



# Fund Aim and Investment Process

The Fund focuses on the opportunities created by the transition to healthy, zero carbon and sustainable economies. The investment team selects high-quality companies from nine broad themes with strong growth characteristics to create a globally diversified portfolio. We develop long-term relationships with company management to promote the best environmental, social and economic outcomes.



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# The future of life science tools: from pandemic response to sustainable solutions

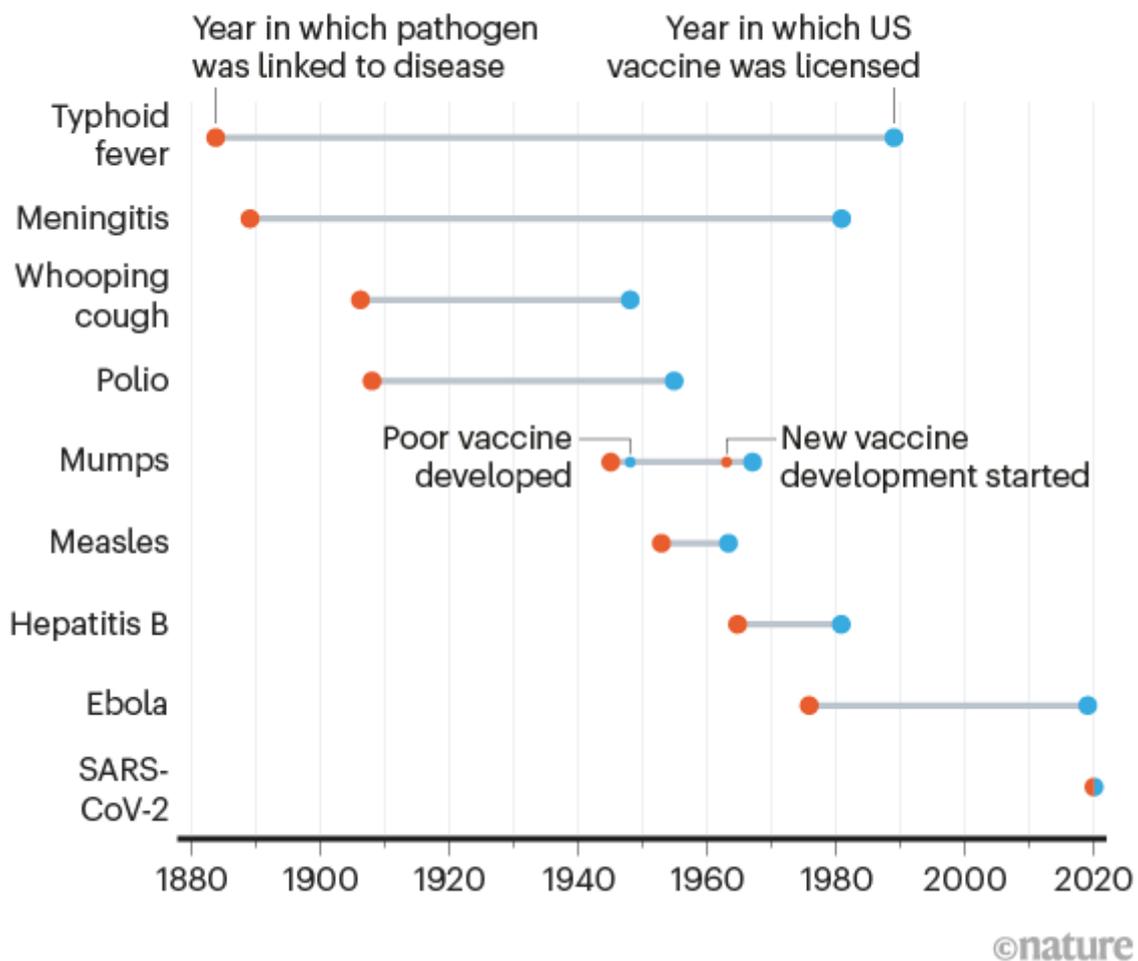
By Ty Lee



The life sciences industry played a central role in tackling the COVID-19 pandemic. Historically, it has taken a decade on average to develop a new vaccine. During this pandemic, scientists developed several vaccines at an unprecedented speed of less than a year. This remarkable achievement showcases the vital role that life sciences research played in combating the pandemic and shaping the future of drug and therapy development.

**Figure 1: Vaccine innovation**

Most vaccines take years to develop, but scientists created multiple vaccines for SARS-CoV-2 within a year.

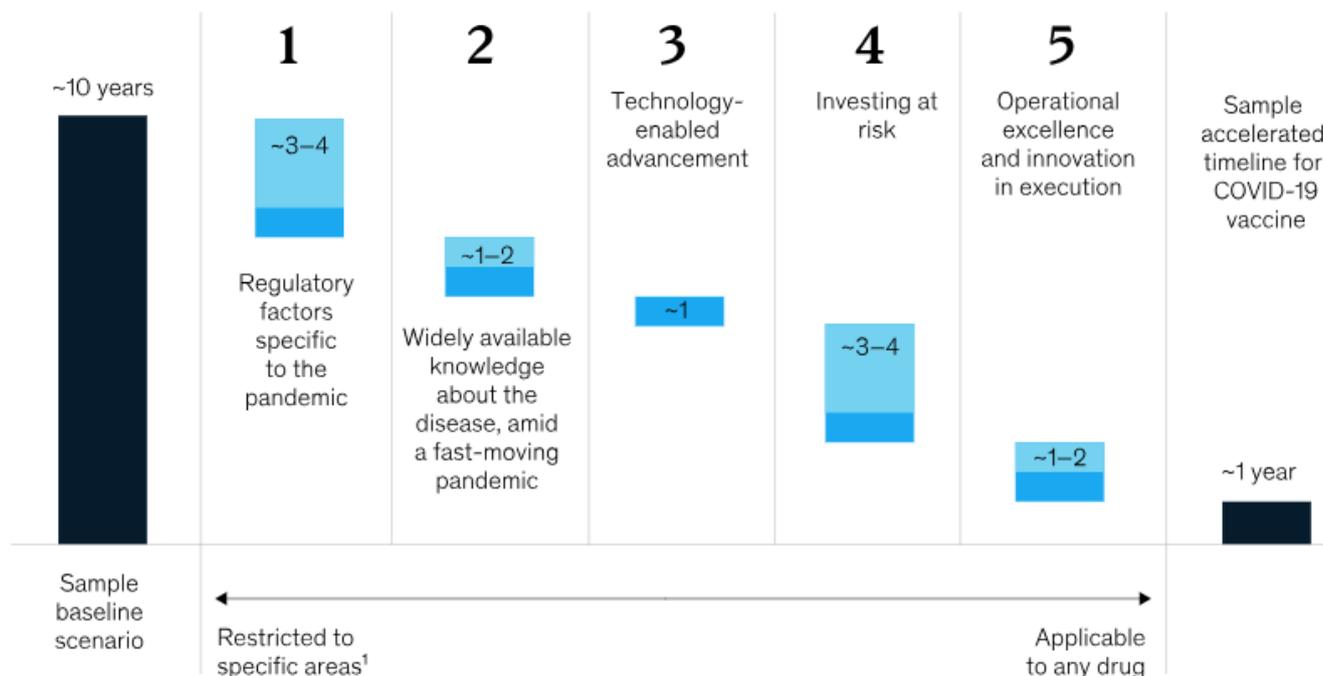


Source: <https://www.nature.com/articles/d41586-020-03626-1>

Many factors contributed to the speed of vaccine development. Decades of life sciences research and experience in related infectious diseases provided the foundation for the development of the new vaccines. Advancements in technology and a series of breakthroughs in genome sequencing allowed the coronavirus genome sequence to be published just weeks after the first COVID cases were discovered. This compared to a period of over five months to sequence the genome for Severe Acute Respiratory Syndrome (SARS) when it broke out in 2002.

