

CREATING VALUE THROUGH POSITIVE IMPACT



WHEB



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ABOUT THIS REPORT

This report is written for investors in WHEB's investment strategy. It provides an account of the positive impact associated with this investment strategy in 2017. The report builds on previous reports by 'mapping' investments against the UN's Sustainable Development Goals and quantifying the environmental and social impacts that are associated with WHEB's investment strategy. In addition to this summary report, there is additional information available on the impact website which can be found at www.whebgroup.com/impact

About WHEB

WHEB is a specialist investor focused on the opportunities created by the global transition to more sustainable, resource efficient and energy efficient economies. We are independent and owner managed. Our focus is to create long-term value for our investors through a small number of high conviction products. We are known for our extensive experience, thought leadership and innovation. We are a certified B Corporation.

WHEB's Mission Statement

To advance sustainability and create prosperity through positive impact investments.

We do not believe that there is a trade-off between positive impact and financial returns. In fact, we believe the opposite. We deliver attractive risk-adjusted returns because of our focus on positive impact businesses.

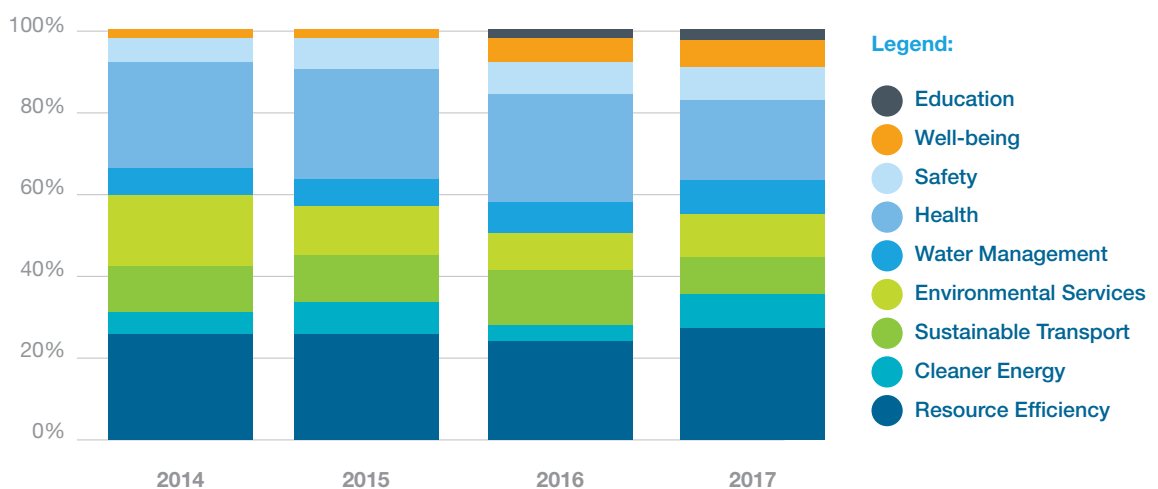
ACKNOWLEDGMENTS AND DATA

Thank you to Helena Ceroni who helped in the collection and analysis of the impact and ESG data documented in this report. The data was collected during March and April 2018 and covers the period from 1 January – 31 December 2017. In certain cases where companies had yet to report 2017 data, we used data from the prior year period. The content and data in this report were correct as at 31 December 2017 and have not been updated since.

