

For professional advisers only not for retail distribution

# Sustainable Managed Portfolio Service

July 2022



**evelyn**  
PARTNERS

# Important information

This presentation is solely for professional advisers and should not be construed as investment advice.

The information contained in these slides should not be considered either as a personal recommendation to invest or confirmation of the suitability of any investment for your personal circumstances.

**The value of investments and the income derived from it can go down as well as up and investors can get back less than they originally invested. Past performance is not a guide to the future.**

Please note that some ethical funds may, by definition, have a limited investment universe; this may affect performance.

Different funds carry varying levels of risk depending on the geographical region and industry sector in which they invest. You should make yourself aware of these specific risks prior to investing.

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## INTRODUCTION

# Introducing Evelyn Partners



1

of the UK's leading  
wealth management  
firms



180

years of dealing in  
stocks and shares



£55.8bn

Assets under  
management



500+

Professional adviser  
firms supported



100k+

Private clients, charities,  
pension funds and  
corporates



3000

members of staff in local  
offices across the UK,  
Ireland and Jersey



Dedicated sector  
analysts with an  
average of 10 years'  
industry experience



290

Investment  
managers



Award Winning  
Investment  
Management



10+

Years  
performance  
track record

Past performance is not an indication of future performance.

Source: Evelyn Partners Group Limited as at 31 March 2022

# AGENDA

- 1 Our ethical and sustainable credentials
- 2 Why sustainable investing is important for financial advisers and your client
- 3 Historic performance track record. What are you giving up?
- 4 Key features of the Sustainable MPS
- 5 Our ethical and sustainable investment selection process
- 6 Supporting you now and going forward

# A long history of ethical and sustainable investment



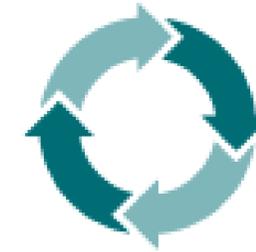
## 15+ years

Managing ethical mandates



## Signatory

Signatory to the United Nations principles for responsible investment



## Dedicated

A dedicated central investment process for ethical and ESG screening



## Strong performance

A history of strong performance for our ethical portfolios



## Winner 2021

Best ESG Investment Strategy\*



## Expert rated



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

Evelyn Partners Investment Management Services Limited won Best ESG Investment Strategy at the City of London Wealth Management Awards 2021. Defaqto 5 star rated, Defaqto is an independent financial research company specialising in rating, comparing and analysing financial products and funds.

# The green maze

## What is it

Here we highlight some of the common phrases and approaches associated with trying to do good with your money and savings.

### Sustainable investing

An investment approach coupled with ESG analysis in which a company's sustainability practices are key to the ongoing investment decisions.

### Ethical investing

An investment strategy in which you invest in line with your ethical principles and exclude companies that you deem to be unethical. For example removing tobacco or armaments from a portfolio due to your ethical preferences.

### ESG

Means using **Environmental, Social and Governance** factors to evaluate companies on material non-financial criteria to more broadly assess the ongoing performance. This is ideally applied across all investments and influences which investments are bought or sold.

### Impact investing

Impact investments aim to intentionally contribute to positive social and environmental impacts, whilst also achieving a financial return. Return can vary based on investor willingness to accept concessionary returns for better impacts.

### Responsible investing

Responsible investment is an umbrella term for any process where environmental and/or social inputs or values are considered alongside purely financial considerations. Key to this type of investing is a positive engagement with companies to improve and encourage sustainable, long-term improvements.

# Why sustainable investing is important

## WHY SUSTAINABLE INVESTING IS IMPORTANT

Why responsible and sustainable investing can no longer be ignored

### For financial advisers and clients

- 1 Growing client interest and demand to “do good” with savings
- 2 Increasing regulatory focus on ESG
- 3 Future proofing your business
- 4 Performance



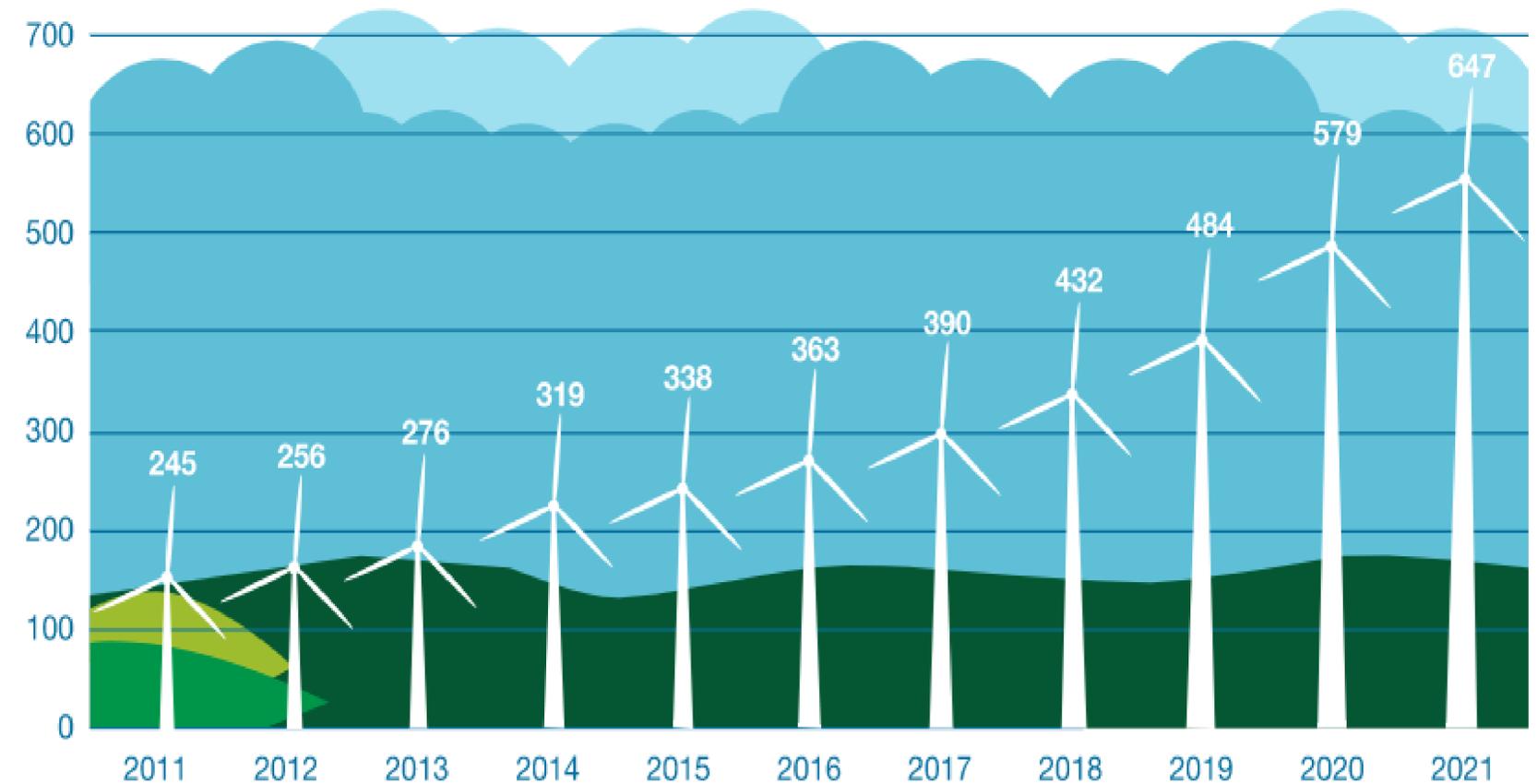
icebergs and plastic carrier bags

# Market growth

## The headlines

- Morningstar: ESG fund assets reach \$1.65 trillion at the end of 2020.
- 300+ “new” fund launches in Morningstar’s European “sustainable” fund universe taking the total to over 3000 to select from.
- Calastone: ESG funds have taken \$84 out of every net \$100 flowing into equity funds in the last two years, a total of \$15.1bn out of \$18.1bn.
- Growth also in the number of underlying companies that pass screens, as new markets develop and ESG disclosures improve.
- However, greenwashing remains a real challenge for investors.

