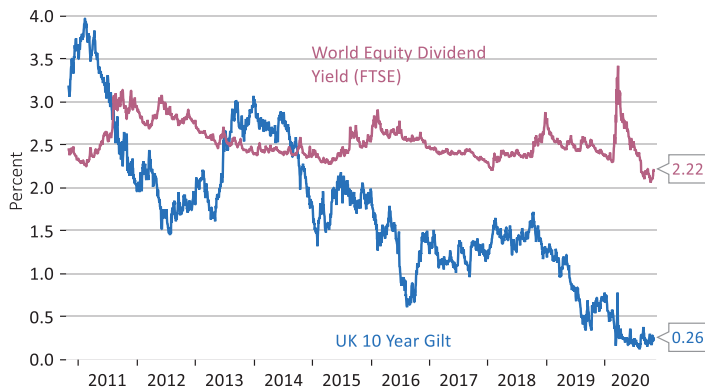
Source: Macrobond, 02.11.20

## 2. Income: Under pressure from falling yields & lower dividends

### Truly sustainable dividend growth highly prized...

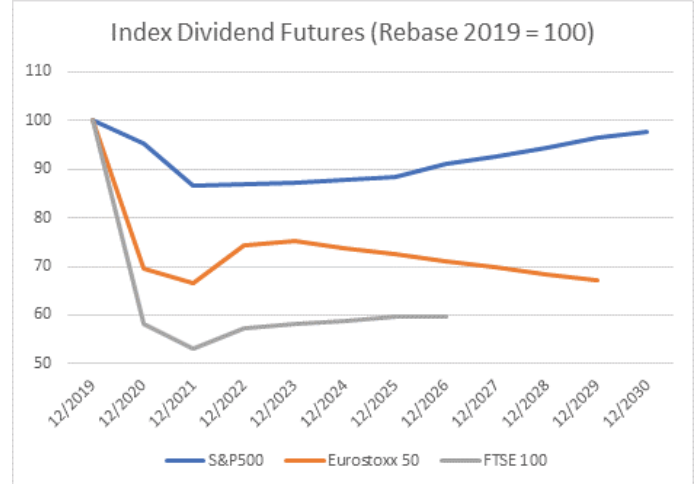
 Yield compression continues...

UK Gilt & Global Equity Yield Last 10 years



Source: Macrobond, 02.11.20

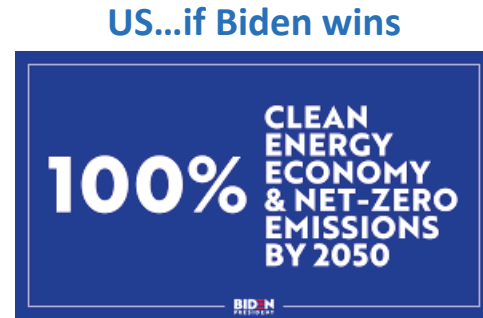
 Global dividends more resilient than UK/Europe