**Figure 2: Five factors affected the speed with which COVID-19 vaccines were developed**

**Potential time savings associated with five key development factors, years**



Source: <https://www.mckinsey.com/industries/life-sciences/our-insights/fast-forward-will-the-speed-of-covid-19-vaccine-development-reset-industry-norms>

These achievements were made possible through the advancements in life science tools and equipment, which serves as the backbone of scientific research. These unsung heroes, the life science tools companies, play a crucial role in enabling these significant accomplishments. However, many of them are currently facing a multitude of challenges due to the aftermath of the pandemic.

**Current challenges**

Life science tools companies experienced rapid expansion during the pandemic to meet the increased demand for testing kits, lab equipment and related supplies for manufacturing vaccines. Following the end of the pandemic, the demand for testing kits and vaccines has faded. Many customers had also stocked up on supplies due to fears of supply chain shortages during the pandemic. As the supply chain has normalised, many organisations are now in the process of de-stocking their inventories. This transition poses a temporary reduction in sales for life science tools companies.

The life sciences industry heavily relies on biotech funding for research and development. However, since the boom in venture capital funding from 2018 to 2021, the biotech industry has experienced a slowdown in funding.<sup>1</sup> The collapse of Silicon Valley Bank exacerbated the situation as it provided financing to roughly half of the US venture-backed life sciences companies. The reduction in capital has led to a slowdown in research projects and in turn reduced the demand for life science equipment.

<sup>1</sup> <https://www.mckinsey.com/industries/life-sciences/our-insights/what-are-the-biotech-investment-themes-that-will-shape-the-industry>

## Impact of life science tools

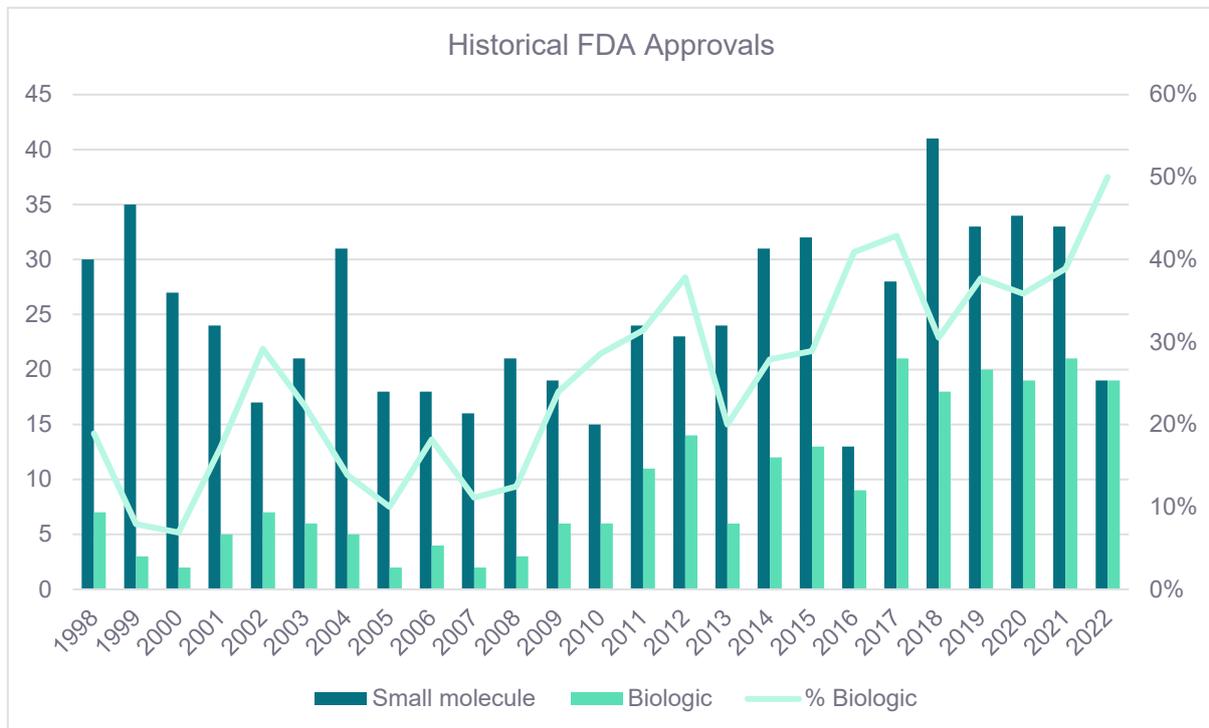
Despite the current challenges, life science tools companies continue to make meaningful contributions to life science research and development. These tools enable advancements in healthcare and environmental solutions. Life science tools facilitate the discovery and development of new drugs, therapies, and diagnostic tools. For instance, our portfolio companies **Thermo Fisher** and **Danaher** provide essential tools for genomics research, enabling companion diagnostics and precision medicine. Their equipment enable scientists to analyse DNA, RNA, and proteins, leading to breakthroughs in cancer research, infectious diseases, and rare genetic disorders.

Life science equipment also plays a significant role in addressing environmental challenges. For example, our investee company **Agilent Technologies** offers technologies for environmental monitoring and analysis. These tools can be used to conduct environmental impact assessments to evaluate the potential effects of infrastructure projects. DNA analysis and genetic profiling can help conserve endangered species and manage biodiversity. Many life science tools are used for climate change research, assisting in understanding the impacts of climate change on ecosystems. Other applications include the development of alternative proteins such as lab-grown meat and optimisation of the efficiency of biofuel production.

## Promising future for life science tools companies

Life science tools companies are well-positioned to benefit from the ongoing growth in the biopharmaceutical industry. By the end of 2022, the number of biologic approvals overtook that of small molecules for the first time.<sup>2</sup>

**Figure 3: Historical FDA Approvals**

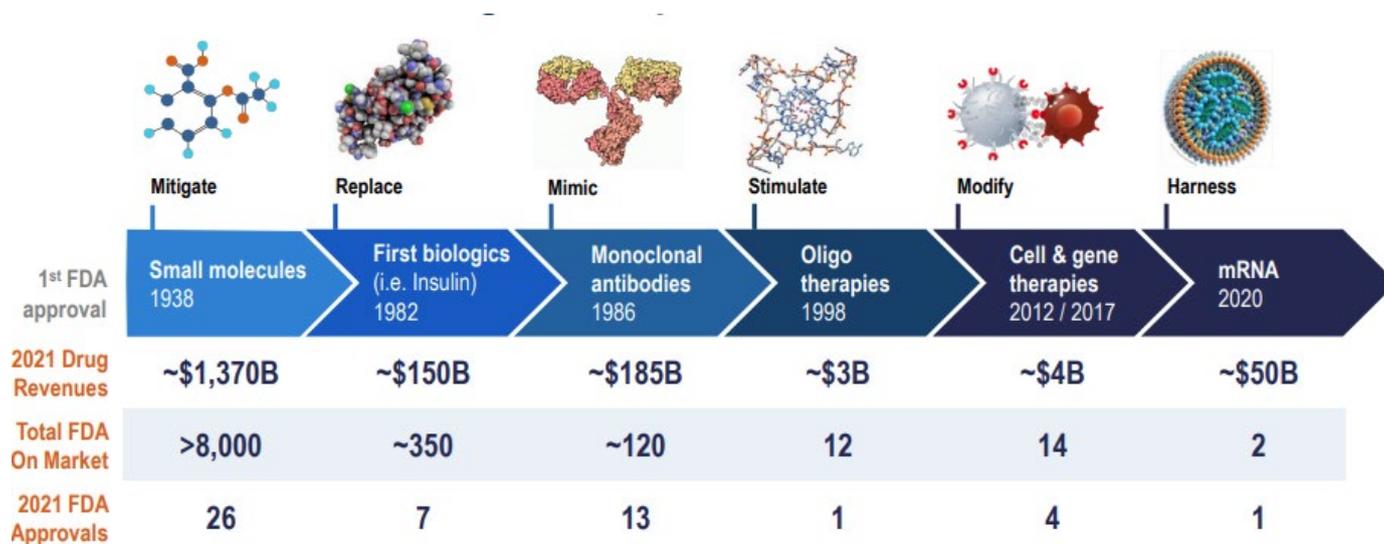


Source: <https://www.nature.com/articles/s41587-022-01630-6>. Figures for 2022 as of 14th December 2022.