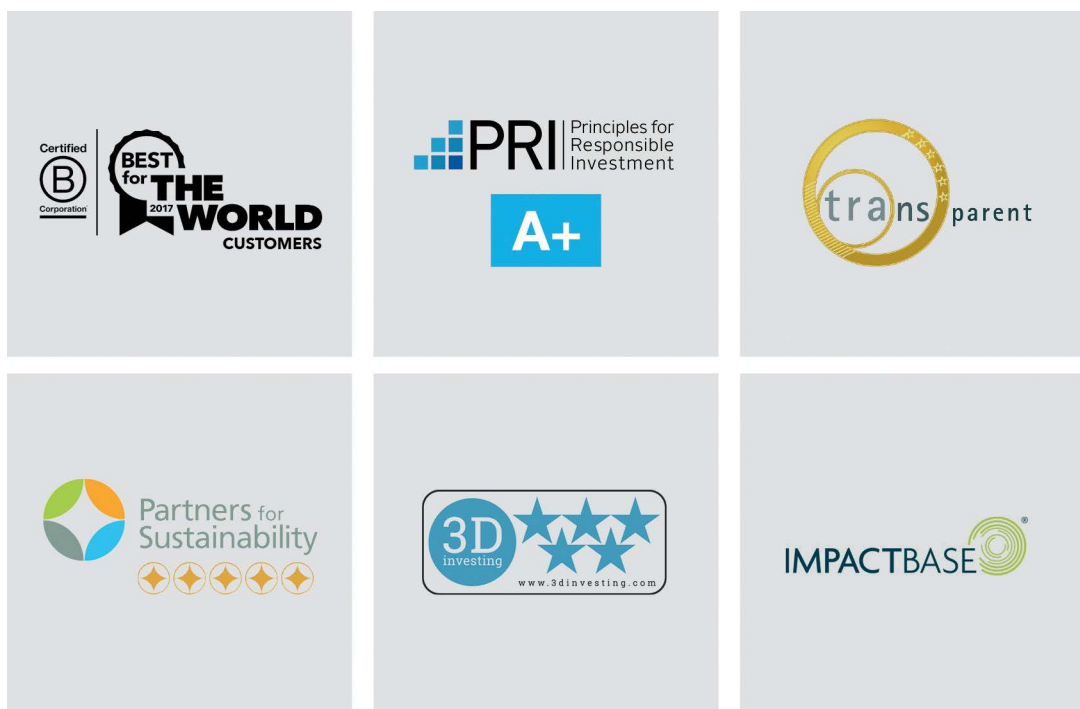
THEMATIC EXPOSURE AND STRATEGY

Resource scarcity, ageing populations, urbanisation and rising living standards are reshaping the global economy. It is our conviction that these trends will persist for many decades. WHEB invests in companies that provide solutions to the challenges posed by these trends. We organise these investments into five environmental and four social investment themes. Figure 1 illustrates how the thematic exposure of the strategy has evolved from 2014-2017.

Figure 1: Thematic exposure 2014-2017



Awards and ratings in 2017



WHEB'S INVESTMENTS AND THE UN SUSTAINABLE DEVELOPMENT GOALS

At the end of 2017, WHEB's investment strategy was invested in 60 listed companies. These companies were selected for investment because of the positive impact created by the products and services that they sell. These investments are organised into nine sustainable investment themes. Each investment directly supports the achievement of one or more of the UN's 17 Sustainable Development Goals (SDGs). The positive impact comes through the products and services that these companies sell on the market. In total, the strategy directly supports seven of the SDGs.

Figure 2: WHEB's Investment Strategy directly supports 7 UN Sustainable Development Goals



The remaining ten SDGs are high-level societal goals. These are primarily influenced by governmental actions. Portfolio companies also contribute towards these goals through the way they operate. We highlight examples of how companies support these wider objectives on our impact website.

