1. WHEB Asset Management and theme update
As the first Investment Advisory Committee Meeting with the new team from Henderson, Tim Dieppe, the new fund manager, provided an introduction to the new team and the new IM WHEB Sustainability Fund. One important difference with the new fund is the larger number of social and environmental themes in the fund. This will include a ‘safety’ theme and an ‘education’ theme. Tim also clarified for external committee members that the safety theme is primarily focused on protecting people and is not in any way linked to ‘security/defense’. Companies in the theme include those that undertake product safety testing, manufacture protective equipment for people and for infrastructure and provide software solutions for online safety (e.g. data, identity protection).

External committee members pointed out that the education theme might also be controversial where this includes private education. Tim stressed that the education theme includes a wide range of companies including academic publishers, providers of text-books, language schools as well as providers of technology for schools. Publically listed private education providers, are largely confined to the US and represent a small percentage of the education theme.

2. Integrity of the portfolio
The external committee members were encouraged to review the fund’s holdings to determine whether they are suitable investments for the fund. Committee members confirmed that there were no companies that stood out as being inappropriate for the fund. They also suggested that companies should be assessed in their local context. For example, a leading company in the US in the water and waste industries - where operating
standards are typically lower - should be considered for the fund even if it would not be considered a leader in Europe.

It was also suggested that we should review holdings in light of contemporary developments. For example, given the current difficult economic climate, corruption and fraud might be expected to become more common-place and a review of fund holdings with this in mind would be appropriate.

3. Strategic questions

One topic of discussion during the meeting was whether we should consider natural gas as a source of ‘cleaner energy’. There was **unanimity among external committee members and WHEB members that natural gas should not be considered a solution to environmental problems such as climate change**. While natural gas can have a lower carbon intensity than coal, shale gas may actually have a higher carbon intensity than coal because of fugitive methane emissions. In any case, carbon reduction targets require shifting rapidly to energy sources with substantially lower carbon emissions than that offered by natural gas (unless carbon capture and storage is employed). It was agreed however that using natural gas in automotive transport may offer significant health benefits, particularly where this is used to replace diesel, for example in urban settings.

We also **reviewed the outlook for the water and waste industries** including the perspective offered by the US Republican party and challenging conditions in the Eurozone. Both of these developments we considered to be potentially damaging to the development and implementation of the high environmental standards necessary for successful water and waste management industries.

On balance though, it was felt unlikely that standards would be significantly reduced in developed markets, and certain emerging economies (eg. China) have adopted genuinely challenging targets to improve the management of water and wastewater in their regions.

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1 The Safety and Education themes will be included in the fund once a revised prospectus has been agreed with the FSA.