Sanlam Wealth

Sanlam Model Portfolios

August 2020

Welcome to our monthly update on the Sanlam Collective Model Portfolios.

Performance – to end of July 2020

Model Benchmark	Currency	Size ('mill.)*	Jul-20	3 Month	6 Month	Year to date	One Year	Two Year**	Three Year**	Five Year**	Since Inception**	2019	2018	2017
SANLAM PLATFORM														
Sanlam Active Conservative	GBP	44	1.27%	4.75%	1.56%	2.61%	4.55%	4.89%	4.33%	5.80%	5.69%	10.51%	-2.15%	6.96%
IA Mixed Investments 0-35% Shares			0.64%	4.01%	-1.12%	-0.46%	0.37%	2.24%	2.02%	3.52%	4.14%	8.80%	-3.41%	5.01%
Inception date: 31st August 2010	Relative		0.63%	0.74%	2.68%	3.07%	4.18%	2.65%	2.31%	2.28%	1.55%	1.71%	1.26%	1.95%
Conservative Strategic Asset Allocation			1.10%	4.54%	1.78%	3.46%	4.50%	6.09%	5.25%	6.65%	6.41%	11.14%	-1.12%	6.47%
Sanlam Active Defensive	GBP	0	0.80%	4.94%	0.54%	1.17%	2.94%	-	-	-	4.53%	-	-	-
IA Mixed Investments 20-60% Shares			0.49%	4.69%	-3.74%	-3.74%	-2.28%	-	-	-	1.71%	-	-	-
Inception date: 31st August 2018	Relative		0.31%	0.25%	4.28%	4.91%	5.21%	-	-	-	2.82%	-	-	-
Defensive Strategic Asset Allocation			0.57%	4.81%	0.49%	1.61%	2.57%	-	-	-	5.28%	-	-	-
Sanlam Active Cautious	GBP	98	0.29%	5.11%	-0.75%	-0.59%	1.02%	3.16%	3.60%	5.98%	6.73%	13.84%	-4.64%	8.83%
IA Mixed Investments 20-60% Shares			0.49%	4.69%	-3.74%	-3.74%	-2.28%	0.81%	1.56%	3.70%	4.93%	12.08%	-5.11%	7.20%
Inception date: 31st August 2010	Relative		-0.20%	0.42%	2.99%	3.15%	3.30%	2.35%	2.03%	2.27%	1.79%	1.76%	0.48%	1.64%
Cautious Strategic Asset Allocation			-0.01%	5.10%	-0.90%	-0.36%	0.50%	4.07%	4.37%	6.70%	7.28%	14.25%	-3.28%	8.33%
Sanlam Active Balanced	GBP	46	-0.27%	5.35%	-2.27%	-2.61%	-1.14%	2.09%	3.31%	6.34%	7.23%	15.87%	-5.68%	10.37%
IA Mixed Investments 40-85% Shares			-0.04%	5.31%	-3.91%	-4.16%	-2.86%	1.08%	2.62%	5.18%	6.59%	15.94%	-6.07%	10.05%
Inception date: 31st August 2010	Relative		-0.23%	0.04%	1.65%	1.56%	1.72%	1.01%	0.69%	1.15%	0.64%	-0.08%	0.39%	0.33%
Balanced Strategic Asset Allocation			-0.66%	5.41%	-2.50%	-2.60%	-1.84%	2.82%	3.99%	6.93%	7.77%	16.07%	-4.26%	9.94%
Sanlam Active Growth	GBP	30	-0.91%	5.43%	-3.88%	-4.70%	-3.43%	0.92%	2.93%	6.57%	7.65%	18.01%	-6.89%	11.93%
IA Flexible Investment			0.22%	6.17%	-3.32%	-3.75%	-2.36%	0.94%	2.53%	5.37%	6.63%	15.64%	-6.64%	11.09%
Inception date: 31st August 2010	Relative		-1.12%	-0.73%	-0.56%	-0.95%	-1.07%	-0.02%	0.40%	1.20%	1.02%	2.36%	-0.25%	0.85%
Growth Strategic Asset Allocation			-1.35%	5.74%	-4.20%	-4.96%	-4.33%	1.46%	3.52%	7.06%	8.18%	18.00%	-5.36%	11.53%
Sanlam Active Adventurous	GBP	4	-1.50%	5.32%	-5.27%	-6.35%	-5.35%	0.01%	2.82%	6.99%	8.40%	19.83%	-7.58%	13.77%
IA Global			-0.20%	8.49%	0.18%	0.41%	0.14%	4.78%	6.67%	10.06%	10.00%	22.01%	-5.71%	13.87%
Inception date: 31st August 2010	Relative		-1.30%	-3.16%	-5.44%	-6.76%	-5.49%	-4.77%	-3.85%	-3.06%	-1.61%	-2.18%	-1.87%	-0.10%
