

INVESTMENT POLICY: ALBEMARLE STREET PARTNERS' ESG PORTFOLIOS

The Albemarle Street Partners product range gives investors a way to achieve their financial goals whilst remaining true to their values and beliefs. We understand why Environmental, Social, and Governance (ESG) issues matter and our investment process ensures that we adhere to the highest possible standards. Environmental, Social and Governance Investing is a catch-all phrase for funds seeking positive societal and environmental change.

By identifying well managed companies fund managers seek to encourage inclusion, diversity and positive environmental impact. The sector can be thought of as a natural extension of ethical investing and enhanced corporate stewardship. Government regulators and suppliers have long understood the importance of good governance when forming long-term relationships. Investors can now consider these factors when investing their savings.

As consumers we are increasingly aware of the harmful impact of human activity on biodiversity and the climate. We also know that unjust hiring practices skew corporate decision making and board behaviour. Well informed consumers and investors are increasingly holding companies and their executives accountable for the societal and environmental impact of their actions.

Albemarle's ESG portfolios help investors aspiring to a higher moral purpose in their investment decisions achieve their financial goals.

Our Investment Process

We believe investors should not have to compromise their financial goals when investing for ESG purposes.

We use a robust Strategic Asset Allocation (SAA) framework which incorporates return, risk and correlation expectations for a range of different assets. The inflation and interest rate backdrop drives asset class returns, and we use this knowledge to add further value through our Tactical Asset Allocation framework.

We believe that a well-run ESG fund should be clear in what it seeks to achieve. The UN Sustainable Development Goals (SDGs) act as a framework for many fund houses and specific development targets also need to be made clear. We believe that the goal of seeking improvement should not ignore actual harm in existing company activity and products. We are looking for well-resourced teams capable of analysing relevant ESG data and building a detailed understanding of the most relevant concerns. Finally, we seek constant engagement on ESG issues and active use of shareholder votes.

The Albemarle ESG Fund Selection Framework is built on the three E's - Exclude, Evaluate and Engage.

Exclude

We exclude funds that contain companies that generate more than 10% of their revenues from the sale of:

1. **Adult Entertainment**
2. **Alcohol**
3. **Armaments**
4. **Fossil Fuels**
5. **Gambling**
6. **Tobacco Products**

We believe exclusions are essential in creating a level playing field for fund comparison. The principle of No Harm forms the foundation of the Albemarle ESG process.

Evaluate

We believe good ESG fund management requires broad and varied knowledge and skillsets. We understand the limitation of a purely quantitative approach and seek out firms with large well-resourced investment teams with internal expertise on ESG issues. We will seek to understand the decision-making process and how conflicts are resolved between investment decisions and ESG parameters.

The detailed understanding of the investment process and how the fund manager monitors compliance is a key part of the fund selection process.

Engage

We ensure that the funds we assess engage with their underlying companies and exercise their right to vote at shareholder meetings. While a constructive dialogue with underlying company boards is important, the fund manager must be prepared to sell a position if a company fails to engage. We expect fund managers to provide records of their engagement efforts. This final step ensures that the ongoing struggle to improve standards is not a one-off box ticking exercise.

Fund Review Process

We engage in a quarterly review of all our fund holdings and seek clarification on ESG concerns and underlying portfolio holdings. Our well researched review of the investment process, fund holdings and trading activity helps us understand the continued suitability of each fund. We monitor fund manager turnover, fund flows, hiring decisions and the use of external data sources.

Fixed Income

The ESG investment universe is expanding quickly, and we are pleased to see a growing list of fixed income products on offer. The UK government and several European countries have announced plans to issue green bonds over the coming years. While we wait for the roll-out of these programmes, we maintain an exposure to government bonds from non-sanctioned (UK Treasury and Department of International Trade) issuing countries for diversification purposes.

We believe our uncomplicated and disciplined ESG investment proposition makes us a trustworthy partner for your client's investment goals.



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