Investing for Charities in interesting times

Presented by Chris Hiorns, CFA – Senior Fund Manager

27 June 2017

PROFIT WITH PRINCIPLES
Today’s Speaker

Chris Hiorns, CFA – Senior Fund Manager
(21 years industry experience)

Chris started working for EdenTree in 1996 as a Research Assistant, before progressing to Fund Manager in 2007. Chris joined EdenTree after having gained an MSc in Economics from University College London. He has been a CFA Charterholder since 2004.

Chris has managed our Amity Balanced Fund for Charities since launch, and manages bespoke mandated portfolios for charities.

EdenTree Investment Management

- EdenTree is a pioneer of Responsible investing with over 30 years experience
- Total Assets Under Management in excess of £2.6bn*
- Investment team based in the heart of the City of London
- Part of the Ecclesiastical Insurance Group, founded in 1887 and ultimately owned by a Charity
- Ecclesiastical is financially strong and stable; A.M. Best and Standard & Poor’s ratings of A and A- respectively
The Rise of the Populists
July 2008 – Cash and Gilts yielded above inflation

Source: Bloomberg as at June 2017. LIBOR: IntercontinentalExchange London Interbank Offered Rate

FTSE All Stock Gilt Yield & GBP 3-month LIBOR Rate vs CPI

July 2008

Cash 5.78%
Gilts 4.67%
Inflation 4.40%
Financial Crisis saw rates collapse

FTSE All Stock Gilt Yield & GBP 3-month LIBOR Rate vs CPI

Financial Crisis

May 2017

FTSE All Stock Gilt Yield (Gilts)  GBP 3-month LIBOR rate (Cash)  UK CPI YoY % change (Inflation)

Source: Bloomberg as at June 2017. LIBOR: IntercontinentalExchange London Interbank Offered Rate
‘Safe Assets’ not as safe as they seem

FTSE All Stock Gilt Yield
FTSE ALL Stock I-L yield (3% inflation)
FTSE All Share yield
GBP 3-month LIBOR rate

May 2017

Equities 3.46%
Gilts
Cash

Source: Bloomberg as at June 2017
‘Safe Assets’ not as safe as they seem

Equities 3.46%
Gilts
Cash
Index-Linked Gilt Real Return -1.72%

Yield

FTSE All Stock Gilt Yield
FTSE ALL Stock I-L yield (3% inflation)
FTSE All Share yield
GBP 3-month LIBOR rate

Source: Bloomberg as at June 2017
Different asset classes typically perform differently over time.

Maximum and Minimum Real Annualised Returns for Different Holding Periods (re-invested) (historic)

Source: Barclays Equity Gilt Study 2017

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Equities historically outperform over the long-term

Maximum and Minimum Real Annualised Returns for Different Holding Periods (re-invested) (historic)

Source: Barclays Equity Gilt Study 2017
Our current view

• Negative real returns from cash

• Negative real returns from government bonds

• Equity markets not cheap in historic terms...

• But dividend yield on equities substantially higher than bonds

• Political risk heightened but outlook for global economy looks promising
How Charities might invest for the long-term

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Return Objective*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Preservation</td>
</tr>
<tr>
<td>Equities</td>
<td>25%</td>
</tr>
<tr>
<td>Bonds</td>
<td>65%</td>
</tr>
<tr>
<td>Cash / Money Market</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Scenarios noted above have been simplified for illustrative purposes.

Risk rises with return target
# EdenTree fund options

<table>
<thead>
<tr>
<th></th>
<th>Amity Sterling Bond Fund</th>
<th>Amity Balanced Fund</th>
<th>Amity Global Income Equity Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KIID Risk Score</strong></td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Summary Objective</strong></td>
<td>High and sustainable income with capital preservation</td>
<td>High and growing income with capital preservation</td>
<td>Above average income with long term capital appreciation</td>
</tr>
<tr>
<td><strong>Summary Portfolio</strong></td>
<td>Corporate Bonds, PIBS, Prefs &amp; Gilts</td>
<td>UK Fixed Interest Global Equities</td>
<td>Global Equities</td>
</tr>
<tr>
<td><strong>Amity SRI Screening?</strong></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>
Why Charities invest responsibly

- To reflect their mission and values in their investment
- To protect its reputation, both publically and with stakeholders
- To avoid association companies and activities that conflict with the charity
- To reduce investment risk and enhance potential for long-term returns
- To have a significant positive impact with its investment, as well as its activities