Adventurous Strategic Asset Allocation			-1.96%	6.01%	-5.74%	-7.05%	-6.53%	0.21%	3.20%	7.32%	8.66%	19.71%	-6.18%	13.41%
Sanlam Index Conservative	GBP	24	1.53%	5.07%	0.32%	1.65%	3.03%	4.40%	4.22%	5.88%	5.85%	10.76%	-1.99%	6.46%
IA Mixed Investments 0-35% Shares			0.64%	4.01%	-1.12%	-0.46%	0.37%	2.24%	2.02%	3.52%	4.14%	8.80%	-3.41%	5.01%
Inception date: 31st December 2011	Relative		0.89%	1.06%	1.44%	2.11%	2.66%	2.15%	2.20%	2.37%	1.71%	1.96%	1.42%	1.45%
Conservative Strategic Asset Allocation			1.10%	4.54%	1.78%	3.46%	4.50%	6.09%	5.25%	6.65%	6.57%	11.14%	-1.12%	6.47%
Sanlam Index Defensive	GBP	0	1.01%	5.30%	-0.38%	0.46%	1.80%	-	-	-	4.05%	12.21%	-	-
IA Mixed Investments 20-60% Shares			0.49%	4.69%	-3.74%	-3.74%	-2.28%	-	-	-	1.71%	12.08%	-	-
Inception date: 31st August 2018	Relative		0.52%	0.60%	3.36%	4.20%	4.08%	-	-	-	2.34%	0.13%	-	-
Defensive Strategic Asset Allocation			0.57%	4.81%	0.49%	1.61%	2.57%	-	-	-	5.28%	12.64%	-	-
Sanlam Index Cautious	GBP	78	0.45%	5.50%	-1.18%	-0.83%	0.46%	3.15%	3.86%	6.25%	6.88%	13.80%	-3.93%	8.40%
IA Mixed Investments 20-60% Shares			0.49%	4.69%	-3.74%	-3.74%	-2.28%	0.81%	1.56%	3.70%	4.93%	12.08%	-5.11%	7.20%
Inception date: 31st December 2011	Relative		-0.04%	0.81%	2.56%	2.91%	2.74%	2.33%	2.30%	2.55%	1.95%	1.72%	1.19%	1.20%
Cautious Strategic Asset Allocation			-0.01%	5.10%	-0.90%	-0.36%	0.50%	4.07%	4.37%	6.70%	7.42%	14.25%	-3.28%	8.33%
Sanlam Index Balanced	GBP	21	-0.17%	5.75%	-2.15%	-2.39%	-1.15%	2.27%	3.74%	6.68%	7.56%	15.62%	-4.89%	10.11%
IA Mixed Investments 40-85% Shares			-0.04%	5.31%	-3.91%	-4.16%	-2.86%	1.08%	2.62%	5.18%	6.59%	15.94%	-6.07%	10.05%
Inception date: 31st December 2011	Relative		-0.13%	0.44%	1.77%	1.77%	1.71%	1.20%	1.12%	1.49%	0.97%	-0.32%	1.18%	0.06%
Balanced Strategic Asset Allocation			-0.66%	5.41%	-2.50%	-2.60%	-1.84%	2.82%	3.99%	6.93%	7.95%	16.07%	-4.26%	9.94%
Sanlam Index Growth	GBP	14	-0.84%	5.94%	-3.22%	-3.95%	-2.78%	1.44%	3.62%	7.08%	8.20%	17.65%	-5.91%	11.80%
IA Flexible Investment			0.22%	6.17%	-3.32%	-3.75%	-2.36%	0.94%	2.53%	5.37%	6.63%	15.64%	-6.64%	11.09%
Inception date: 31st December 2011	Relative		-1.05%	-0.23%	0.10%	-0.20%	-0.42%	0.50%	1.09%	1.70%	1.57%	2.01%	0.74%	0.71%
Growth Strategic Asset Allocation			-1.35%	5.74%	-4.20%	-4.96%	-4.33%	1.46%	3.52%	7.06%	8.40%	18.00%	-5.36%	11.53%
Sanlam Index Adventurous	GBP	14	-1.42%	6.10%	-4.27%	-5.42%	-4.31%	0.64%	3.61%	7.60%	8.96%	19.54%	-6.65%	13.81%
IA Global			-0.20%	8.49%	0.18%	0.41%	0.14%	4.78%	6.67%	10.06%	10.00%	22.01%	-5.71%	13.87%
Inception date: 31st December 2011	Relative		-1.23%	-2.39%	-4.44%	-5.83%	-4.44%	-4.14%	-3.06%	-2.46%	-1.04%	-2.47%	-0.94%	-0.06%
Adventurous Strategic Asset Allocation			-1.96%	6.01%	-5.74%	-7.05%	-6.53%	0.21%	3.20%	7.32%	8.96%	19.71%	-6.18%	13.41%

