What is ESG?

Can you explain ESG?

There are many subtly different definitions of ESG, or Environmental, Society and Governance, investing available. The definition used for the IFSL CAF ESG funds is the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process.

- **Environmental** factors relate to how a company views itself with regard to environmental conservation and sustainability. Types of environmental risks and opportunities include a company's energy consumption, waste disposal, land development and carbon footprint, among others.
- **Social** factors deal with a company's relationship with its employees and vendors. Risks and opportunities can include (but aren't limited to) a company's initiatives related to employee health and well-being, and how supplier relationships align with corporate values.
- **Corporate governance** factors can include the corporate decision-making structure, independence of board members, treatment of minority shareholders, executive compensation and political contributions, among others.

These broad categories are just a starting point for an in-depth ESG risk assessment, but they reveal critical information about a company's values and practices, as well as a number of potential risks that should be identified and managed before investing.

How does ESG compare to green; impact; sustainable or responsible investments?

There are many different names and interpretations attached to investment strategies that seek to address global issues or deliver wider benefits as well as a financial return.

There are no generally accepted definitions for these approaches although they are in development with a number of organisations. At this stage we suggest that you look at the fund policies to see the approach rather than relying on a categorisation.

The IFSL CAF ESG Funds are not designed to impact on one specific outcome, for example Climate Change. Rather they look to deliver sustainable, long-term returns, as well as helping to address the challenges faced by the world today.
What is the ESG Policy for the funds?

We have included full details of the ESG Policy on our website at [www.cafonline.org/charities/investments](http://www.cafonline.org/charities/investments) but in summary a two-phase approach is adopted.

Firstly LGT Wealth Management (LGT) will screen out any investments that we believe are not acceptable to most charitable investors, for example firms that manufacture cluster munitions or landmines or derive more than 5% of revenue from tobacco.

LGT then score the remaining universe of companies for their ESG credentials, using a combination of third party data and their own research and knowledge. They will select investments that they believe will lead to the Funds achieving a high ESG score as assessed by an independent ESG ratings agency.

These funds are ESG, do they reflect CAF’s stance on sustainability?

The funds are a key part of CAF’s sustainability goals. Our commitments to the charities and donors that we serve is rooted in the reason we exist: to accelerate progress in society towards a fair and sustainable future for all. That sustainable future is one in which we, as an organisation, play our role to the greatest extent possible. You can find out more about CAF’s ESG-linked initiatives on our website [www.cafonline.org](http://www.cafonline.org).

The ESG policies of the funds themselves are designed to appeal to a wide charitable investor audience and to be inclusive of companies striving to make positive changes.

About the Funds

Why did you decide to launch this fund range?

The investment market has changed considerably in recent years, with many investors now wanting their investments to contribute to creating a better world, as well as delivering a financial return. This fits with CAF’s mission to make giving go further, so together we can transform more lives and communities around the world.

CAF’s subsidiary company, CAF Financial Solutions Limited, provides charitable investors with the means to invest their assets for a better future. We want our investment funds to make a difference for our clients, society and the wider world – while also delivering the potential for strong risk-adjusted financial returns.

With inflation/CPI at historically high levels, is now a good time to link the targets to it?

The investment manager, LGT, appreciates that CPI is currently at a high level however it is less concerned about the immediate rates and more focused on its forecast five-year CPI averages which align to the suggested minimum investment term of the funds. LGT has tested the portfolio against these levels and settled on what they and CFSL believes are sensible targets based on the asset allocation of the funds and potential returns these asset allocations could deliver.

The CPI+% is a target in normal market conditions and is not guaranteed. We have highlighted this in the performance target section of the prospectus for investors to understand in more detail.
What options are available?

There are three funds in the range, all with common characteristics but with different targeted returns. The investments are managed by LGT, who will apply a common ESG policy to ensure that the investments make a difference for our clients, society and the wider world – while also delivering the potential for strong risk-adjusted financial returns.