Source: Bloomberg/Sarasin, August 2020

### 3. The stars are aligning for a climate-led surge in capital expenditure...

55% of global emissions potentially captured

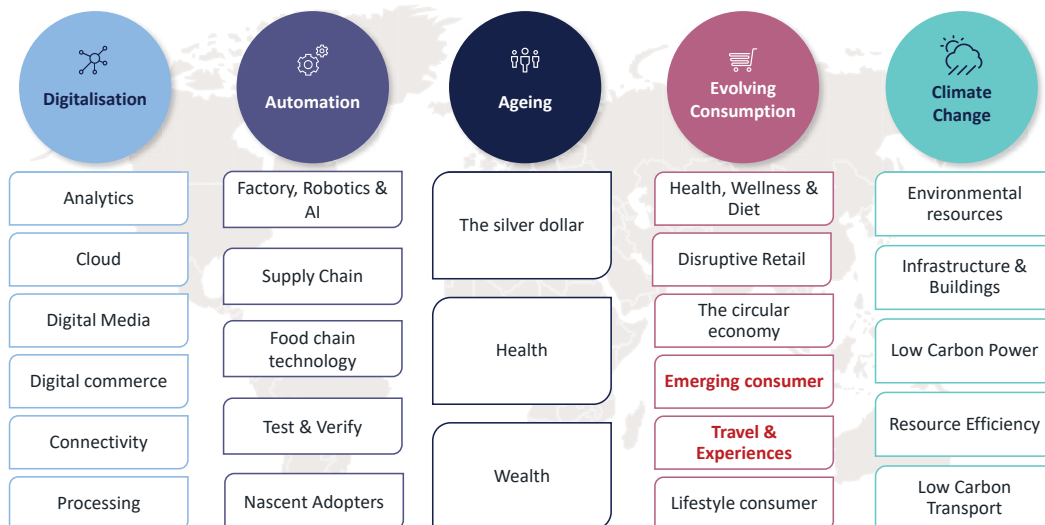


China



### Five secular mega-themes remain resilient long-term

20-30 sub-themes – some emphasis may change



Source: Sarasin & Partners, October 2020  
Red text – Under review



# Political risks clear but central bank action still supports equities

Fiscal and monetary policy the most expansionary in post-war history



## Global strategy update October 2020

<b>Bonds</b>	<p><b>Neutral</b></p> <ul style="list-style-type: none"> <li>• UW Government – repression of yields offers little value</li> <li>• OW investment grade credit – yield premium still meaningful plus central bank support</li> <li>• Caution High Yield and EM debt</li> </ul>
<b>Equities</b>	<p><b>Modest Overweight</b></p> <ul style="list-style-type: none"> <li>• OW Global equities – equity risk premium attractive, thematic earnings recovery expected 2021</li> <li>• Neutral UK equities – valuations attractive, flow of funds back to UK likely on any Brexit deal</li> <li>• Neutral EM equities – China economic recovery strong, COVID scarring in rest of EM but valuations attractive</li> </ul>
<b>Alternatives</b>	<p><b>Overweight</b></p> <ul style="list-style-type: none"> <li>• Neutral Other Alternatives – infrastructure and renewables returns attractive but liquidity issues remain</li> <li>• OW Uncorrelated Alternatives - Gold as hedge against unprecedented policy stimulus &amp; debt build-up</li> </ul>
<b>Cash</b>	<p><b>Strongly Underweight</b></p> <ul style="list-style-type: none"> <li>• Central Bank commitment to zero or negative yields for multi-year period</li> <li>• No currency preference</li> </ul>
<b>Risks</b>	<p><b>Current:</b> Resurgence in virus in Q4 2020 accelerates, contested US election, no-deal Brexit  <b>Longer-term:</b> Economic and social scarring from lockdowns, volatile retail investment flows, surge in global defence budgets &amp; rising conflict risk</p>

# Inflation or deflation? The regime in the policy landscape

Subitha Subramaniam



# COVID-19 has jolted the policy consensus

Three major shifts underway

- A new monetary framework
- A new fiscal framework
- Policy coordination to increase growth and inflation

- “Make-up” inflation if 2% target not met
- Conventional toolkit expanded to include Quantitative Easing, Negative interest rates, and liquidity schemes

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- Debt to GDP thresholds relaxed
- Active management of the economic cycle
- A heightened focus on inequality and climate change

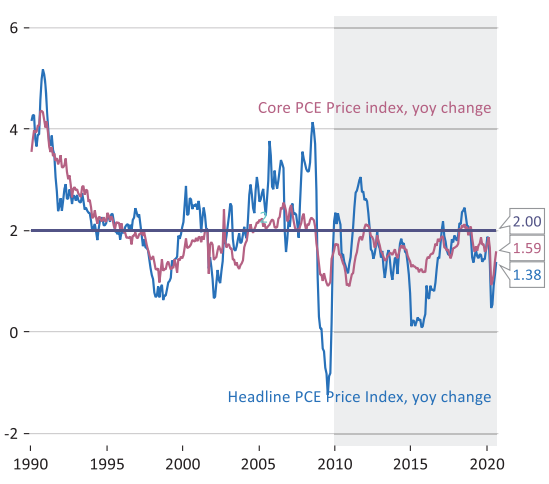
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- Growth to supersede all other objectives
- A moderate pick up in inflation would be considered to be beneficial

# COVID-19 hit at a time of weak inflationary pressures

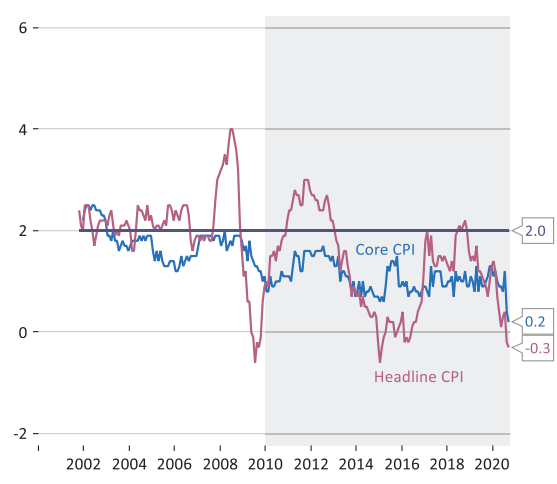
For most of the past decade, inflation has run persistently below central bank targets

US Personal Consumption Expenditure (PCE) Price Index, yoy



Source: Macrobond, 23.10.20

Euro Area: HICP Index, yoy



Source: Macrobond, 23.10.20

# Will we have inflation or deflation?

COVID-19 is a demand and supply shock



## SUPPLY

- Lockdowns lead to a reduction in supply, particularly of services
- Supply shocks typically raise inflation, but because of broad restrictions in place this might not hold



## DEMAND

- Job losses, persistent uncertainty reduce demand
- Demand shocks typically lower inflation



## OTHER ONE OFF FACTORS

- Collapse in oil
- VAT cuts

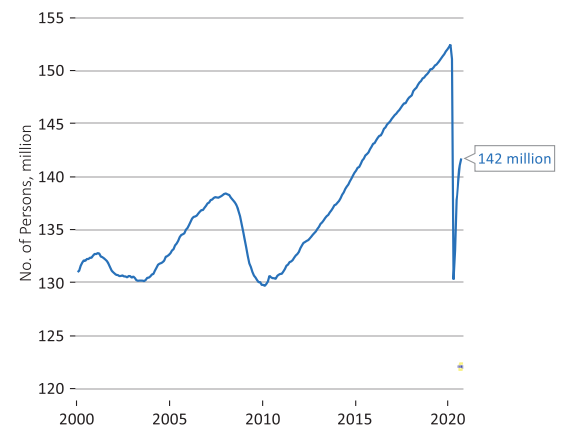
# Inflation : A lot of noise amidst some longer term trends

A very noisy backdrop

1. Prices will rebound in the first half of 2021 as VAT cuts and energy price collapse drop out
2. Imperfect substitution from services to goods could lead to pockets of inflation
3. Income support from government schemes will offset some of the demand impact



US Total Payrolls



Source: Macrobond, 26.10.20

▶ Inflation to rebound from extremely low levels

▶ Spare capacity in labour markets will weigh on prices. Most developed economies will not revert to 2019 levels till 2022 -2024

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**If you are a private investor, you should not act or rely on this document but should contact your professional advisor.**

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