<sup>2</sup> <https://www.nature.com/articles/s41587-022-01630-6>.

The development of new biologic drugs and therapies, such as monoclonal antibodies and recombinant proteins, requires sophisticated tools and equipment for manufacturing and analysis. Companies with expertise in these areas, like Thermo Fisher and Danaher, are poised to thrive as the demand for biologic therapies continues to rise.

**Figure 4: The evolution of biologic therapies**



Another key growth driver for life science tools companies is cell and gene therapy. While most cell and gene therapies are still in early-stage clinical trials, they hold tremendous potential for revolutionising medical treatments. Cell and gene therapies can address the underlying causes of diseases at the cellular and genetic levels, potentially providing permanent cures for certain diseases that were previously considered incurable. Life science tools companies are crucial in providing the technologies for cell culturing, gene editing, genetic analysis as well as bioproduction.

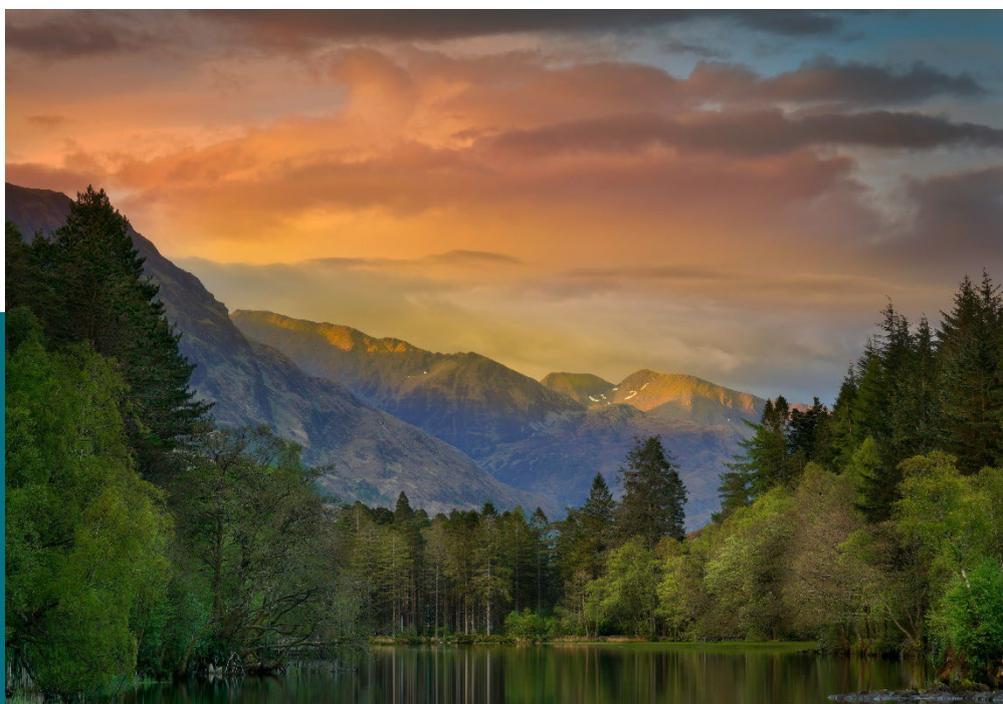
These companies also see opportunities to tackle growing issues like PFAS (per- and polyfluoroalkyl substances) contamination. Known as 'forever chemicals', PFAS are ubiquitous in the environment due to their extensive use in many applications such as non-stick cookware and fire-fighting foams. Agilent collaborates with leading researchers to develop analytical tools and extraction methods to remove PFAS from drinking water. Similarly, Thermo Fisher provides a range of solutions for the detection of PFAS in water, soil and the air.

Life science tools companies are continuously pushing the boundaries of technology to meet the evolving needs of the scientific community. For instance, Agilent Technologies acquired artificial intelligence technology last February to automate the labour-intensive tasks of gas chromatography/ mass spectrometry data analysis to improve laboratory workflow efficiency. Advancements in automation, robotics, data analysis, and imaging technologies are enhancing the efficiency and accuracy of life science research.

While life science tools companies are currently navigating through challenging times, the social and environmental impact of these companies cannot be overlooked. Their contributions to healthcare advancements and environmental solutions are significant and hold the potential to transform lives and protect the planet. The growing need to find innovative solutions to combat climate change and healthcare challenges underpins their attractiveness as long-term core holdings in our strategy.

# 2022 Impact report – The age of adoption

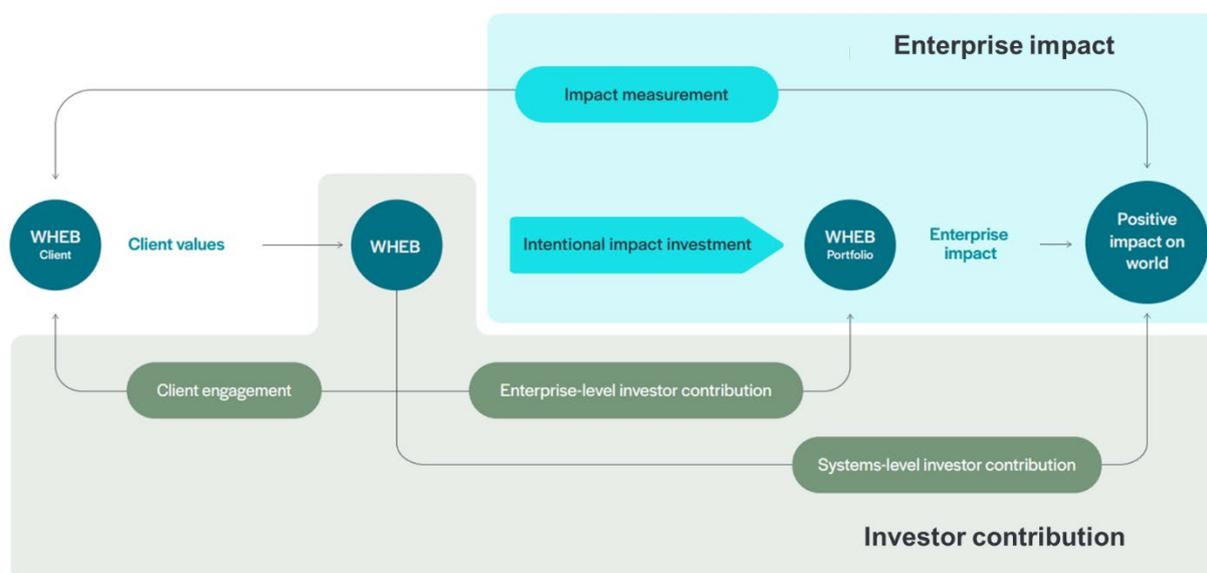
By Seb Beloe



Titled 'The age of adoption', our latest impact report published in June is optimistic that the global economy is now well into the 'S-curve' of increasing deployment and market penetration of critical low and zero carbon technologies.

WHEB has made a bold claim to be a leading 'impact investor' investing in listed companies around the world. We base this claim on our model of what being an impact investor involves, shown in Figure 5<sup>3</sup>. This model embraces two distinct, but complementary types of impact; 'Enterprise impact' and the 'Investor contribution'. This approach is also increasingly reflected in the guidance and standards being developed by key groups like Global Impact Investing Network and the BSi to define best practice in impact investing<sup>4</sup>. We hope too that this model will also be evident in key public policy frameworks being developed in the UK and elsewhere.