Number of ESG funds available in the UK



Source: Lipper for Investment Management, 1/1/2021.

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

Source: Lipper for Investment Management, 01/01/2021

## WHY SUSTAINABLE INVESTING IS IMPORTANT

# The regulatory response and promoting best practice



EU Sustainable Finance Disclosure Regulation (SFDR)  
EU Taxonomy

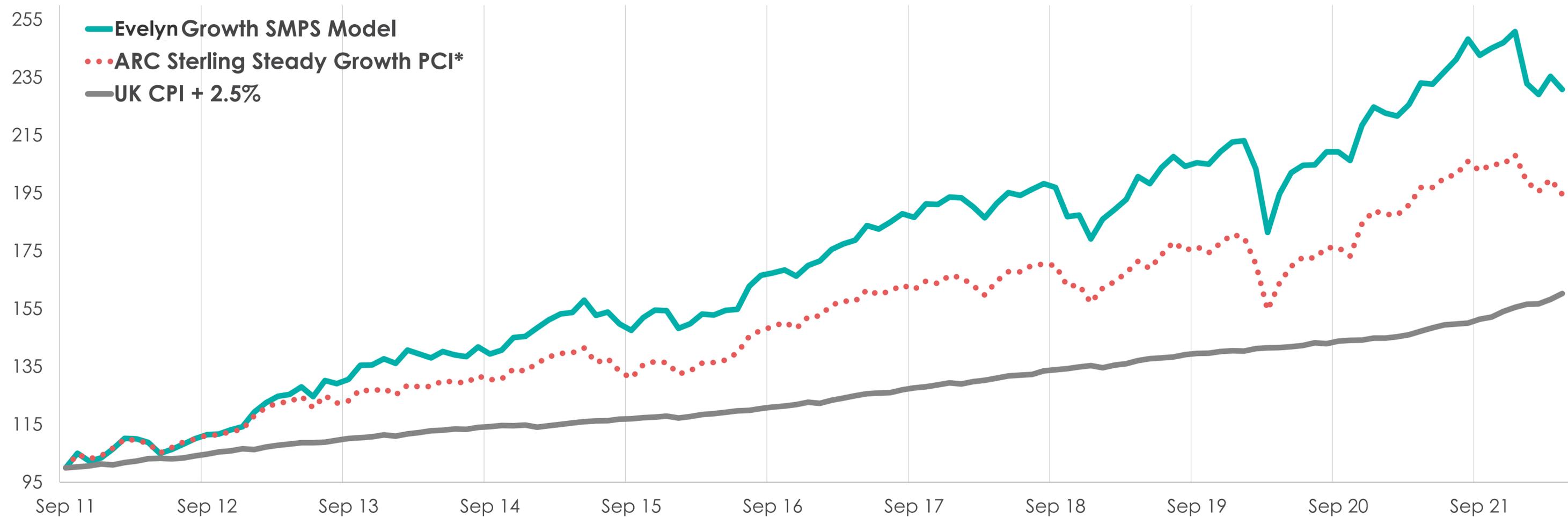


These logos belong to the relevant companies.  
Sources: ESMA, Evelyn Partners Limited, TCFD, UN  
[www.evelyn.com/about-us](http://www.evelyn.com/about-us)

# Historic performance and key features

# Longer term performance

## Growth portfolio since launch

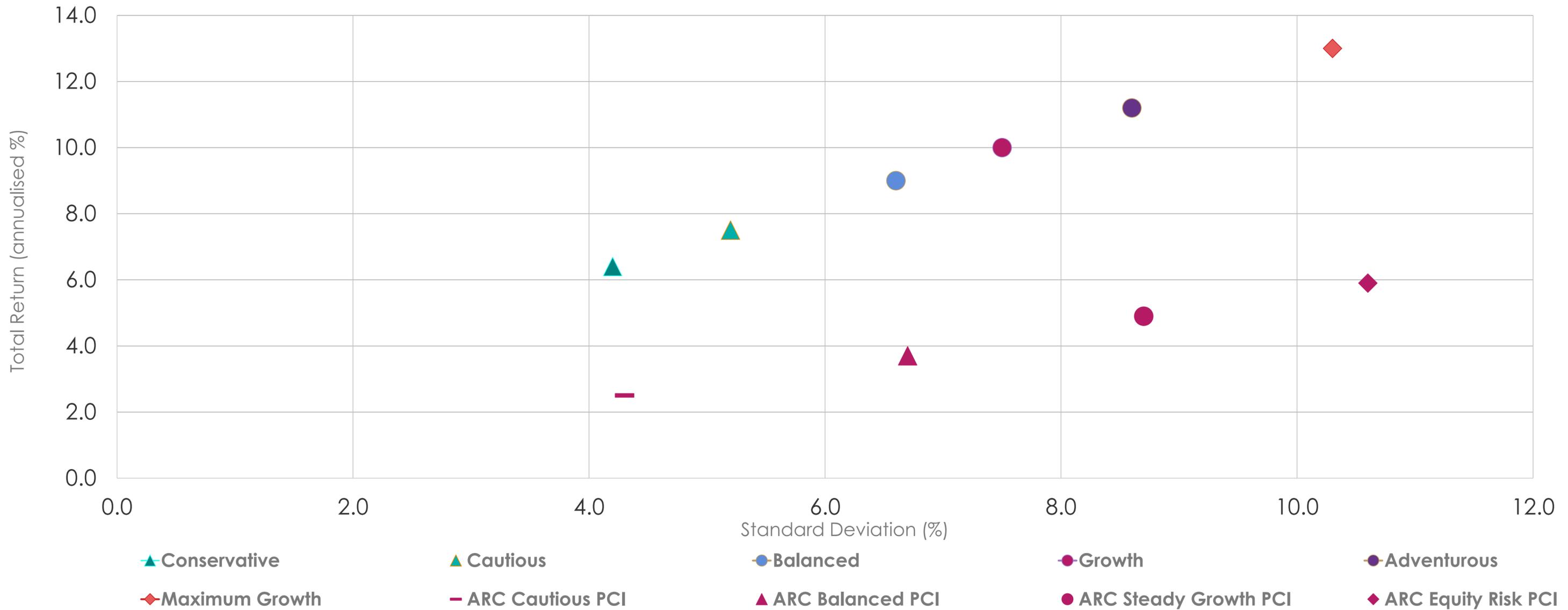


As investments may go down in value as well as up, you may not get back the full amount invested. Past performance is no indication of future performance. This is not a recommendation to invest in this fund.