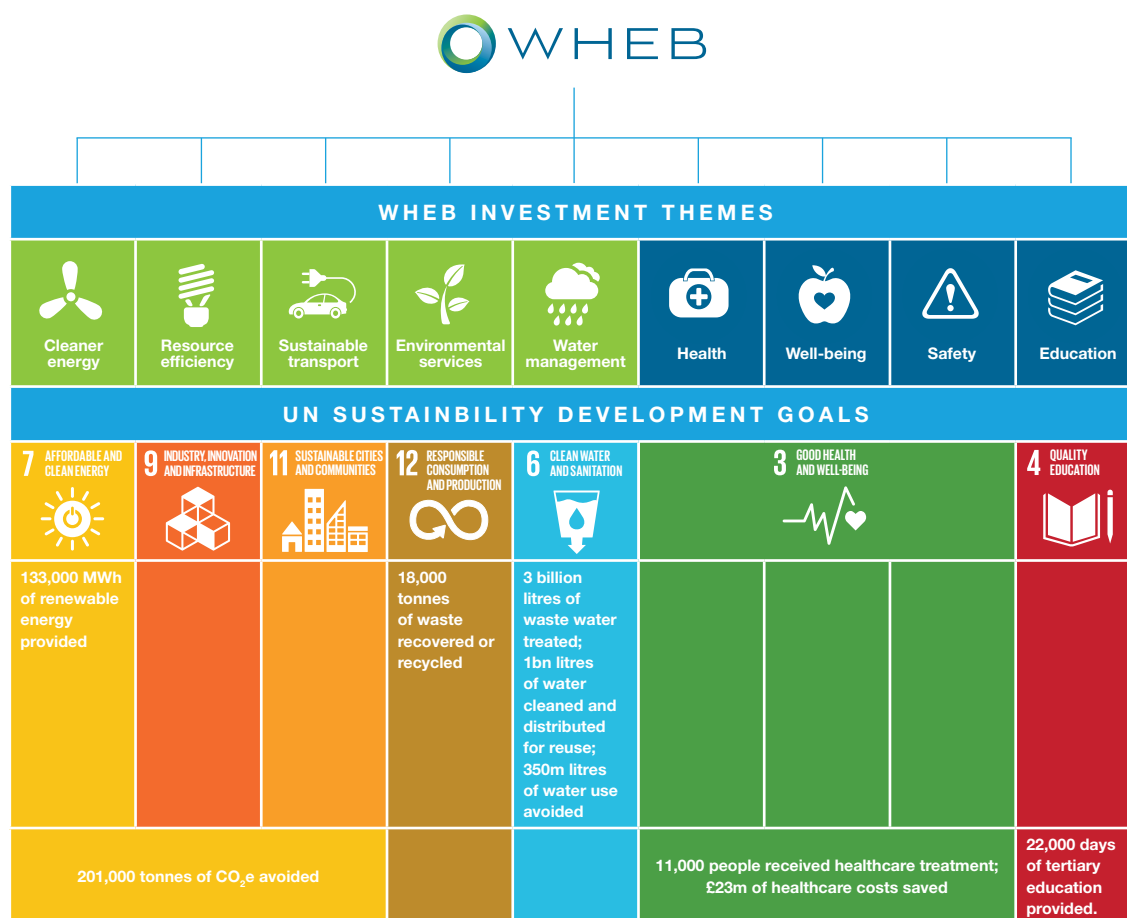
www.whebgroup.com/impact

We calculate that WHEB's investment strategyⁱ at the end of 2017 was associated with a positive impact over the year equivalent to:

- **201,000 tonnes** of CO₂eⁱⁱ avoided;
- **133,000 MWh** of renewable energy generated;
- **18,000 tonnes** of waste recovered or recycled;
- **3 billion litres** of waste water treated;
- **1 billion litres** of water cleaned and distributed for reuse;
- **350m litres** of water use avoided;
- **11,000 people** received healthcare treatment;
- **£23m** of healthcare costs saved; and,
- **22,000 days** of tertiary education provided.

For a full description of the methodology used to calculate impact data see WHEB's impact website www.whebgroup.com/impact