**Figure 5: WHEB's model of impact investing**



### Enterprise impact – investing in companies that deliver positive social or environmental impact through their products and services

At the core of what it means to be an impact investor is the concept of 'intentionality'. Specifically, when making an investment, the investor needs to intend for the investment to contribute to positive impact. At WHEB, for every investment we make, we set out the specific problem that we are trying to solve and the 'theory of change' that links the company's products and services with positive change in addressing the stated problem. The impact report gives examples of how this operates in practice along with a detailed worked example of how the 'impact engine' is used to assess the impact of **SolarEdge's** products<sup>5</sup>.

<sup>3</sup> For a fuller description of the model please visit <https://www.whebgroup.com/investing-for-impact/about-impact-investing/our-perspective>

<sup>4</sup> For example the GIIN's guidance on impact investing in listed equities (<https://thegiin.org/research/publication/listed-equities-working-group/>).

<sup>5</sup> [https://www.whebgroup.com/assets/files/uploads/wheb-impactreport-2022-s2-impactintentionality.pdf?utm\\_source=impact\\_reports\\_page&utm\\_medium=wheb\\_website&utm\\_campaign=impact-22](https://www.whebgroup.com/assets/files/uploads/wheb-impactreport-2022-s2-impactintentionality.pdf?utm_source=impact_reports_page&utm_medium=wheb_website&utm_campaign=impact-22)

## Measuring impact

WHEB has for many years now pioneered the use of impact calculators as a way of measuring and reporting impact. This year, instead of collecting data from companies ourselves, and having it reviewed by a third party, we have instead used data from an independent third party. We anticipate that going forward our data will become more reliable - and comparable – with other impact managers as a consequence.

Figure 6 illustrates the positive impact associated with an investment of £1m in the FP WHEB Sustainability Fund. This year we have added an additional indicator that shows the amount of money that was used to buy research and development (R&D) equipment and services from WHEB portfolio companies. Although not a direct positive impact in itself, more and better R&D is critical in delivering improvement in healthcare and environmental outcomes. Our ambition next year is to expand our reporting on the negative impacts that are associated with the products and services sold by WHEB portfolio companies.

**Figure 6: The impact associated with an investment of £1m in the FP WHEB Sustainability Fund in 2022**



## The investor contribution

Alongside the enterprise impact, to be fully-formed, impact investors should also set out how their own activities – as distinct from the activities of investee companies – help to ‘support, accelerate or enhance the ability of investee companies to deliver positive impacts’<sup>6</sup>.

WHEB does this in several ways including in the first instance through purchasing equity in the business using a long-term investment horizon. In addition though, WHEB also makes an investor contribution through our engagement with investee businesses. This engagement, along with the work we do with other stakeholders such as standard setters and regulators, is a core part of our investor contribution.

## Delivering net zero carbon emissions

Alongside delivering products that help reduce greenhouse gas (GHG) emissions, one key area that we remain heavily engaged in is ensuring that WHEB portfolio businesses are also reducing their own operational GHG emissions. Having achieved our previous target three years early, at the end of 2022 we set a new target that, by 2025, 85% of our portfolio’s scope one and two emissions should be covered by a net zero carbon (NZC) target of 2050 at the latest. And by 2030, 100% of the portfolio should be covered. At the end of 2022, 80% of portfolio emissions were covered.

Meanwhile, the status of actual GHG emission reductions is more mixed. In terms of the carbon footprint of the portfolio at the end of 2022, this was down 77% from 2019<sup>7</sup>. This result is mainly the consequence of our selling a waste-to-energy operator in 2020.

We also measure the carbon footprint of investee companies that are held in the portfolio across the period. This number increased year on year and is now only down 3% on 2019. The main contributors to this increase were companies that increased their sales dramatically in 2022. This group included **Genmab**, **SolarEdge** and **Advanced Drainage Systems**. We expect that companies’ NZC commitments will begin to bear fruit in the years ahead and hope to bring the rate of GHG emission reductions back in-line with the overall targets that we have set. These are to deliver a 50% reduction in GHG emissions by 2030 and be fully net zero carbon by 2050.

## Radical transparency

This latest impact report is our ninth. We were the first listed equity impact investor to produce an impact report and see this as part of our ambition to be radically transparent to clients and other stakeholders. We are proud of the work we have done to put positive impact at the core of our investments and of our portfolio. We want our investors to be excited about the investments that we have made on their behalf and so share publicly our full portfolio with detailed profiles on each holding. But we think that all impact investors should do this as a point of principle. Every investment in an impact portfolio should have a positive impact and a clear theory of change that backs it up.

After more than ten years of pushing boundaries on transparency, we think all impact investors - perhaps all investors – should be fully transparent about their portfolios. Not just transparent about the top ten largest holdings as is often the case, but everything in the portfolio.

We hope that the additional disclosures that we provide this year – including a stand-alone net zero carbon report and a stewardship and engagement brochure – are also helpful to clients. And whether it’s through more detailed carbon reporting, a clearer articulation of what being an impact investor is about or in publishing the minutes of our investment advisory committee meetings, we want to invite investors in and hopefully leave them excited and proud to be investors in our funds.

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<sup>6</sup> Op cit 2

<sup>7</sup> This is measured as ‘financed emissions’ which is calculated as the sum of each of the fund’s percentage ownership (including equity and debt) in each investee business multiplied by the investee’s scope one and two emissions.

# Stewardship in the spotlight: Achieving accountability while avoiding “engagement-washing”

By **Rachael Monteiro**



It's no wonder "Engagement-washing" is the latest term to do the rounds given the number of regulatory forces that are driving responsible investors to demonstrate how effective they are at delivering real change<sup>8</sup>.

As you've probably guessed already, 'engagement-washing' occurs when investors overstate their actions or involvement in advancing sustainability outcomes when engaging. It also covers investors that exaggerate their role and contribution to outcomes when other investors have also been involved.

Evidence shows engagement-washing is a real concern. After analysing 36 Stewardship Code Reports, investment consultant Redington<sup>9</sup> recently discovered that managers over-emphasise quantity over quality in their reporting. Ultimately investors engage with investee businesses to change aspects of those businesses. It is not clear that the raw number of engagements is a good measure of this. There are also questions about the usefulness of the "number of engagements" metric due to major inconsistencies in how engagements get counted.

Meanwhile, some other basic but insightful statistical data, such as the split of engagements between 'E', 'S' and 'G' or the proportion of votes cast by management, are omitted by up to a third of the sample analysed<sup>10</sup>.

### Hitting the target but missing the point

A pre-occupation with wishing to 'look busy' misallocates resources that could be better spent on working towards actual engagement outcomes and exacerbates existing information asymmetries.

It also perhaps indicates that some managers are only providing a superficial level of reporting because they lack adequate strategies, processes or systems for conducting, and therefore reporting on, proactive and ambitious stewardship.

Meaningful, consistent and timely information is critical if asset owners and end investors are to assess how well asset managers exercise their stewardship responsibilities and determine alignment of strategies and values.

It is certainly positive that more managers are disclosing stewardship activities<sup>11</sup>, but there is a lack of detailed guidance on *what* to report. To prevent "engagement-washing", comprehensive minimum standards on the quality of the stewardship reporting are needed.

### Embarking on a quest for quality

Given the variety of approaches used in engagement and voting, and the differences in how these are applied across asset classes, developing comprehensive standards will be no small feat. Still, there are promising signs of a move towards standardisation, some of which WHEB has been actively supporting.

For example, we have fed into the Financial Conduct Authority's (FCA) Vote Reporting Group's<sup>12</sup> recent consultation via UK Sustainable Investment and Finance (UKSIF). We have also provided input into guidelines for credible engagement that are being developed by Shareholder's for Change. Elsewhere, the Institutional Investors Group on Climate Change (IIGCC) has released a tool<sup>13</sup> to promote consistent measuring of climate stewardship and engagement for asset managers and data collections for asset managers.