Source: Evelyn Partners Investment Management Services Limited to 31 December 2021. Chart based on NAV to NAV data, net of 0.72% Annual Management Charge prior to the 1 January 2021, 0.60% from 1 January from 1 January to 31 March 2021, 0.50% thereafter. \*ARC Asset Risk Consultants Private Client index (ARC PCI) comprises real private client returns submitted to ARC by UK private client investment managers. These returns are unaudited by a third party, based on an average of client portfolio returns. For further information on ARC, their Private Client Indices and their methodology please visit [www.assetrisk.com](http://www.assetrisk.com)

# 5 Year Risk and Return

## Annualised strategy performance – since inception to 31 March 2022



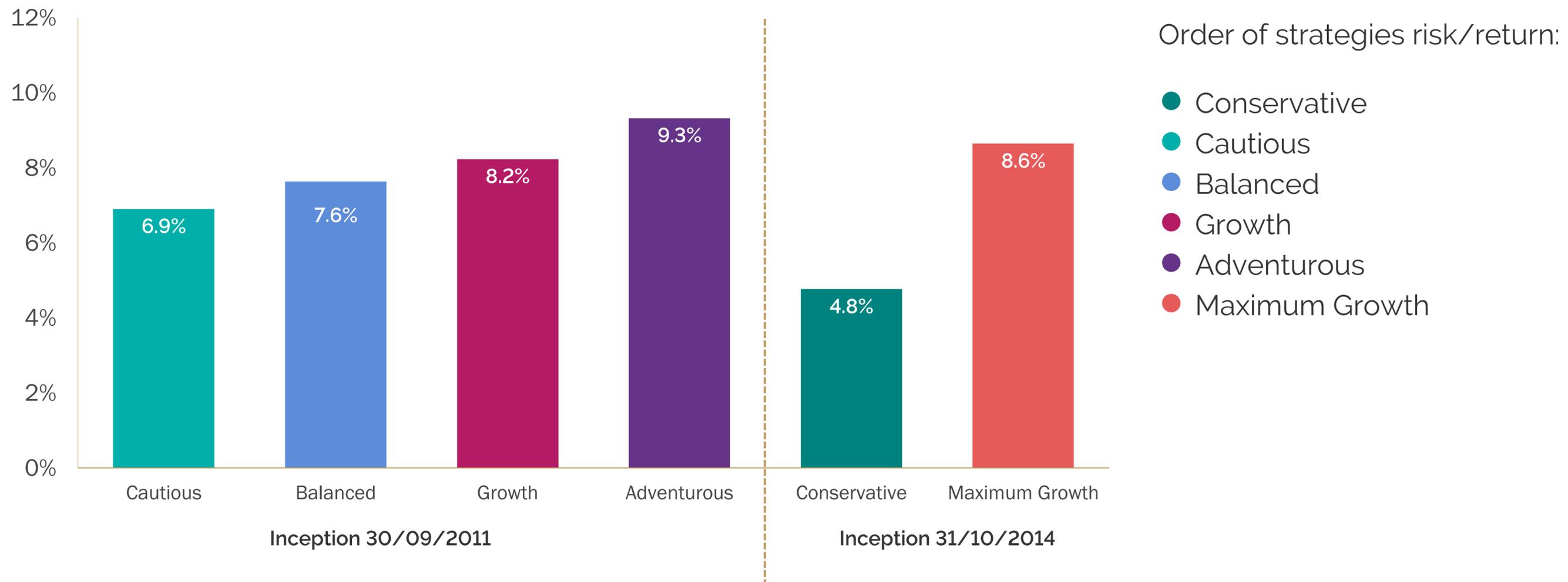
**Past performance is not a guide to future performance.** Inception of the Cautious, Balanced, Growth and Adventurous Portfolios is 30/09/2011. Inception of the Conservative and Maximum Growth Portfolios is 31/10/2014. All performance figures are based on NAV to NAV data, net of 0.72% Annual Management Charge prior to the 1 January 2021, 0.60% from 1 January to 31 March 2021, 0.50% thereafter.

Source: Evelyn Partners Investment Management Services Limited and Morningstar.

# Sustainable MPS since September 2011

You don't have to sacrifice performance

Annualised strategy performance – since inception to 30 April 2022



**Past performance is not a guide to future performance.** Inception of the Cautious, Balanced, Growth and Adventurous Portfolios is 30/09/2011. Inception of the Conservative and Maximum Growth Portfolios is 31/10/2014. For discrete annual performance, please refer to the next slide. All performance figures are based on NAV to NAV data, net of 0.72% Annual Management Charge prior to the 1 January 2021, 0.60% from 1 January to 31 March 2021, 0.50% thereafter. Source: Evelyn Partners Investment Management Services Limited and Morningstar.

## HISTORIC PERFORMANCE AND KEY FEATURES

# Sustainable MPS

## Performance to 30 April 2022

Portfolio	Cumulative average % performance						Rolling 12 month % performance					Standard Deviation (inception)
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	30 Apr 21/22	30 Apr 20/21	30 Apr 19/20	30 Apr 18/19	30 Apr 17/18	
● Conservative	-1.10	-0.36	-3.05	-0.58	9.59	19.47	-0.58	11.61	-1.24	4.58	4.25	3.94
● Cautious	-1.35	-0.44	-3.89	-0.82	10.97	24.00	-0.82	13.78	-1.67	5.46	5.97	4.63
● Balanced	-1.48	-0.44	-4.63	-0.89	12.40	26.39	-0.89	16.55	-2.70	4.92	7.17	5.98
● Growth	-1.93	-0.86	-5.82	-0.96	15.10	29.27	-0.96	19.80	-2.99	4.85	7.11	6.88
● Adventurous	-2.16	-1.18	-6.77	-1.60	18.02	34.79	-1.60	23.61	-2.97	5.39	8.36	8.16
● Maximum Growth	-2.65	-1.83	-8.45	-2.69	18.86	37.09	-2.69	26.91	-3.75	5.85	8.97	9.88

### Past performance is not a guide to the future.

All performance figures are based on NAV to NAV data, net of 0.72% Annual Management Charge prior to the 1 January 2021, 0.60% from 1 January to 31 March 2021, 0.50% thereafter. Equity weighting is subject to change. Source: Evelyn Partners Investment Management Services Limited and Morningstar

# Sustainable MPS

## At a glance



### Minimum investment

A discretionary service available to private individuals, trusts and charities with £50,000 or more to invest



### Exclusive

Only accessible through a financial adviser



### Segregated portfolio

A diversified portfolio of funds, managed to strict investment controls



### Accessibility

Can be held across all tax wrappers including SIPP, QROPS, offshore bonds and general investment accounts



### Fee

Annual management charge is 0.50% (Direct) or 0.30% (Platform)

# Ethical and sustainable investment selection process

# Investment philosophy

Aim to preserve and grow the real value of clients' capital through time

## PRESERVE



- Endeavour to avoid permanent loss of capital
- Valuation
  - insist on a margin of safety.
- Volatility
  - understand potential volatility; do not exceed your risk tolerance.

## GROW



- **Equities** will be the main drivers of returns through time.
- **Seek the best risk adjusted returns**
- **Long term increase** in profits and dividends will drive returns, not market timing.
- **Responsible investing** drives sustainable returns. The sustainable returns we seek are hard to achieve without businesses pursuing sustainability more broadly.