Figure 3: Positive impact of WHEB's investment strategy in 2017

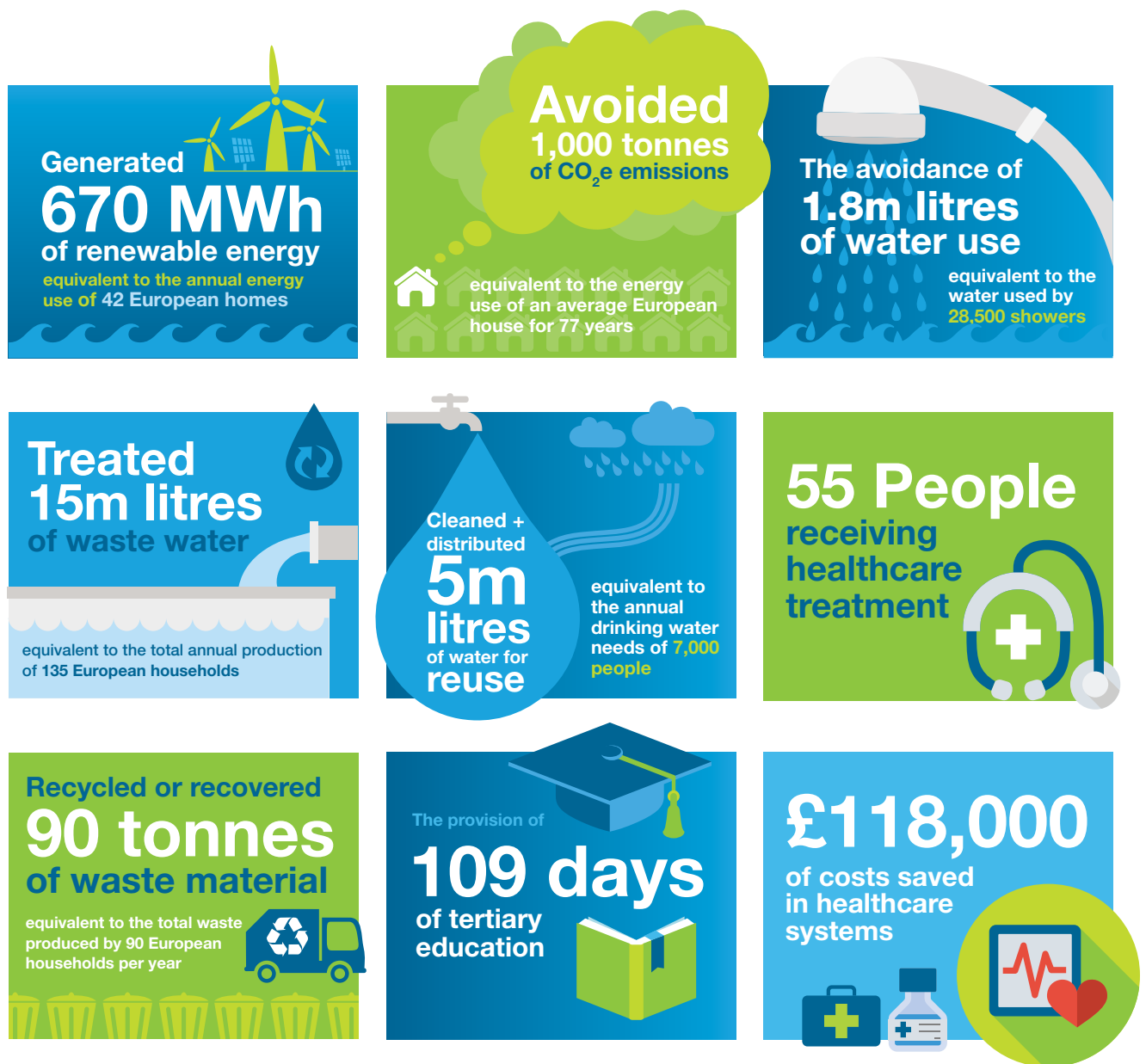


ⁱ WHEB's investment strategy, covering both the FP WHEB Sustainability Fund and the Pengana WHEB Sustainable Impact Fund, had just over £198m invested in it at the end of December 2017.

ⁱⁱ CO₂e – carbon dioxide equivalent units.