It will take time to finalise these standards and regulations. While we wait, WHEB has sought to develop our own approach to high quality stewardship and engagement reporting.

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<sup>8</sup> <https://www.whebgroup.com/our-thoughts/stewardship-in-the-spotlight-our-hopes-for-voting-practices-in-2023>

<sup>9</sup> <https://redington.co.uk/wp-content/uploads/2022/12/Redington-Stewardship-Code-reporting-FINAL.pdf>

<sup>10</sup> Ibid

<sup>11</sup> [https://www.frc.org.uk/getattachment/de8c91f5-c2cb-4b8b-9a98-34c31f382924/FRC-Influence-of-the-Stewardship-Code\\_July-2022.pdf](https://www.frc.org.uk/getattachment/de8c91f5-c2cb-4b8b-9a98-34c31f382924/FRC-Influence-of-the-Stewardship-Code_July-2022.pdf)

<sup>12</sup> WHEB has fed into the consultation through our involvement with UK Sustainable Investment and Finance (UKSIF) <https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/vote-reporting-group>

<sup>13</sup> <https://www.ipe.com/news/esg-roundup-asset-owners-move-to-standardise-climate-stewardship/10067127.article>

## WHEB's approach

WHEB's award-winning<sup>14</sup> approach is centred around the idea of "radical transparency" in sustainability, stewardship and engagement reporting:

- **Total transparency:** We report all our engagement activity in our **quarterly reviews** and our voting activity - on every resolution (including whether and how we voted with justifications for votes against management) in our **voting records**.
- **Qualitative and quantitative information:** This is complemented by both qualitative and quantitative summary information, which together allow a more complete understanding of our activities. This includes the proportion of engagements split by issue, geography and outcomes, as well as essential voting statistics <sup>15</sup> (Figure 7). We also provide three **case studies** per quarter to illustrate how our policies and processes operate in practice. These narrative examples of our work are especially helpful for retail audiences that may be unable to compare manager performance across summary statistics.
- **Outlining processes:** We provide detailed accounts of our stewardship processes (Figure 8), policies and activities in our **Stewardship Reports** while our **Stewardship & Engagement Brochure** is designed to provide a summary overview of these activities. This year both these documents set out how we have recently reviewed our processes and introduced new milestones for assessing progress against long-term objectives (Figure 9).
- **Attributing outcomes:** It is difficult for investors to directly attribute engagement outcomes to their engagement and we are careful not to overstate this in our reporting. In general, we believe that it is collective engagement by multiple stakeholders that is most effective at achieving positive change at investee companies.
- **Collaboration and work on public policy:** We document the collaborative and **policy initiatives we contribute to, also setting out the nature of our involvement in supporting these activities** .
- **Incorporating feedback:** Continual improvement is something we value deeply and we welcome any feedback on our approach. Please do get in touch if you think we can improve our stewardship and engagement reporting. You can complete our **client feedback form** or email [rachael.monteiro@whebbgroup.com](mailto:rachael.monteiro@whebbgroup.com).

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<sup>14</sup> <https://www.environmental-finance.com/content/awards/sustainable-investment-awards-2023/winners/best-sustainability-reporting-by-an-asset-or-fund-manager-medium-and-small-wheb.html>

<sup>15</sup> We believe that % resolutions voted, % of votes against management and % of votes against ISS (our proxy advisor) demonstrate how we are exercising voting rights.

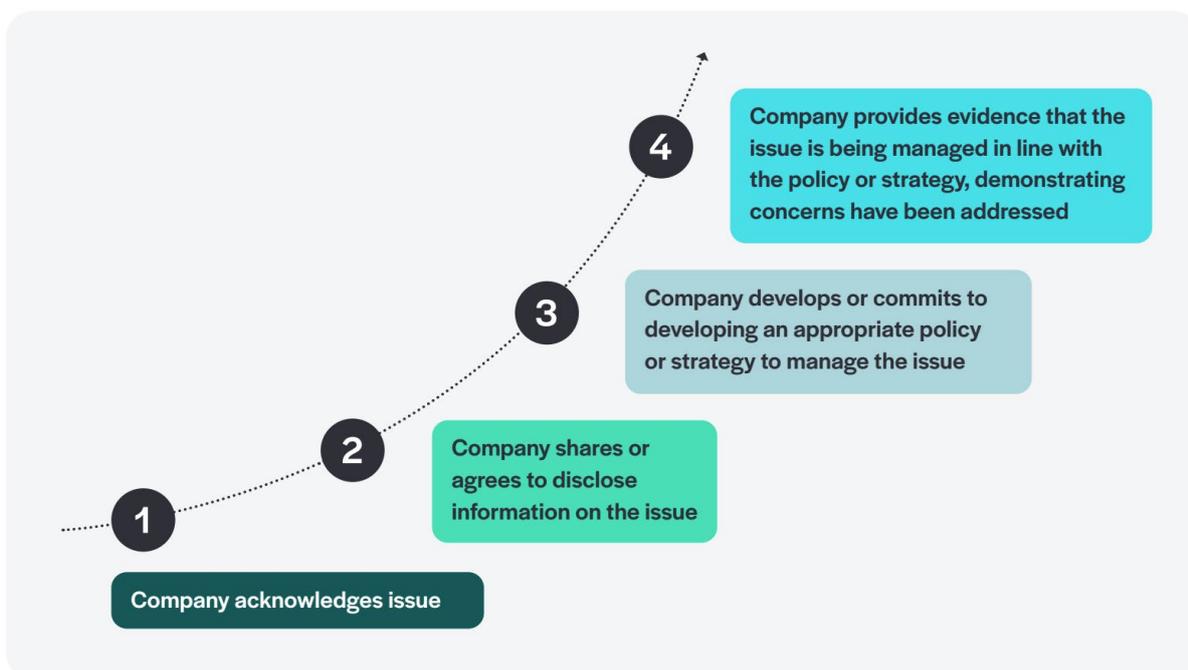
**Figure 7: WHEB's engagement reporting includes proportion of engagements split by issue, geography and effectiveness, as well as essential voting statistics**



**Figure 8: WHEB's stewardship process supports improvements in company strategy and performance**



**Figure 9: WHEB's engagement milestones underpin long-term objectives**



# Performance Commentary



## Market review

Markets were volatile over the quarter with several macro issues weighing on sentiment. There were concerns over the US debt ceiling and interest rate rises, weakness in Chinese economic reopening and OPEC oil production cuts. However, global equity markets largely looked through these issues, posting strong positive performance, particularly in the US.

That said, market leadership in the US was very concentrated. The large majority of market returns were driven by a handful of mega-cap technology companies that reported strong earnings and have benefitted from the positive sentiment around Artificial Intelligence (AI). In Europe and the UK, the European Central Bank and the Bank of England respectively continued to raise rates to help combat stickier than expected inflation.

The divergence between the services and manufacturing sectors widened: recent PMI (Purchasing Managers' Index) data point to a contraction in manufacturing, while services are still expanding supported by robust labour markets. That labour market tightness and sustained strong wage growth, along with stubbornly high recent inflation data have fuelled expectations of further interest rate rises from central banks.

Technology and Consumer Discretionary were the best performing sectors while Utilities and Energy were the weakest. Growth significantly outperformed value.

## Performance review

The strategy posted negative returns over the quarter - not holding some of the names benefiting from AI has been a headwind for relative performance.

The strategy suffered from negative contributions across themes, most notably Health, followed by Cleaner Energy.

The biggest detractor at a stock level was **Agilent Technologies**, a specialist in the development and manufacture of bio-analytics for the life sciences and chemical analysis industries. The company reported strong 2Q23 results, but sentiment around biopharma has deteriorated and full-year guidance was lowered due to weaker instrument demand.