## REAL RETURNS



After:

- Dealing costs
- Management fees
- Taxation
- Inflation

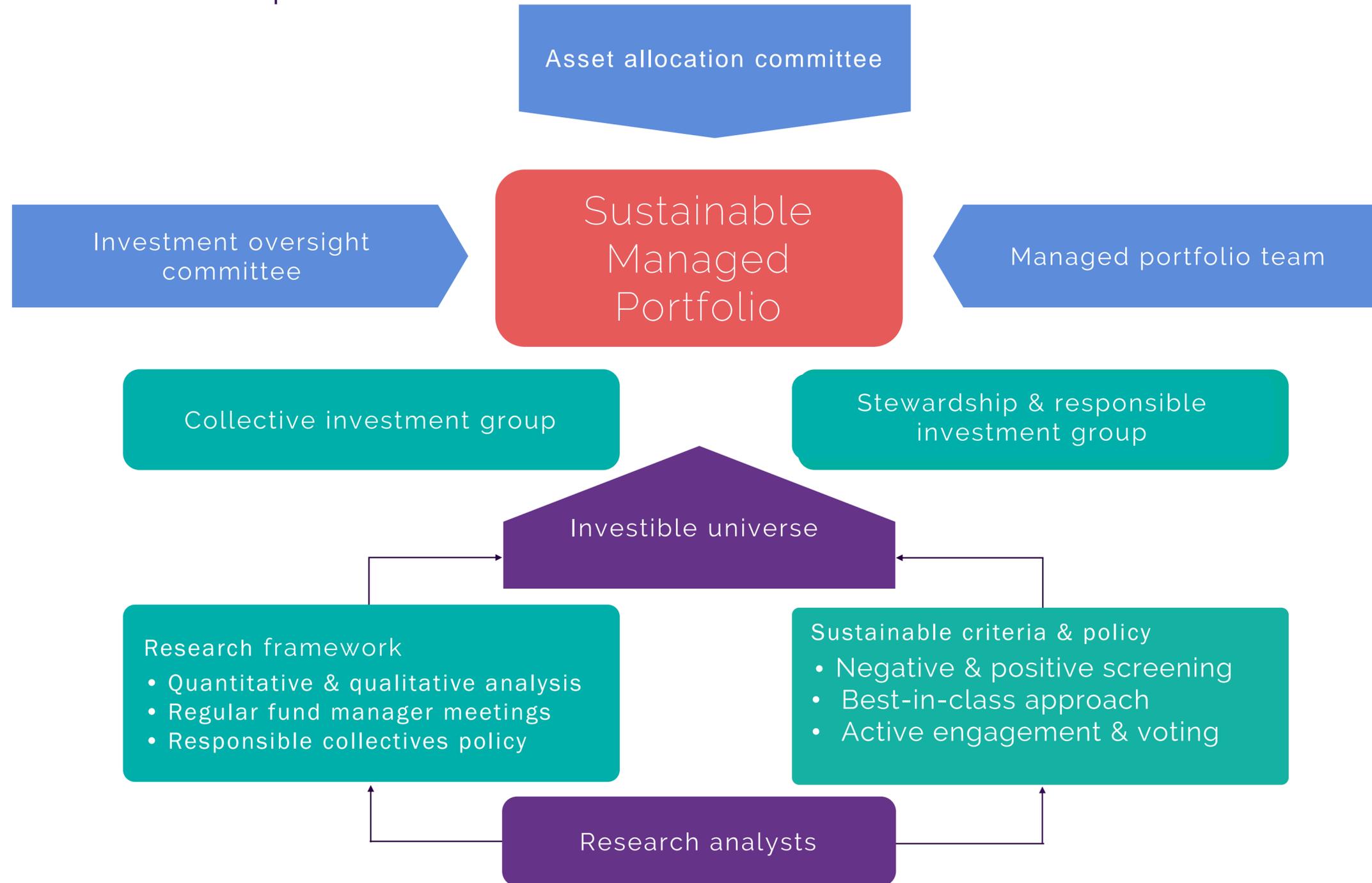
All of these should be taken into account when selecting investments.

## TIME



- **Patience** - ignore "market noise".
- **Short term returns** are driven by a change in valuation
  - Impossible to consistently forecast.
- **Long term returns** are driven by a change in value
  - possible to forecast.
- **Compounding of returns** will do heavy lifting through time.

# SMPS Investment process



# Investment criteria



**The portfolios will focus on funds which invest in companies that operate in areas such as:**



The conservation of energy or natural resources and resource efficiency



Sustainable transport and infrastructure



High-quality products and services of long-term benefit to society such as healthcare and affordable housing



Sustainable food and water management



Companies supportive of the United Nations' Sustainable Development Goals through practices such as strong equality and human rights policies, good employee relations, training and education of staff, and a commitment to community involvement



# Investment criteria

 **The portfolios will aim to limit their exposure to investments involved in:**

-  The production of weapons and weapons systems
-  Avoidable environmental damage, unsustainable resource depletion, water and air pollution and land contamination
-  Casinos or gambling businesses
-  Contributing or benefitting from the violation of human and workers' rights
-  Producing and distributing pornographic material
-  Producing alcohol for human consumption
-  Growing tobacco or the manufacture of tobacco products



# Sustainable MPS

## 6 risk managed portfolio solutions

Portfolio	Guideline Central Equity Weightings	Long term return objective	Maximum Loss*
● Conservative	40%	CPI+1%	<=10% loss in any one year
● Cautious	50%	CPI+1.5%	<=12.5% loss in any one year
● Balanced	60%	CPI+2%	<=15% loss in any one year
● Growth	70%	CPI+2.5%	<=17.5% loss in any one year
● Adventurous	80%	CPI+3%	<=20% loss in any one year
● Maximum Growth	100%	CPI+4%	<=25% loss in any one year

\*Maximum Loss figures represent the chance of loss over any one year with 95% confidence. There can be no assurance that any portfolio will achieve its investment objective.

# Sustainable MPS - Balanced

## Example portfolio

Top Ten Holdings – SMPS Direct Balanced
Cash
Vontobel Fund TwentyFour Sustainable S/T Bond
Invesco Physical Gold ETC
Royal London Sustainable Leaders Trust
Trojan Ethical Income Fund
BMO Responsible Global Equity Fund
Baillie Gifford Responsible Global Equity Income Fund
Schroder Global Sustainable Value Equity Fund
Stewart Investors Asia Pacific Sustainable Fund
Liontrust UK Ethical Fund

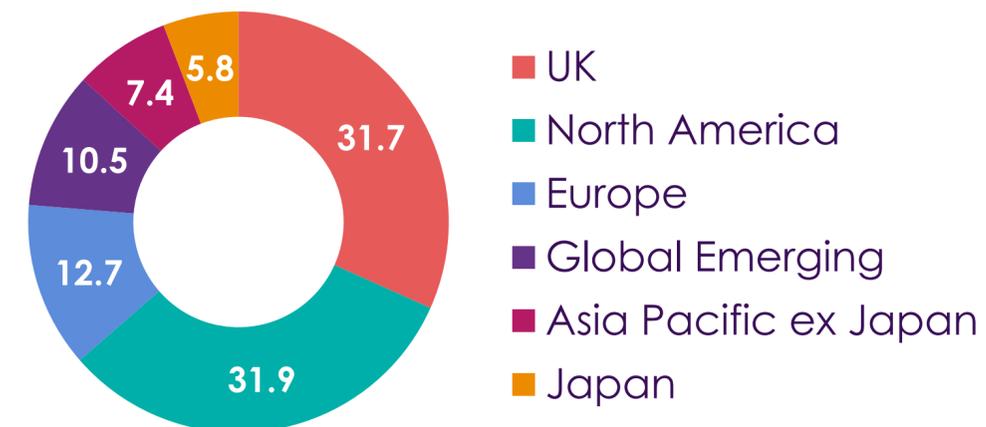
### ESG portfolio data\*

- 0% direct exposure to alcohol, gambling, GMO, palm oil, armaments and weapons, adult entertainment, oil sands and tobacco.
- Less than 1% direct exposure to fossil fuels.