Figure 4: The positive impact of owning £1m in WHEB's investment strategy in 2017

Owning £1m of The FP WHEB Sustainability Fund during 2017 was associated with:



Use our impact calculator to find out the positive impact of your investment here
<http://www.whebgroupp.com/impact/impact-calculator/>

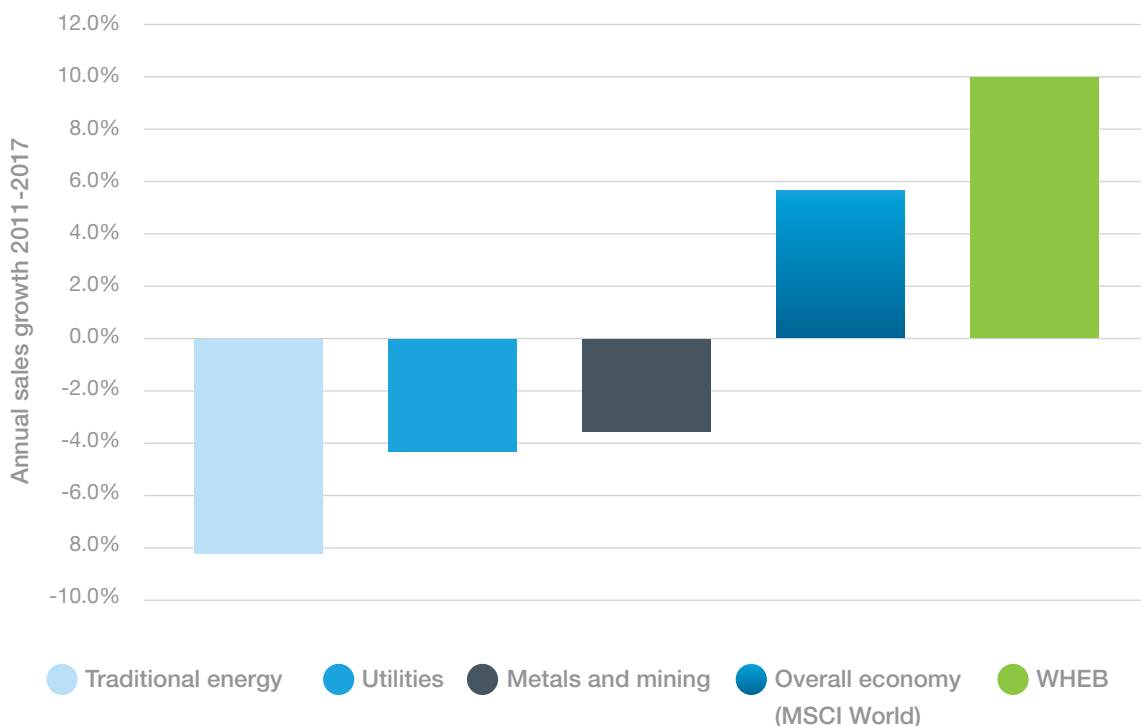
ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) DATA

The positive impact of the products and services sold by companies in the portfolio are reported in the impact calculator (see above). Companies also have an impact on society and on the environment through their operations. We report here on the ESG performance of WHEB's investment strategy based on the profile of portfolio holdings.

Revenue Growth

Revenue growth of companies in the strategy has trended significantly above the wider market for the history of the strategy. As a growth-oriented investment strategy this is to be expected. The average revenue growth for the strategy from 2011-2017 has been 10.0% per annum compared with 5.6% for the MSCI World. Sectors of the economy with heavy negative impacts such as 'Traditional Energy', Utilities and Metals and Mining have contracted over this period.

Figure 5: Global revenue growth by industry
(listed participants vs. WHEB's investment strategy (2011-2017)ⁱⁱⁱ)

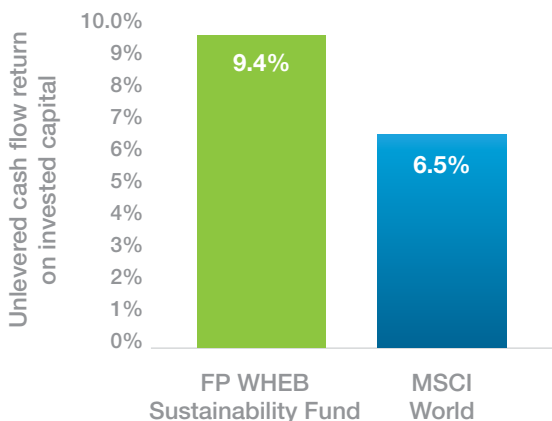


ⁱⁱⁱ Bloomberg data. Figures based on average Ebitda growth weighted by the holding %

The underlying quality of earnings

Free cash flow is a good indicator for the underlying quality of earnings and the efficiency with which a company utilises its assets. We report here on the unlevered free cash flow generated by companies in WHEB's investment strategy compared to the MSCI World index.