Within Cleaner Energy, the biggest detractors were **First Solar** and **SolarEdge**. The companies have benefited dramatically from new policy in the US - notably from the Inflation Reduction Act, which has driven share prices to historic highs. In the past month the share prices retreated from these highs as some investors ponder the next phase of growth.

On the other side of the ledger, Water and Safety were the best performing themes, driven by **Advanced Drainage Systems (ADS)** and **MSA Safety**, respectively. ADS had strong results in May and has been able to secure pricing increases. An inflationary environment should also favour plastic-recycler ADS, relative to its competitors who use concrete. These features have given investors renewed confidence in the company's business model. MSA Safety reported a strong set of results, benefiting from growth across several of its end markets, as well as significant new contract wins.

## Outlook

The economic outlook remains uncertain and the signals from the data are mixed. The manufacturing sector is already under pressure with widespread declines in industrial activity since March. This is driven by excess inventories, persistent inflation, rising interest rates and uncertainty about the future demand environment.

Other areas of the economy are holding up better and continue to surprise to the upside. The labour market in particular has been very resilient. Unemployment remains low and jobs growth has exceeded expectations. This has contributed to robust consumer spending growth.

However, there are question marks about how long this will continue with core inflation remaining stubbornly high and interest rates predicted to continue to rise. The US Federal Reserve is attempting a balancing act of bringing down inflation without affecting employment or growth too severely, the "soft landing" scenario. The alternative is the "hard landing" under which unemployment rises and the economy enters an earnings recession not just an industrial one.

Several stocks in the portfolio have already responded to the weakness industrial growth, particularly within our Resource Efficiency and Environmental Themes. **Spirax-Sarco**, which makes products used in industrial heat processes, is one example which has been weaker over the last quarter because of the challenging operating environment.

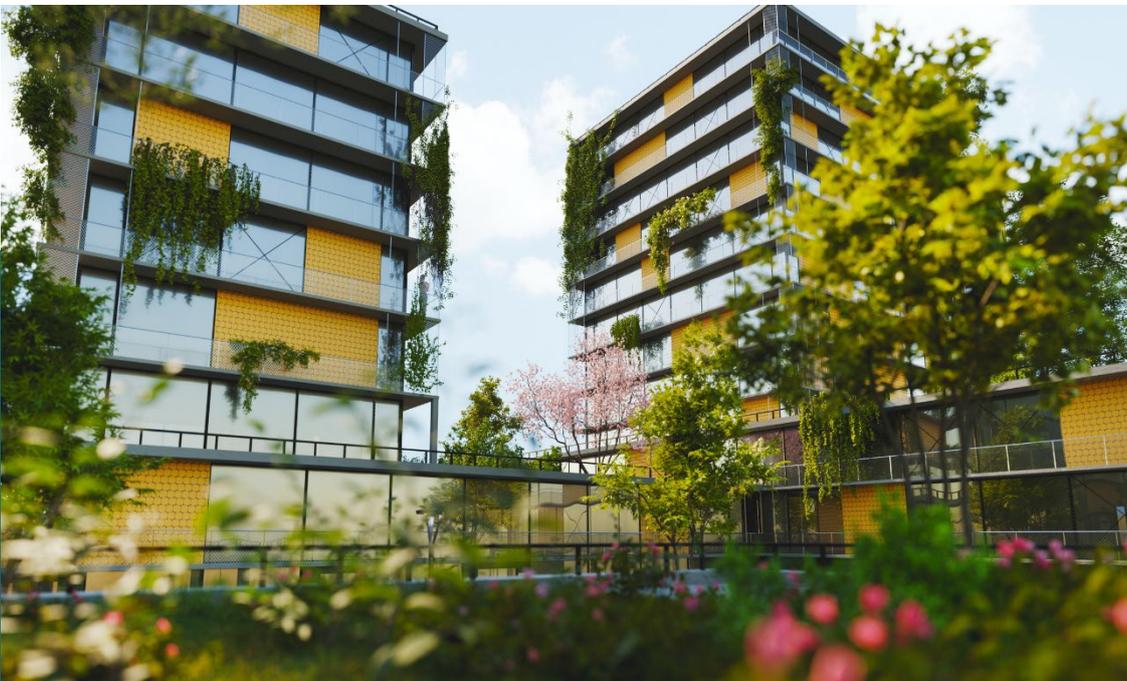
Stocks exposed to consumer demand could also come under pressure if we were to see a "hard landing". **HelloFresh** is the main example which could be impacted by sentiment towards consumer spending.

However, if we were to see a significant slowdown in the economy it is likely the Federal Reserve would stop raising interest rates which would remove what has been a significant headwind for portfolio performance. These contrasting dynamics will influence short-term performance.

However, we believe that overall, the diversification and the quality of the portfolio should provide some resilience. In the medium- to long-term we continue to have conviction that the sustainable-led growth drivers and competitive advantages of the companies we invest in put the portfolio in a good position to deliver outperformance.

# Portfolio Activity

There have been no full purchases or sales during the quarter.

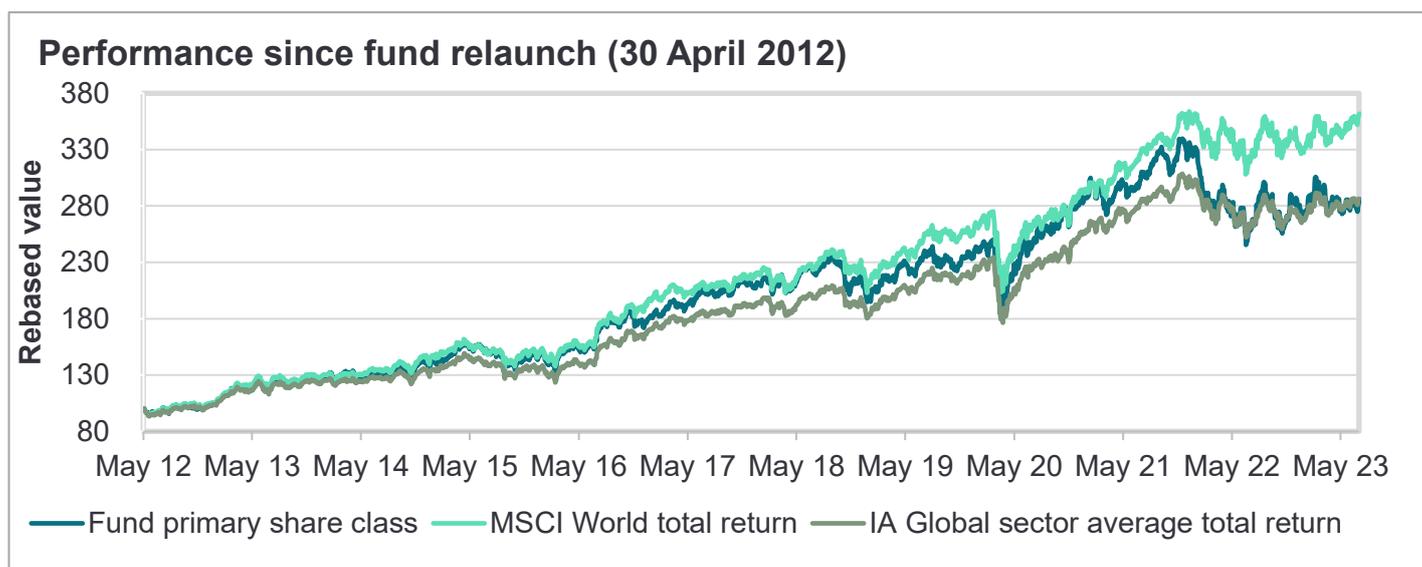




### FP WHEB Sustainability Fund: 30 June 2023

|  |       |                              |                                 |
|--|-------|------------------------------|---------------------------------|
| Fund size                              | £794m | IMA Sector                   | Global                          |
| Holdings                               | 41    | Expected number of holdings  | 40 – 60                         |
| Average holding period <sup>1</sup>    | 6.42  | Expected holding period      | 4 – 7 years                     |
| Active Share vs Benchmark <sup>2</sup> | 97.1% | Index benchmark <sup>3</sup> | MSCI World Total Return Net GBP |