Model Benchmark	Currency	Size ('mill.)*	Jul-20	3 Month	6 Month	Year to date	One Year	Two Year**	Three Year**	Five Year**	Since Inception**	2019	2018	2017
DUBLIN														
Sanlam Accel Income Fund	GBP	15	-0.47%	3.66%	-7.01%	-8.25%	-5.14%	-0.86%	0.76%	4.00%	4.60%	13.83%	-4.97%	9.93%
Sanlam Accel Green Benchmark"			-0.49%	3.71%	-2.37%	-1.88%	-0.63%	3.05%	3.82%	6.21%	6.10%	14.23%	-3.52%	8.39%
Inception date: 8th March 2013	Relative		0.02%	-0.05%	-4.64%	-6.37%	-4.51%	-3.91%	-3.06%	-2.21%	-1.50%	-0.40%	-1.45%	1.54%
SRI														
Sanlam SRI Conservative	GBP	-	0.99%	3.86%	1.25%	3.25%	4.74%	5.06%	4.16%	5.14%	5.50%	12.49%	-5.05%	7.08%
IA Mixed Investments 0-35% Shares			0.64%	4.01%	-1.12%	-0.46%	0.37%	2.24%	2.02%	3.52%	4.22%	8.80%	-3.41%	5.01%
Inception date: 2nd July 2012	Relative		0.35%	-0.14%	2.37%	3.71%	4.37%	2.82%	2.13%	1.62%	1.28%	3.69%	-1.63%	2.07%
Conservative Strategic Asset Allocation			1.10%	4.54%	1.78%	3.46%	4.50%	6.09%	5.25%	6.65%	6.53%	11.14%	-1.12%	6.47%
Sanlam SRI Cautious	GBP	-	0.57%	5.29%	0.93%	2.26%	4.17%	5.04%	4.70%	6.42%	7.47%	15.03%	-5.27%	9.35%
IA Mixed Investments 20-60% Shares			0.49%	4.69%	-3.74%	-3.74%	-2.28%	0.81%	1.56%	3.70%	5.14%	12.08%	-5.11%	7.20%
Inception date: 2nd July 2012	Relative		0.08%	0.60%	4.67%	6.00%	6.45%	4.23%	3.14%	2.72%	2.34%	2.95%	-0.16%	2.15%
Cautious Strategic Asset Allocation			-0.01%	5.10%	-0.90%	-0.36%	0.50%	4.07%	4.37%	6.70%	7.34%	14.25%	-3.28%	8.33%
Sanlam SRI Balanced	GBP	-	0.32%	6.06%	0.85%	1.87%	3.88%	5.20%	5.20%	6.85%	8.16%	17.32%	-6.08%	11.72%
IA Mixed Investments 40-85% Shares			-0.04%	5.31%	-3.91%	-4.16%	-2.86%	1.08%	2.62%	5.18%	7.01%	15.94%	-6.07%	10.05%
Inception date: 2nd July 2012	Relative		0.35%	0.74%	4.77%	6.03%	6.74%	4.12%	2.57%	1.66%	1.15%	1.38%	-0.01%	1.67%
Balanced Strategic Asset Allocation			-0.66%	5.41%	-2.50%	-2.60%	-1.84%	2.82%	3.99%	6.93%	7.88%	16.07%	-4.26%	9.94%

Source: data from Bloomberg, Lipper, Morningstar, FE Trustnet and Sanlam Investments. Data is to end of July 2020 and performance numbers are presented net of underlying manager fees, and gross of advisor, DFM and platform fees. Performance numbers over 1 year are annualized. Data from FE is net of DFM fees.