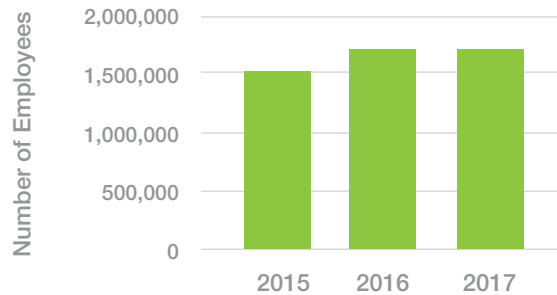
Figure 6: Unlevered cash flow return on invested capital (3yr average 2015-17) WHEB's investment strategy vs. MSCI World^{iv}



Change in number of employees

We would normally expect to see the number of employees at portfolio companies increase year on year, supporting the increase in revenues. In 2017, however, we saw a reduction in employee numbers from 1.86m to 1.70m. We do not adjust employee numbers for corporate actions. In 2017 the reduction in numbers was strongly affected by one company divesting part of its business along with 90,000 employees. This more than offset the increases in employees that were reported by nearly two thirds of the companies in the strategy.

Figure 7: Absolute number of employees in WHEB's investment strategy's holdings^v



The WHEB investment strategy owns a small proportion of each company in the portfolio. Together the money invested in the strategy accounts for approximately 548 employees across portfolio holdings in 2017. This increased from 362 employees in 2016. This growth is largely due to the growth in the size of the strategy over this period.

Gender Diversity – Board and Senior Management

From 2016 to 2017 the proportion of women on the boards of companies held in WHEB's investment strategy increased from 17.1% to 18.6%. While this change is clearly an improvement, the increase is only marginally better than that of the wider MSCI World index. The proportion of women in board positions at companies in the MSCI World index remains greater than in WHEB's investment strategy^{vi}.

13% of senior management teams at companies in the strategy are women although only 3% of CEO and 5% of CFO positions are filled by women. This compares with 4% and 10% of CEOs and CFOs respectively within the MSCI World index.^{vii} WHEB's investment team continue to engage companies in the strategy in order to encourage companies to achieve better gender diversity at board and senior executive level.

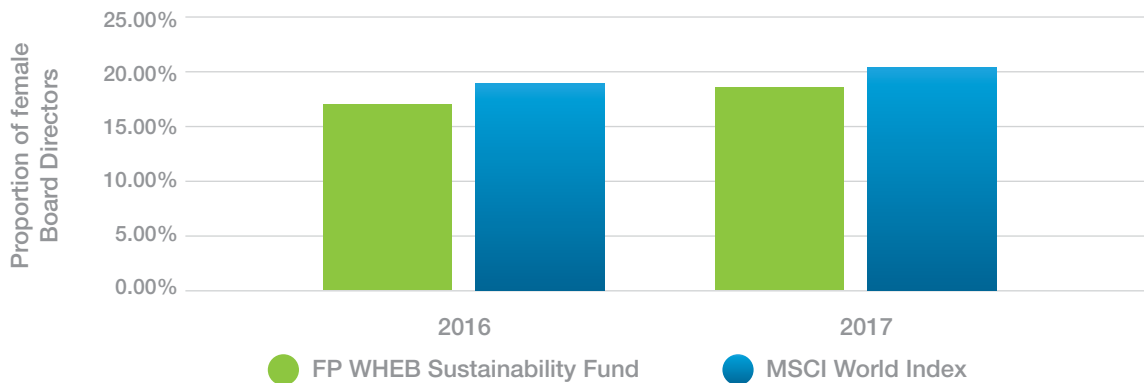
^{iv} Bloomberg data. Figures based on average Ebitda growth weighted by the holding %