## Investment Performance<sup>4</sup>:

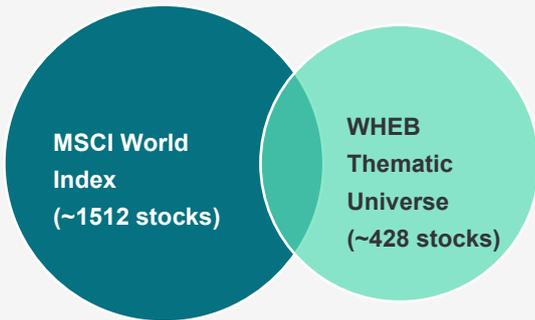


### Investment returns by discrete 12-month period

|  | Jun 2022<br>–<br>Jun 2023 | Jun 2021<br>–<br>Jun 2022 | Jun 2020<br>–<br>Jun 2021 | Jun 2019<br>–<br>Jun 2020 | Jun 2018<br>–<br>Jun 2019 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| FP WHEB Sustainability C Acc Primary share class (GBP) | 9.72%                     | -15.94%                   | 23.74%                    | 6.09%                     | 6.01%                     |
| MSCI World total return (GBP)                          | 13.21%                    | -2.56%                    | 24.36%                    | 5.93%                     | 10.30%                    |
| IA Global <sup>5</sup> sector average total return     | 10.66%                    | -8.77%                    | 25.92%                    | 5.36%                     | 7.50%                     |

### Cumulative investment returns

|  | Fund (Primary share class) % | MSCI World (Total return - GBP) % | IA Global sector average (Total return - GBP) <sup>5</sup> % |
|--|------------------------------|-----------------------------------|--|
| 3 Months   | -0.68%                       | 3.90%                             | 2.25%  |
| 6 Months   | 3.12%                        | 8.89%                             | 6.39%  |
| 12 Months  | 9.72%                        | 13.21%                            | 10.66%   |
| 3 Years (annualised)                                   | 4.50%                        | 11.11%                            | 8.33%  |
| 5 Years (annualised)                                   | 5.12%                        | 9.90%                             | 7.56%  |
| Cumulative since relaunch (30 April 2012) <sup>6</sup> | 182.58%                      | 260.56%                           | 186.68%  |