Commentary on performance

"Only when the tide goes out can you see who has been swimming naked"

– Warren Buffett

We saw another good month of performance from the models in July, while volatility and timing effects continue to have an impact; the S&P500 traded in a 1.5% range on the last day of the month, while the FTSE closed 1% below its open and around 1.5% below best levels. So, depending on exactly when in the day a fund prices there could have been flattering or negative effects.

Nonetheless, it was pleasing to see the continuing recovery, while markets remained choppy;

- MSCI North America was up 5.9% in July, but down 0.3% in sterling terms as the dollar weakened.
- MSCI Japan was down 3.6% in Yen terms, but down more than 7% in sterling terms, on the month.
- The Pound is now around 12% above the lows for the year, against the Yen, hit during the March market panic.
- There has been a concerted move out of the safe havens of USD, JPY and CHF since the peak of the crisis.
- Despite its weakness against sterling, the Japanese Yen rallied 5% against the dollar in July.

Due to some of these moves Japanese businesses became less competitive versus emerging market manufacturers who link their currency to the USD, in particular China. The Japanese Nikkei 225 stock index has had a close relationship with the Yuan-Yen exchange rate over the last two months. As the Yen rallied (hurting Japanese corporate profitability and competitiveness) the Nikkei fell, and vice versa. Such short-term currency moves are seldom efficiently reflected in stock prices, but they tend to iron out over the longer term. We have already seen some reversal in August.

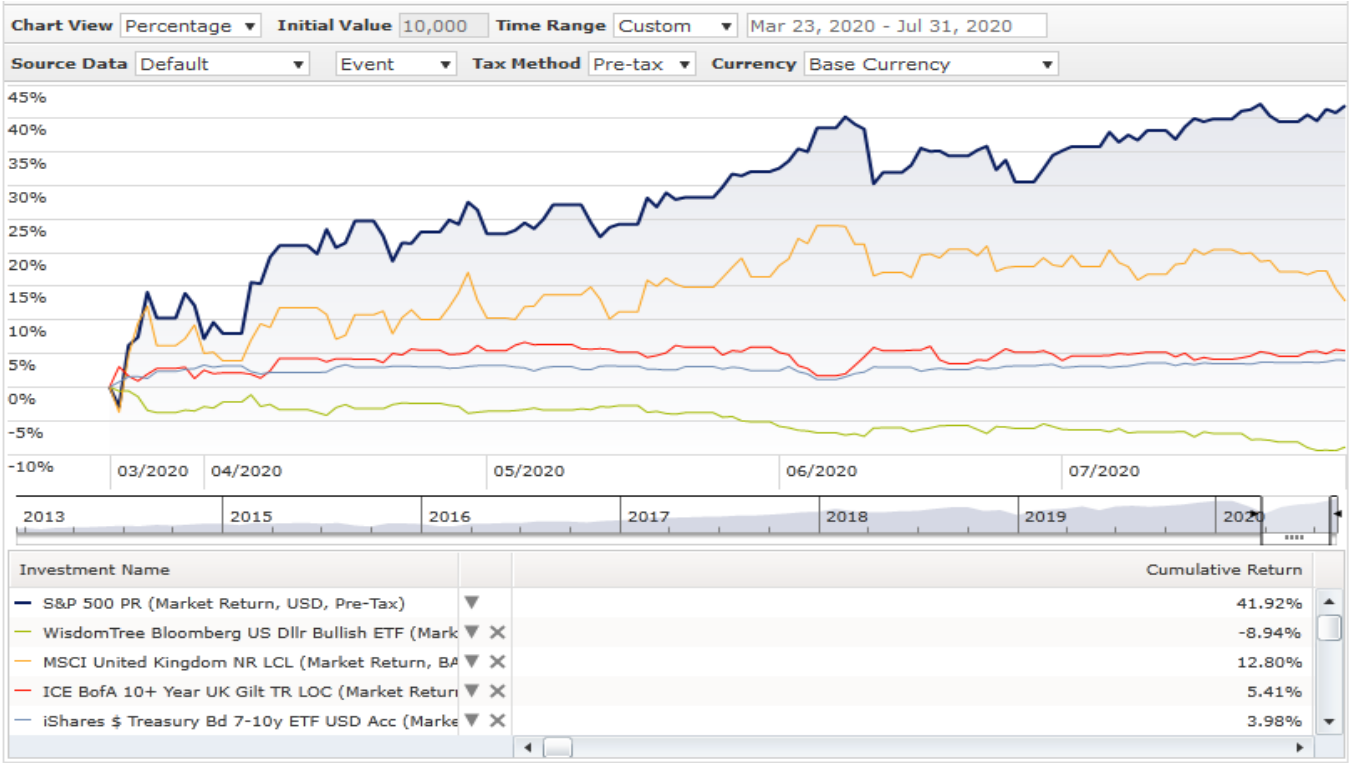
This brings us to some interesting market dynamics which we noted through the crisis. They could be giving us some important clues about how asset prices may behave in future.