Full details of the funds are on our website, but there is a choice to invest in one or more of the Cautious; Income and Growth and Growth funds. The level of risk taken corresponds to those target returns. They are long term investments and investors should be considering a minimum term of at least 5 years.

The new funds are available to all charitable investors with at least £1,000 to invest. There is no upper investment limit.

What is the MSCI badging/rating?

The funds seek to be an ESG Leader as assessed by MSCI, an independent ESG rating agency. ESG Leader will be defined by MSCI’s methodology which provides seven ratings from AAA-CCC. AAA and AA qualify as ESG Leader and the funds are targeting this rating.

Will the ESG policy affect performance?

Over the longer term we anticipate that performance will benefit from a robust ESG policy due to businesses aligning their focus on both profits and the creation a better and more sustainable world.

Recent studies have shown that ESG investing does not detract from the potential for good financial returns, although this is dependent on the quality of the investment manager. LGT has had ESG investment at the heart of its investment processes since 1978, so it has considerable experience in the field and can demonstrate the good long-term performance of its strategies.

What are the charges?

What is the minimum and maximum investment for the ESG funds?

- £1k min subscription for each ESG Fund
- There is no maximum investment

How much do the funds cost?

The annual Ongoing Charge for the Funds (OCF) as at 29.06.23 were:

- IFSL CAF ESG Cautious <0.73%
- IFSL CAF ESG Income and Growth <0.61%
- IFSL CAF ESG Growth <0.60%

At this time there are no initial or exit charges applied to the funds.

For the very latest OCFs please see the respective fund Key Investor Information Document that can be found at CAF’s profile on the IFSL Fund Services website.
Why do the charges vary?
The charges are made up of two elements, the annual management charge, or AMC, and then other charges relating to the cost of the investments themselves. Together these add up to the Ongoing Charge for the Funds, or OCF. The OCF is the most widely recognised measure of the total cost of the fund to the investor.

How to invest

How do I invest as a charity?
Full details of the funds are on our and you can find the Fund prospectus and Key Investor Information Document there. You should read these and ensure you fully understand the investment you are making before proceeding. We are here to help with any questions that you may have.

The website also has an application form. You will need to download and complete this and return it to IFSL at the address on the form. You will need to provide details of your trustees, signatories and proof of charitable status.

How do I invest as a Charitable Trust?
Full details of the funds are available on our website at www.cafonline.org/my-personal-giving/long-term-giving/trusts/investing.

These details include the Fund prospectus and Key Investor Information Document. You should read these and ensure you fully understand the fund you think may suit your giving journey before asking CAF to consider an investment for your CAF Charitable Trust.

If you would like us to consider an investment, then please let your Private Client Manager know in writing. We are here to help with any questions that you may have.

Can you give me advice on what’s best for my CAF Charitable Trust/organisation?
No. Neither CAF, CFSL nor Discretionary with LGT can provide you with financial advice or recommendations as to the suitability of any fund; the LGT Discretionary Fund Management service or individual transaction.

We always recommend that you seek independent financial advice. Please visit www.unbiased.co.uk to search for expert independent financial advice.

What will I receive for my investment?
The value of the shares will then fluctuate depending on the value of the underlying assets. You will be allocated shares in the fund or funds of your choice. IFSL will send you a contract note showing the number of shares you receive and the price at which they were allocated.
With any investment of this nature there are risks to the amount you initially invest and you need to weigh these up against the potential rewards.

On the next page we highlight some of the key risks that you should be prepared to accept if you make an investment.

A more detailed breakdown of the risks are found in the Key Investor Information Documents and the Fund Prospectus which can be accessed via CAF’s profile on the IFSL Fund Services website.
Capital is at risk.

The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest.

Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds.

The Funds have an ESG focus which may limit or exclude the Fund’s exposure to companies, industries, or sectors as part of the Investment Manager’s responsible investment selection process. This may impact the Fund’s investment performance compared to other funds and may differ from an investor’s own view of responsible ESG selection.