*The way a charity makes its money is as important as the way it spends it.*
EdenTree negative screening – avoiding harm

- Alcohol Production
- Tobacco Production
- Pornographic & Violent Material
- Intensive Farming
- Gambling Operations
- Weapon Production
- Oppressive Regimes
- Animal Testing
EdenTree positive screening – accentuating the positive

**Business Ethics**
- Business Codes of Conduct
- Product Quality & Safety
- Ethical Business Conduct
- Culture & Behaviour
- Financial Conduct
- Ethical Sourcing
- Supply Chain Relationships
- Taxation Policy Disclosure
- Farm Animal Welfare
- Lobbying Policies

**Community**
- Community Liaison
- License to Operate
- Project Finance Risk
- Resettlement Policies
- Giving Programmes
- Health Education & Welfare
- Access to Medicine
- Training & Apprenticeships

**Corporate Governance**
- Code Compliance
- Independent NEDs
- Pay for Performance
- Board Diversity & Policy
- Anti-Bribery Policies
- Whistleblowing Programme
- Cyber Security
- Audit and Non-Audit Fees
- Related Party Transactions
- Political Donations

**Employment & Labour**
- ILO Protocols
- Equal Opportunities
- Diversity Policy
- Anti-Discrimination
- Fair Reward Structures
- Freedom of Association
- Collective Bargaining
- Training & Development
- Health & Safety
- Occupational Wellbeing

**Environment Management**
- Climate Change
- GHG Emissions
- Resource Depletion
- Water
- Pollution
- Natural Capital Policies
- Waste & Recycling
- Energy
- Soil & Forestry
- Sustainable products

**Human Rights**
- Human Rights Policies
- Support for UDHR
- UN Guiding Principles
- Child Labour Bonded
- & Forced Labour
- Trafficking & Slavery
- Indigenous People
- Land Rights
- Sanctions & Conflict Risk
- Conflict Minerals

**Education**
- Businesses focused on
- Education
- Training
- Human Development
- Promoting Girls Education
- Student Housing & Support

**Urban Regeneration**
- Businesses focused on
- Social Housing
- Affordable Housing
- Green Building
- Inner City Development
- Brownfield Development
- Natural Capital

**Health & Wellbeing**
- Businesses focused on
- Affordable Healthcare
- Access to Medicine
- Pharmaceuticals R&D
- Biotechnology
- Clinical Care
- Nutrition & Wellbeing
# EdenTree investing responsibly

## Amity Balanced Fund for Charities Example Holdings

<table>
<thead>
<tr>
<th>Example Holding</th>
<th>Fixed Interest</th>
<th>Infrastructure</th>
<th>Property</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Charity Bonds PLC 5% 2026</td>
<td>Greencoat UK Wind PLC</td>
<td>Fonciere des Regions</td>
<td>Vodafone</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Case
- **Ultimate issuer** is CAF. Strong credit story backed by CAF Bank with over 50% of assets highly liquid.
- **Invests into UK wind energy farms.** Highly attractive dividend yield in excess of 5%. Wind energy key part of governments renewable energy focus.
- **European property company** focussed in France and Italy. Highly diversified portfolio through both residential and commercial and a strong pipeline of properties.
- **Leading mobile telephony provider** operating in Continental Europe, UK, US and India. Strong dividend track record and yield in excess of 5%.

### ESG Case
- **Bond supports the 7th largest charity in England and Wales by charitable spending.**
- **Promotes a low carbon and renewable source of energy production.**
- **80% of the portfolio is now covered by green leases.** All property development subject to high environmental certification.
- **2025 global transformation goals.** M-Pesa and mHealth programmes. Focus on energy efficiency.
Amity Balanced Fund – capital preservation and income

Amity Balanced Fund - Capital & Total Return Since Inception vs UK RPI & RPI+4%

- Total Return includes Capital Return and reinvested income.
- As at 30/04/17

Fund Historic Yield 5.07*

Source: EdenTree as at 31/03/17
• Markets are always volatile, presenting opportunities for investors
• Charities ‘safe haven’ investments providing negative real returns
• Over the long-term equities a very attractive investment proposition
• There is a strong case for and trend amongst charities to invest responsibly
• EdenTree are an experienced charity asset manager with a range of responsible investment options
• Profit with Principles
Contacts and Support for further information

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