We treat UK gilts and US Treasuries as very much the preferred 'risk-off' assets - where investors head to when they panic. The US Dollar, Japanese Yen and Swiss Franc have similar histories.

In March though we saw 10 days when these credentials were severely questioned. On the chart below, we can see that the 10-Year+ gilt tracker lost 11% from 9th to 19th March. This was not just a 'gilt' effect. The 7-10year Treasury tracker lost 3%, the S&P500 lost 19% in dollar terms, while the MSCI UK lost just shy of 20%. The dollar however rallied, showing it retained its risk-off credentials even though investors were not adding to longer dated US Treasuries.

Please note this chart is in local currency terms. Source: Morningstar.

These short-term effects quickly reversed when central banks stepped in and offered support. However, the move did re-emphasise that the level of government bond yields remains hugely (ever more?) dependent on central bank support, especially in the face of massive new issuance. Since 23rd March, as confidence has recovered, the dollar has reversed lower while equities have thrived, and government bonds have generated modest positive returns. See chart below.



Please note this chart is in local currency terms. Source: Morningstar.

So, the dollar still looks to have some risk-off credentials. Its recent weakness alongside the Yen and Swiss Franc could easily be just a 'risk-on trade'. However, gold's recent strength may also suggest elements of the waning hegemony on the dollar, as the Federal Reserve supplies ever more of them. So, we need to be careful, and not assume the dollar retains its safe-haven status. It looks to be a small, but growing, risk that a change is afoot.

Outlook

Where does this leave us?

Quantitative Easing, or QE (buying government bonds with capital from the central bank's balance sheet) continues to be the authorities' default response to a crisis. So, the policy continues to act as a protective 'put' for asset markets, by keeping discount rates low. The issue we face now is that with government rates so close to zero, is it an effective policy without sending (more) rates negative, and how may 'QE' evolve to remain effective?

From the aspect of simply flooding markets with liquidity QE continues to appear effective at supporting asset prices – new all-time highs. But the policy does not 'fix' the economy – GDP well below highs and unemployment at elevated levels…

The point of seeing an economy and a market as distinct is ever more important. Central banks continue to be the ever less marginal buyer of assets in an ever less price sensitive way. They are not buying because they expect a decent return, they are buying to supply liquidity to the economy. Yes, it may oil the economy, and help it recover, but Central Banks' driver is different to that of an 'investor'.

But it does mean markets, and so investors, are becoming ever more dependent on the support of policy. How much should this concern us?

Policy, by interfering in markets in a price insensitive way is purposefully affecting the pricing of risk. This may imply we are getting under-rewarded for risk. Yet arguably while QE policy remains in place, the policy itself is part of the risk assessment! So maybe we are being appropriately rewarded. But any reversal of policy, or failure of confidence in policy, could have material consequences for asset prices – again, see charts in March! So, policy itself increasingly is becoming the main risk factor. Predicting asset prices based on 'policy' is in some ways easier than predicting prices based on economics, but that can lead to a false sense of comfort. We need to be mindful of this.