### Asset allocation



### Geographic equity allocation



For illustrative purposes only. This is not advice to invest in any of these funds. Portfolio data as at 30 April 2022. Asset allocation is subject to change. Source: Evelyn Partners Investment Management Services Limited. \* ESG Data from Morningstar/Sustainalytics, calculated on a portfolio asset weighted basis, 31 December 2020.

# Funds in focus:

## The Renewables Infrastructure Trust

- The Renewables Infrastructure Group (TRIG) is a London-listed (FTSE 250) investment company which has over 85 renewable infrastructure projects in the UK, Republic of Ireland, France, Spain, Sweden and Germany.
- TRIG aims to deliver a sustainable yield on a diversified portfolio of predominately wind and solar assets across a number of distinct geographies. It provides shareholders with diversification by jurisdiction, power market, energy source and weather system.
- Contributing to a lower-carbon future with a portfolio capable of saving more than 1.6m tonnes of CO2 emissions annually by powering over 1.3m homes with 4TWh of clean, renewable power

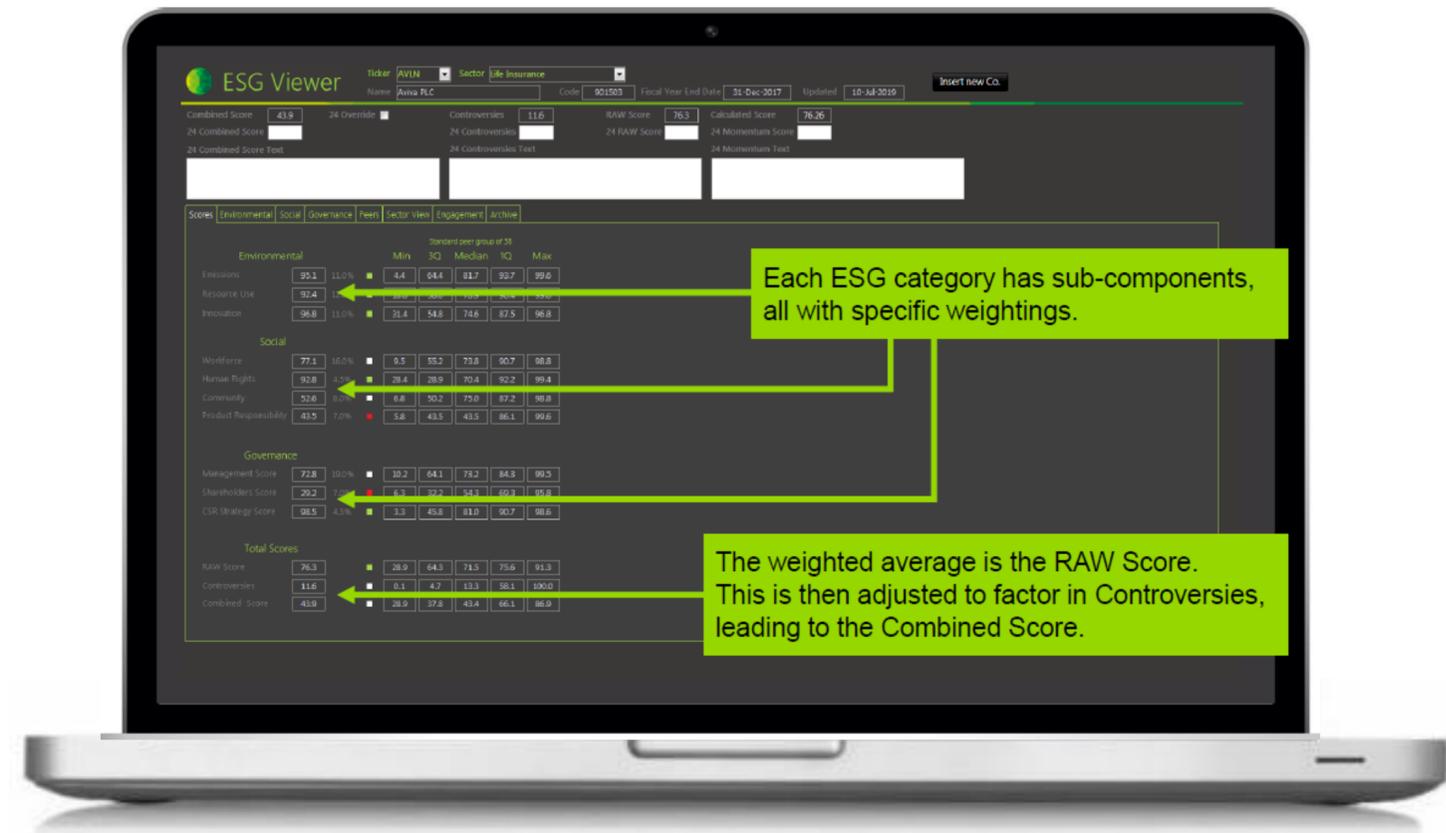


This is not a recommendation to invest in this fund.  
Source: TRIG& UN SDGs

# Funds in focus:

## TwentyFour sustainable short-term bond fund

- The objective of the fund is to achieve a positive total return over a three year period, while maintaining an annualised volatility of less than 3%.
- The fund will invest in issuers that contribute to sustainable economic activity, pass the fund manager's sustainable screening process and are predominantly rated investment grade.
- TwentyFour are high quality fixed income managers and we believe that this fund offers significant diversification for client portfolios.
- The Team's active and bottom-up approach helps overcome ESG bond data issues.



This is not a recommendation to invest in this fund.  
Source: TwentyFour Asset Management