^v Bloomberg and WHEB data

^{vi} https://www.msci.com/documents/10199/239004/MSCI_Women+on+Boards+Progress+Report+2017.pdf/b7786a08-c818-4054-bf3f-ef15fc89537a

^{vii} Ibid

Figure 8: Proportion of board positions held by women in WHEB's investment strategy vs. MSCI indices^{viii}

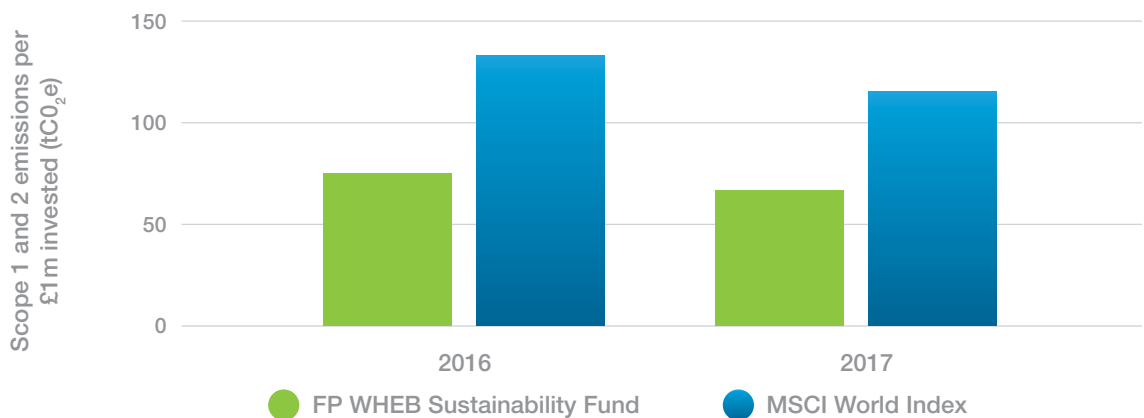


Greenhouse gas emissions

Scope 1 and 2 greenhouse gas emissions are generated by the activities of portfolio companies. In 2017 these emissions equated to 66 tCO₂e per £1m invested in the strategy. This compares with over 1,000 tCO₂e that was avoided in 2017 through the use of the products and services sold by companies in the strategy.

Furthermore, Scope 1 and 2 emissions from the strategy are significantly lower than those of the wider index. The difference is due to the strategy's absence from heavy carbon emitters such as the energy sector and overweight positions in lower carbon sectors such as the healthcare sector. Stock selection within each sector also helps to lower the overall carbon footprint of the strategy. This is particularly the case in the materials and utilities sectors. Here the strategy's investments are in much lower carbon emitting companies than the sector average.

Figure 9: Scope 1 and 2 Greenhouse gas emissions (tCO₂e) per £1m invested WHEB's investment strategy vs. MSCI World^{viii}



^{viii} MSCI and WHEB data

^{viii} Bloomberg and WHEB data

ENGAGEMENT AND VOTING

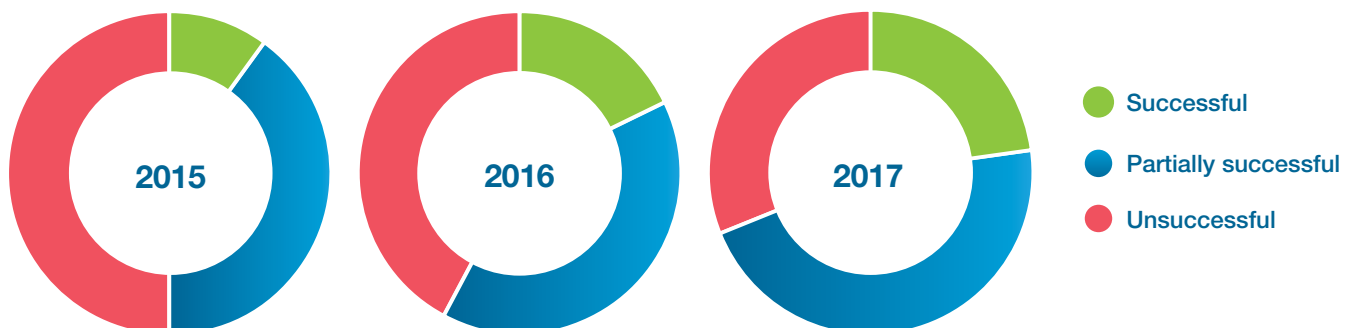
We engage with businesses, regulators and other actors to understand the market environment and to exert our influence. In 2017 we engaged with 68% of the companies held in the portfolio (41 companies) on 111 separate issues. Additional detail on these engagements is available on the impact website www.whebgroup.com/impact