What are the risks to the policy? It seems that no democratic leader, and very few central bankers, want to not be seen to do everything they can, in the world of Twitter and soundbites. None appear prepared to stand in front of their respective Parliamentary Select Committees and justify to points-scoring political opponents and the gleeful press, why, when they could have acted to save jobs, livelihoods, mental health, the green revolution, etc. that they didn't do 'enough'. And, when they can oblige/use the central bank, not even the taxpayer to fund the bill, why would they not?!! Payback it seems is for another day when our children, or theirs, can afford it!!

So, we expect authorities will keep throwing money at crises, it is just the form which is evolving: QE becomes 'supply liquidity, care of the central bank, one way or another, ad infinitum.'

In some ways rates going no lower is probably a good thing. Fiscal expansion will need to take up the slack. It will mean much debt issuance, but also ongoing debt purchasing by central banks, to keep governments' and corporate financing costs down.

QE has also begun to mean central bank buying of other assets. The US has begun buying Investment Grade and 'Junk' debt – the latter both via ETF's, and 'fallen angels' – deemed economically important businesses that have seen their debt downgraded from investment grade to sub-investment grade, or 'junk'.

In Japan, the authorities have for years been spending money on high ROE stocks to encourage improvement in corporate governance. Western governments/central banks could easily begin to invest into stocks via 'green' ETFs. Ecological spending tends to have broad party support. The recent European €750bn funding package (loans, and grants to ecological projects) is an early step on this path. At what stage do grants and loans evolve into equity purchasing? How long till a western government formally creates a 'green sovereign wealth fund' with capital supplied by the central bank? This could be a way to support the economy via an ecological transition, giving our descendants some benefit from our borrowing, no matter how inefficiently the capital deployed! It may not happen, but it should not come as a surprise if it does.

QE is evolving from 'drive down interest rates' to a) buying other (non-rates assets – credit and equity) and b) 'keep rates anchored' during a massive fiscal expansion. Healthcare workers' pay rises, and other socially responsible causes are among the already evolving forms that this is taking.

In normal circumstances this 'support' would encourage us to be very overweight assets, of all classes, with a strong bias towards Sustainability. Yet we know such QE actions will have consequences. Timing, and forecasting the details of the consequences, are no easy task. The first signs of a loss of confidence in governments, and policy, hit in March – see charts above - but has been somewhat restored for now. Confidence appears to remain in central banks, for now, but a waning dollar is a sign that this may be under threat. The jury remains out on this.

A (vaccine) resolution to the current crisis may start the argument for less supportive policy, and so may counterintuitively begin to undermine the market. But, as we have seen post the global financial crisis and before Covid, the western world had been struggling to generate sufficient growth to justify less supportive policy. And, we see little to suggest this has changed. Indeed, with a Covid-hangover likely impeding the economy for years, western economics look ever more challenged, so support will need to continue.

Despite the backstop of policy, given the risks, we continue to keep a balance to portfolios, even though we believe the time of reckoning is some way off, and despite apparently elevated valuations, asset prices may well continue to rise.

Accordingly, we continue to position the portfolios to be 'just ahead of policy' – owning more of the assets that the authorities are most likely to buy, next. Our models own a whole host of these: government bonds, corporate bonds, high yield bonds, infrastructure assets, 'green' equities, and

even equities in general… We even have an Alternative long-short equity fund which is buying strong ESG companies and 'shorting' weak ones….to benefit from the tailwind.

It remains, of course, appropriate to weight these investments according to personal risk profiles.

The Q3 (August) Platform Rebalance

We are shrinking the number of holdings in UK equities by exiting Artemis Income. The fund appears to have drifted a little towards value and smaller cap. The latter aspect, given its £4bn AUM, was a very minor issue. The fund has some attractive credentials and has continued to add moderate value against the benchmark, while providing us with some degree of exposure to 'income' as a factor. Those exposures could prove valuable for the fund in a risk-on world, but cost pressures mean we need to keep the index tracker weight up and seek higher alpha potential where we can.