# Funds in focus:

## RobecoSAM Smart Materials

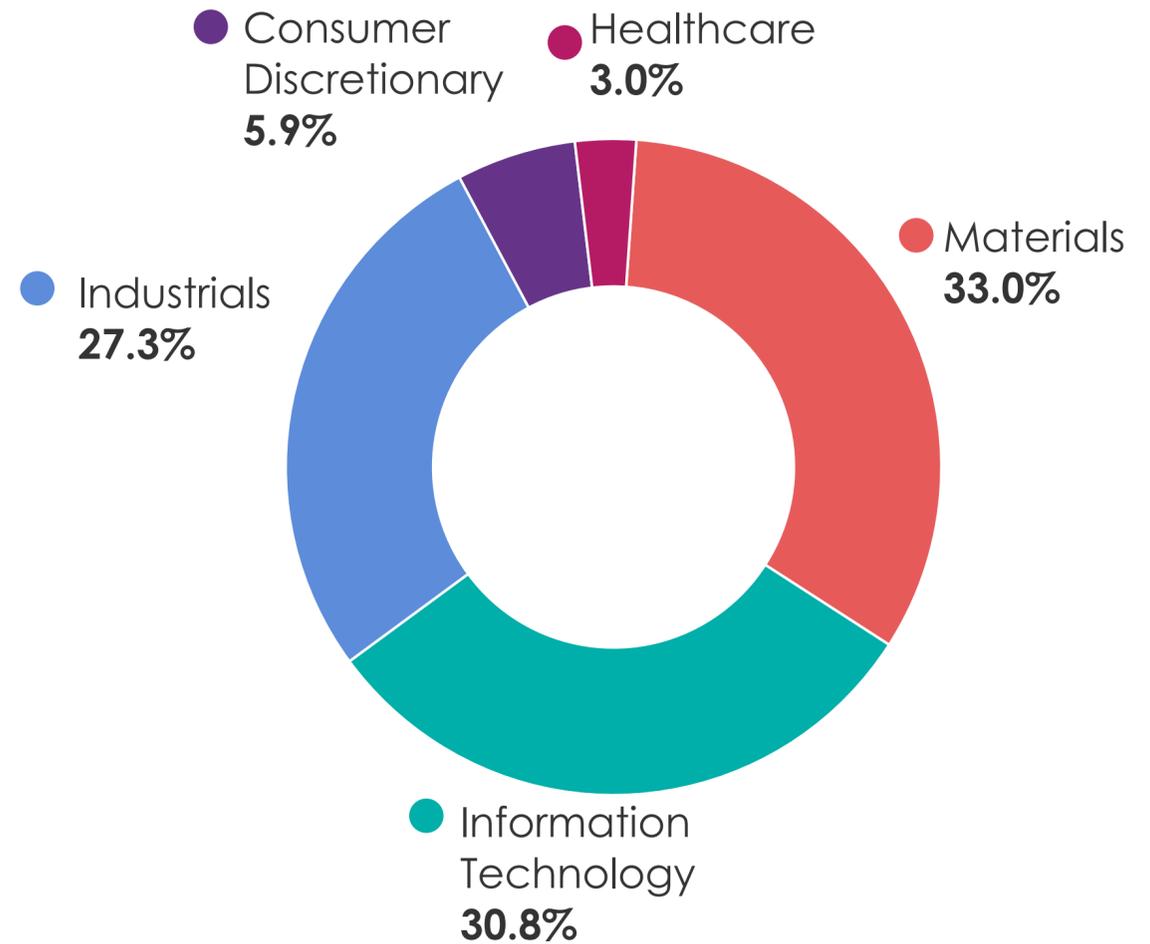
This global specialist fund seeks to mitigate resource scarcity within industries, whilst supporting economic growth, and primarily does so through investing in companies which advance the following 5 of the UN SDGs.



This is not a recommendation to invest in this fund.  
 Source: RobecoSAM 31.12.2021

# ROBECO

## Sectors



Supporting you now and going forward

**evelyn**  
PARTNERS

## SUMMARY

# Benchmark information

The ARC Private Client Indices (PCI) provide a unique insight into the actual returns being generated by investment managers for their discretionary private client portfolios. They are based on real performance numbers provided by participating investment managers. There are no pre-set asset allocations, no asset class restrictions, no concentration limits, no index performances used. Only actual performance numbers are included in the composition of the indices. The indices provide an accurate reflection of the actual returns that a private client should expect for a given risk appetite. This approach leaves investment managers free to use any and all investment strategies, vehicles and structures in the pursuit of the maximum return per unit of realised volatility.

Contributors to the ARC Sterling (GBP) indices include; abrdn, Abrdn Financial Planning and Advice Limited, Adam & Company Wealth Management, AHR Private Wealth, Albert E Sharp LLP, Arbuthnot Latham & Co. Limited, Artorius Wealth Investment Management, Ascencia Investment Management, Bank of Butterfield, Banque Lombard Odier & Cie SA, Barclays Private Bank, Barclays Wealth & Investment Management, Blankstone Sington Limited, Bordier & Cie (UK) PLC, Brewin Dolphin Ltd, Brewin Dolphin Ireland, Brooks Macdonald, Brown Advisory LLC, Brown Shipley, Canaccord Genuity Wealth Management, Cazenove Capital, Charles Stanley Asset Management, Citi Private Bank, Close Brothers Asset Management, Coutts & Co, Credit Suisse (UK) Limited, Davy Private Clients, Deutsche Bank, EFG Asset Management (UK) Limited, GAM London Limited, Goodbody, Harris Allday, Hawksmoor Investment Management Ltd, Handelsbanken

Wealth & Asset Management Ltd, HSBC Global Services (UK) Limited, Investec Wealth and Investment, James Hambro & Partners LLP, Killik & Co, Kleinwort Hambros, LGT Wealth Management UK LLP, London & Capital Asset Management, Melville Douglas, Mirabaud & Cie, Nedbank Private Wealth, Netwealth, Nutmeg Saving and Investment Limited, Psigma Investment Management Limited, Quilter Cheviot Investment Management, Ramsey Crookall & Co, Rathbone Investment Management Limited, Ravenscroft, RBC Europe Limited, Redmayne Bentley, Rothschild & Co Wealth Management, Rowan Dartington, Ruffer LLP, Saltus Partners LLP, Sanlam Private Wealth, Sarasin & Partners LLP, Schroder Investment Solutions, Schroders Personal Wealth, Seven Investment Management Limited, Smith & Williamson Investment Management, Stanhope Capital LLP, Stonehage Fleming, Tatton Investment Management, Tilney, UBP SA, UBS London Branch & Jersey Branch, UBS Switzerland AG, Veritas Investment Management LLP, Waverton Investment Management Ltd, Westminster Asset Management, WH Ireland Limited, YOU Asset Management Limited, Zuger Kantonalbank, Zürcher Kantonalbank.

Source: Asset Risk Consultants ([www.assetrisk.com](http://www.assetrisk.com)) Source: Office for National Statistics ([www.statistics.gov.uk](http://www.statistics.gov.uk))

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# Appendices

# Sustainable MPS

## More details and keeping you informed

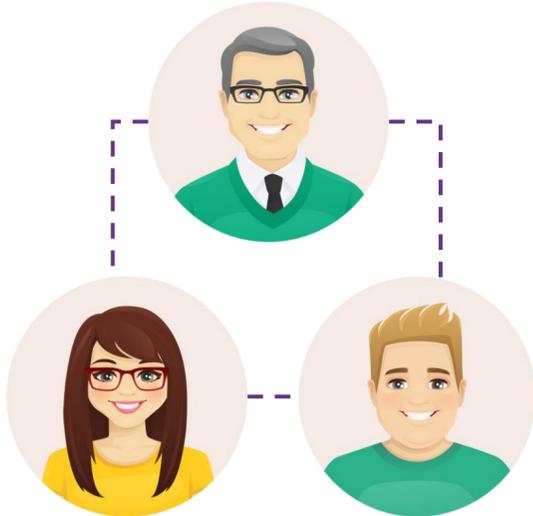
- Summary factsheet
- Client guide
- Ethical and Sustainable guide
- Key information for IFAs
- Client reports
- Online Client Portal