Figure 10: Company engagement in 2017 (by topic)



We also record information on how successful we believe we have been with our engagement. Each engagement is categorised as either 'successful', 'partially successful' or 'unsuccessful'. In 2017, we believe that 23% of our engagements were successful, 46% were partially successful and 31% were unsuccessful.

Figure 11: Company engagement impact 2015-2017



METHODOLOGY AND DATA QUALITY

WHEB invests in businesses that enable and benefit from the shift to a low carbon, sustainable economy. Within nine investment themes we invest in a wide range of businesses. We categorise these into four 'tiers'.

Figure 12: Product and service 'tiers'

| Tier | Definition | Examples | Impact Measurement | % of WHEB Strategy (2017) ^x |
|------|--|--|---|--|
| 1 | Complete product or service that can be used by ultimate customer | Completed wind turbines | Relatively straightforward where numbers of products are known or can be estimated | 52% |
| 2 | Components or materials used in combination with other components to provide the end product or service | Wind turbine blades or other components | More complex, given components represent a proportion of the end-product | 25% |
| 3 | 'Platform' or enabling technologies | Computer aided design software that improves the efficiency of wind turbine blades | Most complex, as the product or service is an enabler and not necessarily present in the end product or service | 12% |
| 4 | Products or services that contribute to the distribution, on-going maintenance or monitoring of end-use products | Operation and maintenance services for wind farms | Complex to determine the contribution to impact of these 'support' type services | 12% |

Data sources and quality

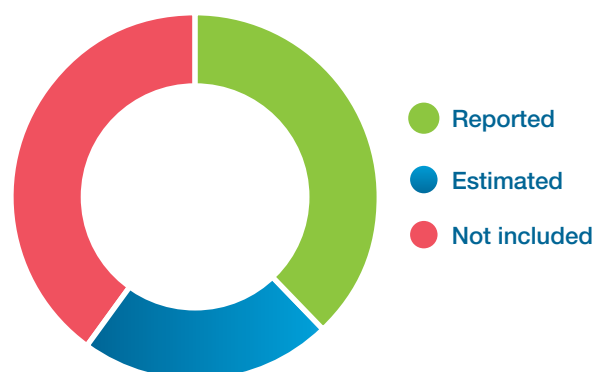
Company reported data: We look first to the companies themselves for impact data as we consider that this is likely to be the most accurate. We utilise 2017 data where this is available but will use older data where 2017 data was not available at the time of compiling this report. 38% was reported data in 2017.

Estimate - company peer data: Where the company in the portfolio does not report data, but a close industry peer does, we were able to use this data in the impact analysis.

Estimated – market-based data: Where company or peer data is not available, we were sometimes able to estimate impact based on publicly available information on product level impact and market share data. 22% was estimated data (peer or market-based) in 2017.

Exclude company from impact analysis:

Where none of the preceding options were available we excluded the company from the impact analysis. 40% of companies were not included in the footprint analysis.



^x Numbers may not sum to 100% due to rounding

Disclaimer

A prospectus and a Key Investor Information Document for the FP WHEB Sustainability Fund ("the Fund") are available from www.whebgroup.com and investors should consult those documents before investing in the Fund. This financial promotion is intended only for UK and Swiss residents and professional investors outside of the UK and Switzerland, with the exception of the United States and Japan, and is communicated by WHEB Asset Management LLP which is authorised and regulated by the Financial Conduct Authority, with firm reference number 496413.

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