In North America we are adding one fund, where currently available, in Granahan US Focused Growth. This is a fund focused on smaller US, high growth, and high-quality businesses. It provides diversification from the latest band of FAANG stocks and their demanding valuations. We like the long duration aspect of the growth factor (in a low discount rate world); this fund provides it in a slightly more risk-on (non-blue chip) way. Where the fund is not available, we are deferring to the similar JPM US Small Cap Growth fund.

In Europe we are likewise cutting a holding. Threadneedle European Select has served us well but with ever more quality elsewhere in the portfolio, largely via 'sustainable' funds, we felt this was a line that could go, with its all-in-Mifid-cost (AIMC) notably above 1%.

The key changes this quarter though are in the Asia and EM space. How best to get appropriate, factor-blended exposure has long been a challenge given a degree of discomfort with Value managers in the space and the high degree of comfort we have with Schroder Asian Total Return. This fund does not blend well with other funds, but the way it is managed it does provide us with a blend of underlying exposures and performs well!

So where possible, we are exiting Fidelity Asian Smaller Companies, Somerset Emerging Market Dividend Growth, and Fidelity Emerging Markets, and buying Pacific North of South Emerging Market All Cap and, buying or adding to, Aubrey Global Emerging Markets. Pacific North of South offers a value biased manager who blends top-down and bottom-up. By applying local market risk adjustment, based on top-down assessments, to the discount rate that they use to value a security, they moderate the degree to which they may otherwise overweight the likes of riskier 'value' regions like Russia. They do have a slight mid-cap bias, but it is an all-cap fund. Alongside this Value fund, Aubrey Global Emerging Markets provides high growth with a Chinese consumer and mid-cap bias, while Baillie Gifford Emerging Markets is more focused on a blend of sustained and cyclical growth stocks and weights our portfolio exposure back towards giant and large cap.

What this combination does not give is much exposure to 'defensiveness'. It tends to be underweight staples, healthcare, and utilities. Offsetting that risk are the put-option overlays that Schroder Asian Total Return fund uses. As the fund traditionally runs with 15% or more in index overlays, we feel this should provide a degree of protection. And, bluntly, EM utilities is not normally a reason for us to buy the region, especially given the preponderance of government intervention in such.

In Credit, we are bringing in the Sanlam Hybrid Capital fund with its focus on a niche, but we believe attractive area of the market, that trades on the cheap side for many reasons. The instruments it buys lie somewhere between bonds and equity and often get overlooked because they do not naturally fit into institutional investors' baskets. The investments also lie in the 'crossover' space between Investment Grade and High Yield debt. The team can capitalize on these factors. The Income class yields around 5%, while that return provides a good compounding base for the Accumulator class. Making way is Ninety-One Total Return Credit which also operates in the crossover space but without the focus on hybrid capital that the Sanlam fund has.

Also making way this quarter is M&G Short Dated Corporate Bond. It has served us well in the crisis and remains a decent quasi-cash alternative. In terms of total alpha, or Sharpe Ratio improvement though it adds only a little to the portfolio.

In gilts we are switching some exposure out of Vanguard into Fidelity. The Fidelity Gilt fund actually owns up to around 15% in investment grade debt, not just gilts, while the gilts part is managed tactically to try and generate a little bit of added value while retaining key gilt, risk-off credentials. The Fidelity fund has a slightly higher yield, which given low rates is attractive, but also has a slightly higher OCF at 15bp, vs Vanguard at 12bp.

In line with the views expressed above we are adding to Sanlam Real Assets. The fund benefits from a number of infrastructure and green assets, as well as offering inflation linked aspects via many of the underlying businesses contractual leases.

In our Socially Responsible models we are exiting the disappointing Aberdeeen Standard UK Ethical fund, while adding to Montanaro UK Income and Premier Ethical, both with a UK small cap bias.

In Europe we are adding, where we can to Carmignac European Leaders. This is a high quality and growth focused fund which excludes key low ESG sectors, whilst engaging with management to help drive positive change.

With this more regional focus, we are cutting our positions in the thematic Jupiter Ecology and WHEB Sustainable funds. We remain comfortable with both but prefer to manage and focus regionally. We are also adding Protea Eco Advisers ESG Absolute Return, where available. This fund is a long short equity fund focused on being 'long' good actors, and 'short' bad actors, giving a very pure play to the 'sustainable' factor.