# Are you ready to embrace Sustainable & ESG Investing?

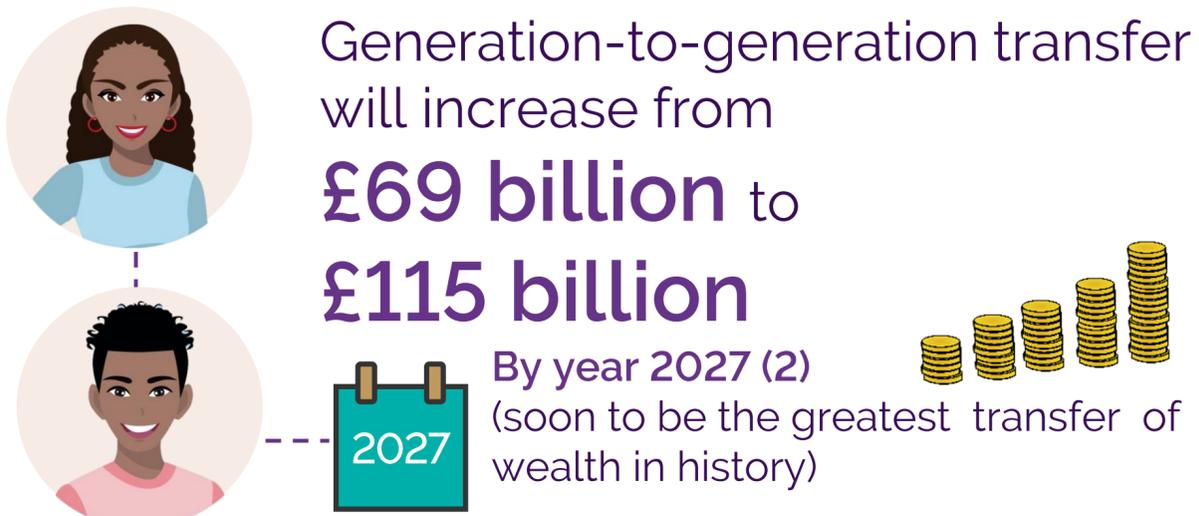
- Change is inevitable
- Clients want to be educated and informed. They may have passionate beliefs about how they want to invest.
- Do they want to make an impact or just feel better about where their money is invested?.
- “It’s OK to not be 100% ethical”. Make sustainable investing a part of the solution.
- Performance doesn’t have to be sacrificed



# Future proofing your business



Nearly **£1 trillion** will pass between generations over the next **9 years**<sup>(1)</sup>



Generation-to-generation transfer will increase from **£69 billion** to **£115 billion** By year 2027 <sup>(2)</sup> (soon to be the greatest transfer of wealth in history)



Almost **70%** of household wealth is held by **over 50s**<sup>(2)</sup>

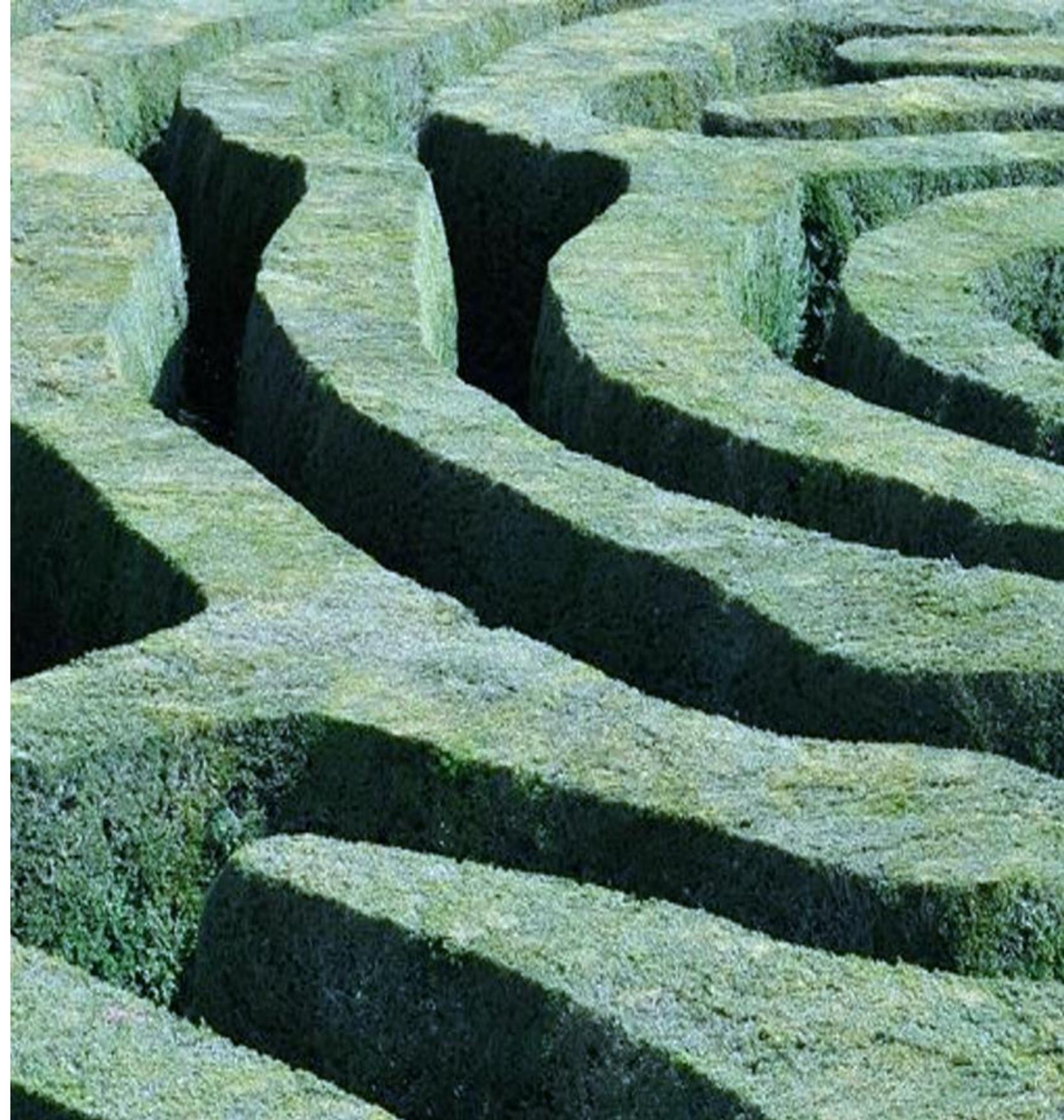


**66%** of clients' children don't take on their parents' adviser<sup>(3)</sup>  
but advising the next generation can continue to grow the clients wealth and help to expand client base

1. Unprepared IFAs could miss out in the 'Inheritance Economy' as nearly £1trillion set to pass to the next generation in the next 10 years by Cebr and Kings Trust Court, 10 May 2017.
2. Over 50s are worth billions according to new report by Eleanor Doughty, the Telegraph 1 February 2016.
3. The great wealth transfer is coming, putting advisers at risk by Liz Skinner 13 July 2015.

# The green maze

Despite the positive momentum behind the wider sector, investing in this area of the market still presents investors with a green maze of investment approaches and buzzwords.



# The green maze

## The green scale

### Dark green

- The strictest form of ethical criteria
- Typically the fund manager will be unable to invest in the alcohol, defence, gambling, mining, oil & gas, and tobacco sectors

### Mid-green

- These funds are on the mid way scale of strictness to ethical criteria
- Focus on most of the issues considered for dark green funds, but they may include some exposure to oil & gas, financials and pharmaceuticals

### Light green

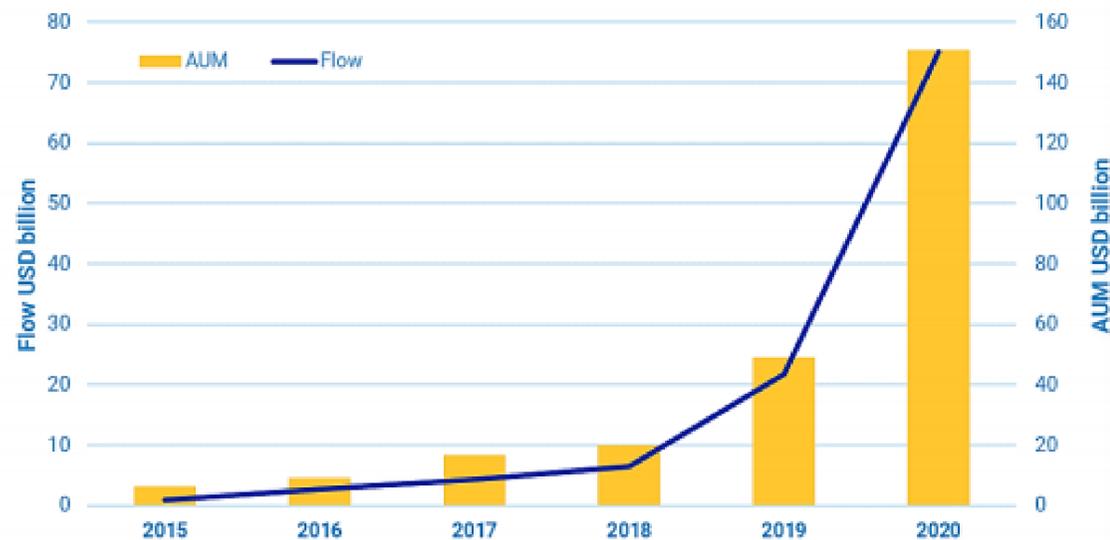
- The least strict ethical criteria
- Focus on best in class ESG and can invest in sectors that ethical investors may be uncomfortable with
- More closely aligned with mainstream funds and indices

# Greenwashing and the passive problem

Tariq Fancy, former head of sustainability at BlackRock, USA Today - investing that takes into account ESG (environmental, social and governance) factors

“little more than marketing hype, PR spin and disingenuous promises”

## Global ESG ETF Growth 2015–2020



Source: Refinitiv/Lipper and MSCI ESG Research LLC as of Dec. 31, 2020



### Example UK “ESG” Fund

#### TOP 10 HOLDINGS (%)

AstraZeneca Plc	5.8
Diageo plc	5.1
HSBC Holdings plc	4.9
Glaxosmithkline Plc	4.5
Relx Plc	3.8
Unilever plc	3.1
Reckitt Benckiser Group	2.7
Rio Tinto Plc	2.5
Vodafone Group Plc	2.4
Compass Group Plc	2.1

### Example UK “Ethical” Fund

#### TOP 10 HOLDINGS (%)

AstraZeneca Plc	8.8
Diageo plc	6.1
Rio Tinto Plc	5.5
Prudential plc	3.2
Relx Plc	3.1
London Stock Exchange Group	2.6
Lloyds Banking Group Plc	2.4
Experian Plc	2.3
Compass Group Plc	2.3
CRH Plc	2.2

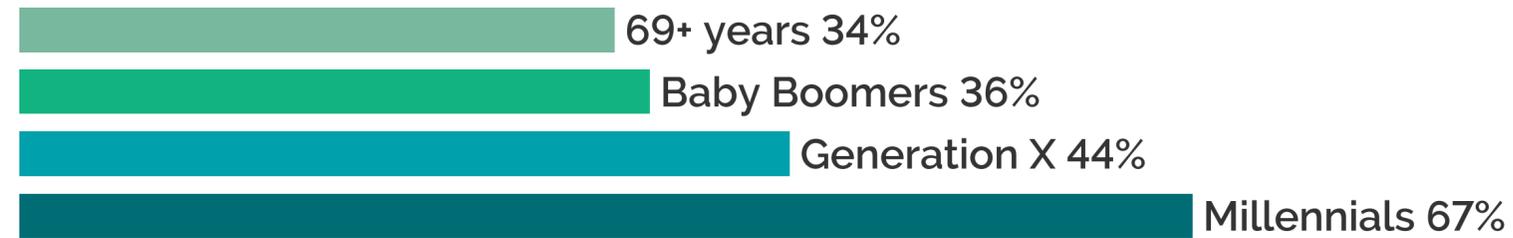
Will your clients be passive when they see the companies they are invested in?

# Client views on 'Green' investing

## Sustainable and E.S.G. may help retain your businesses AUM

% of respondents who agree

Investment decisions are a way to express my social, political, or environmental values:



It is possible to achieve market rate returns investing in companies based on their social or environmental impact



Source: US Trust insights on wealth and worth 2014, Harvard business review

ORC International fielded an online survey for American Century investments from 1-4 Dec 2016 with 1,028 adults to better understand millennials, Gen Xers and baby boomers investment habits and their interest in impact investing – that is investing in companies that have a beneficial impact on society while also providing a financial return to investors. The results from the survey were weighted by aged, sex, geographic region, race and education to ensure reliable and accurate representation of the adult population. Millennials are those age 18-38, Generation Xers 36-51, and Baby Boomers 52-70.

# Questions for your clients

## Upcoming changes to MIFID II mean that you'll have to update your fact find



1. Would you like your money to help make the world a better place for future generations?
2. Did you know you could do this whilst still meeting your current and future financial needs?
3. Would you like to understand how your money is invested?
4. Would you like to know the positive and negative impacts of your investments?

Here are some examples of questions that you might find an Investor asking their IFA.

- “Is it realistic to expect an investment to achieve my financial goals, and at the same time make a sustainable contribution to our society?”
- “Is it possible for my investment to make a difference to future generations to ensure they can enjoy a healthy environment?”
- “How do I know my money is being invested in line with my values?”

If your clients display a preference for ESG considerations, then you will need to think about defining your own sustainable investment service and proposition, which may be separate to the centralised investment proposition (CIP) you currently have in place to serve the different segments across your client bank.

## SUMMARY

# Online Client Portal

- We have developed a market leading investment portal for our clients and their advisers.
- The online client portal provides in depth analysis, portfolio performance, document storage and puts our expert market and economic commentary at the client's disposal.



# Due diligence

Incorporate the following questions to your providers



## PRI

Have you **signed** up to the United Nations Principles for Responsible Investment (PRI), and if so, can I see a copy of your most recent assessment report?



## Stewardship code

Do you have a stewardship code in place? What ESG related industry groups are you a member of?



## Policies for ESG

Do you have any policies that outline how to incorporate Environmental, Social and Governance (ESG) issues into the investment decision making process? How do you monitor and evaluate compliance with the policy?



## Any exclusion policies

Do you have any voting and **exclusion** policies? Do you publish details of your voting track record? If it's not available, why is this?



## Engagement policy

Do you have an engagement policy? What issues do you typically engage on, and can you provide examples?



## Data research

What ESG data or research do you currently use? Do you have a specialist in-house team, or is it brought in by a specialist third party?