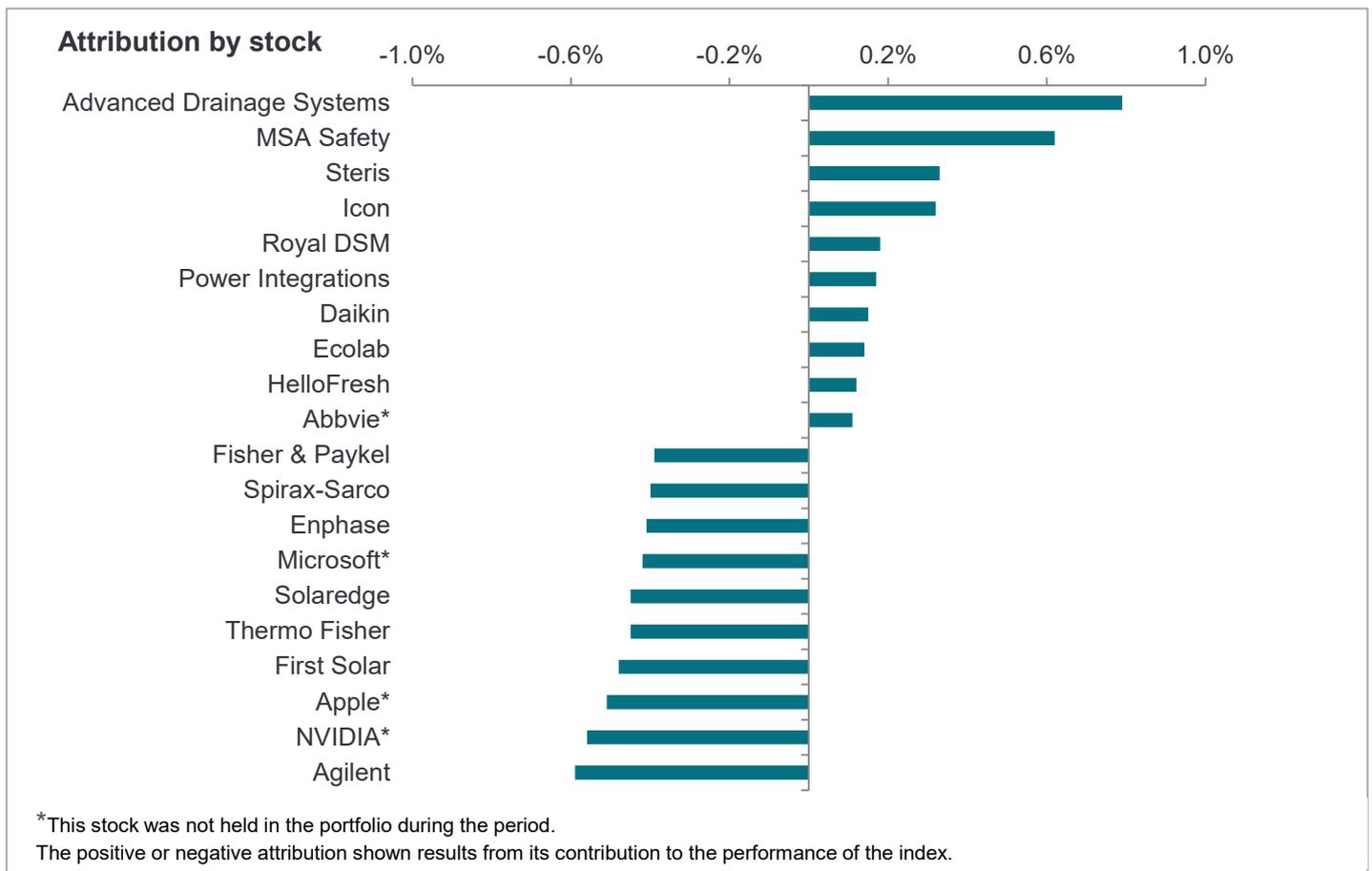
**Overlap: ~208 stocks;**

13.8% (as at 30 June 2023) of MSCI World Index

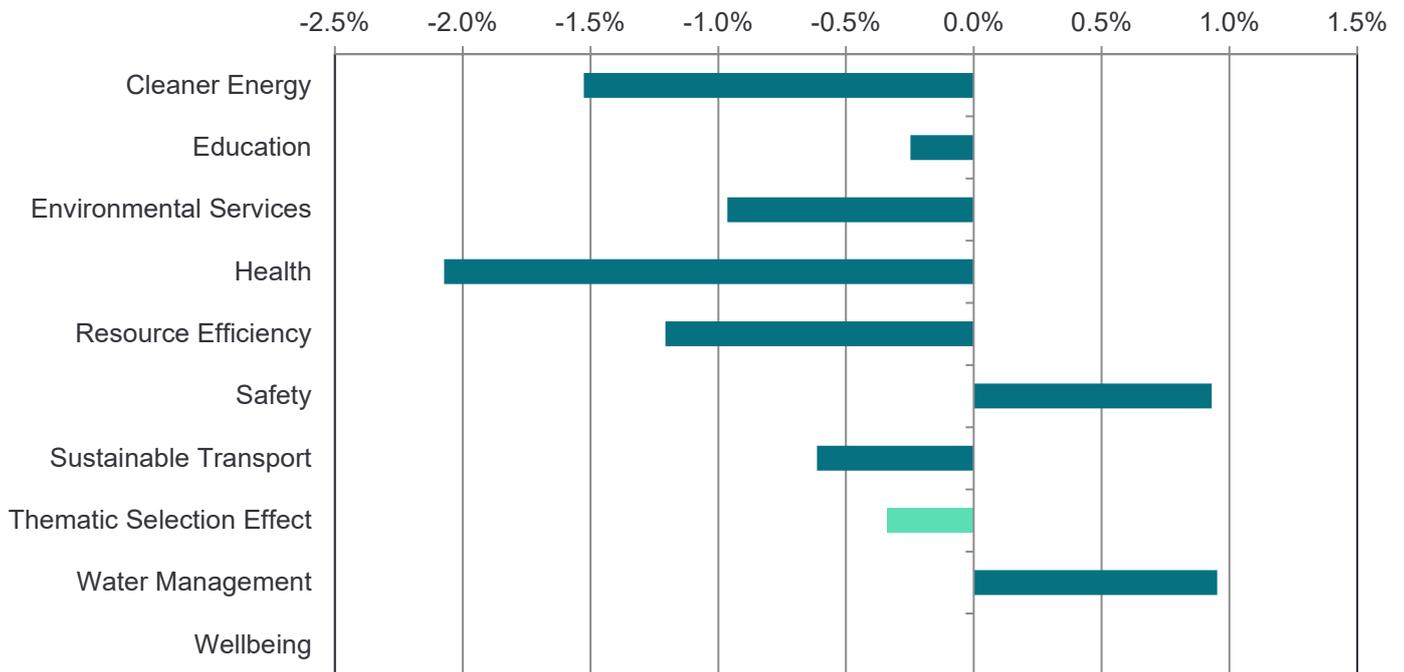
### Theme Overlap

The thematic focus of the WHEB strategy means that our investable universe overlaps with the benchmark by around 15%. This leads to significant structural biases in the fund’s exposure, which may make comparison to the benchmark complex. These style biases towards growth, quality and mid-cap are all derived from the strategy’s focus on solutions to sustainability challenges. It means that we tend to be absent from significant sectors of traditional

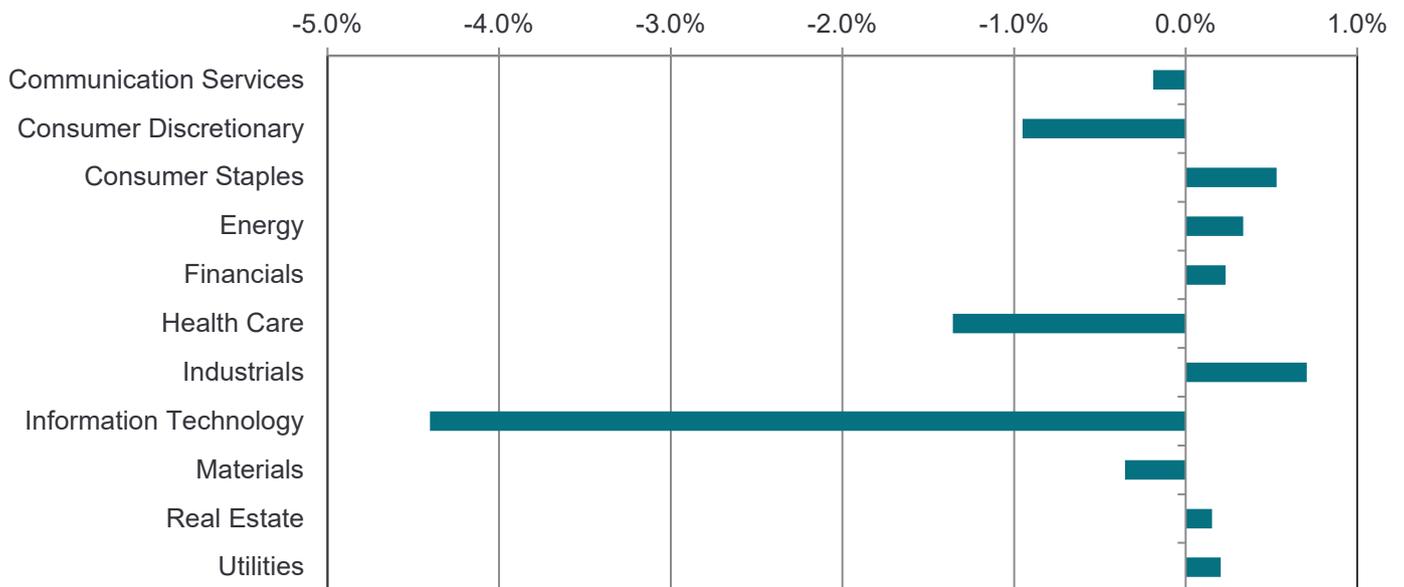
### Performance Attribution – Last 3 months<sup>7</sup>



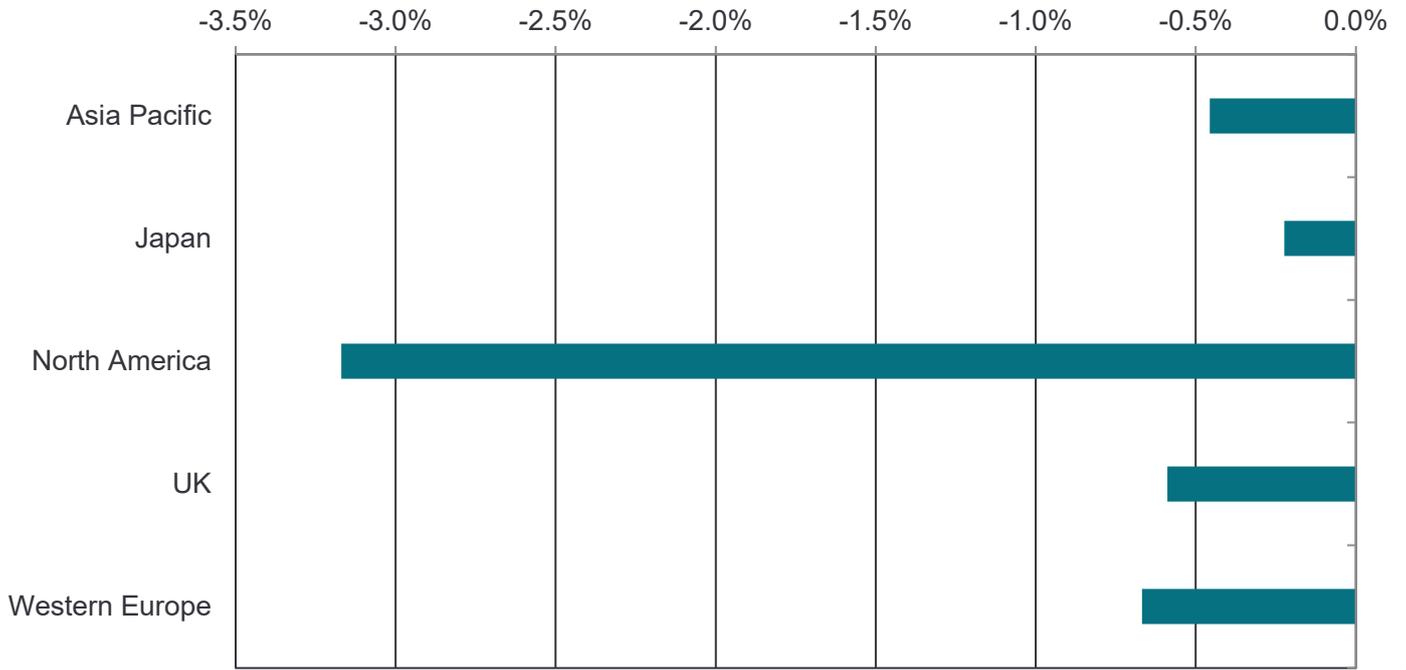
### Attribution by Sustainability Theme <sup>8</sup>



### Attribution by Sector

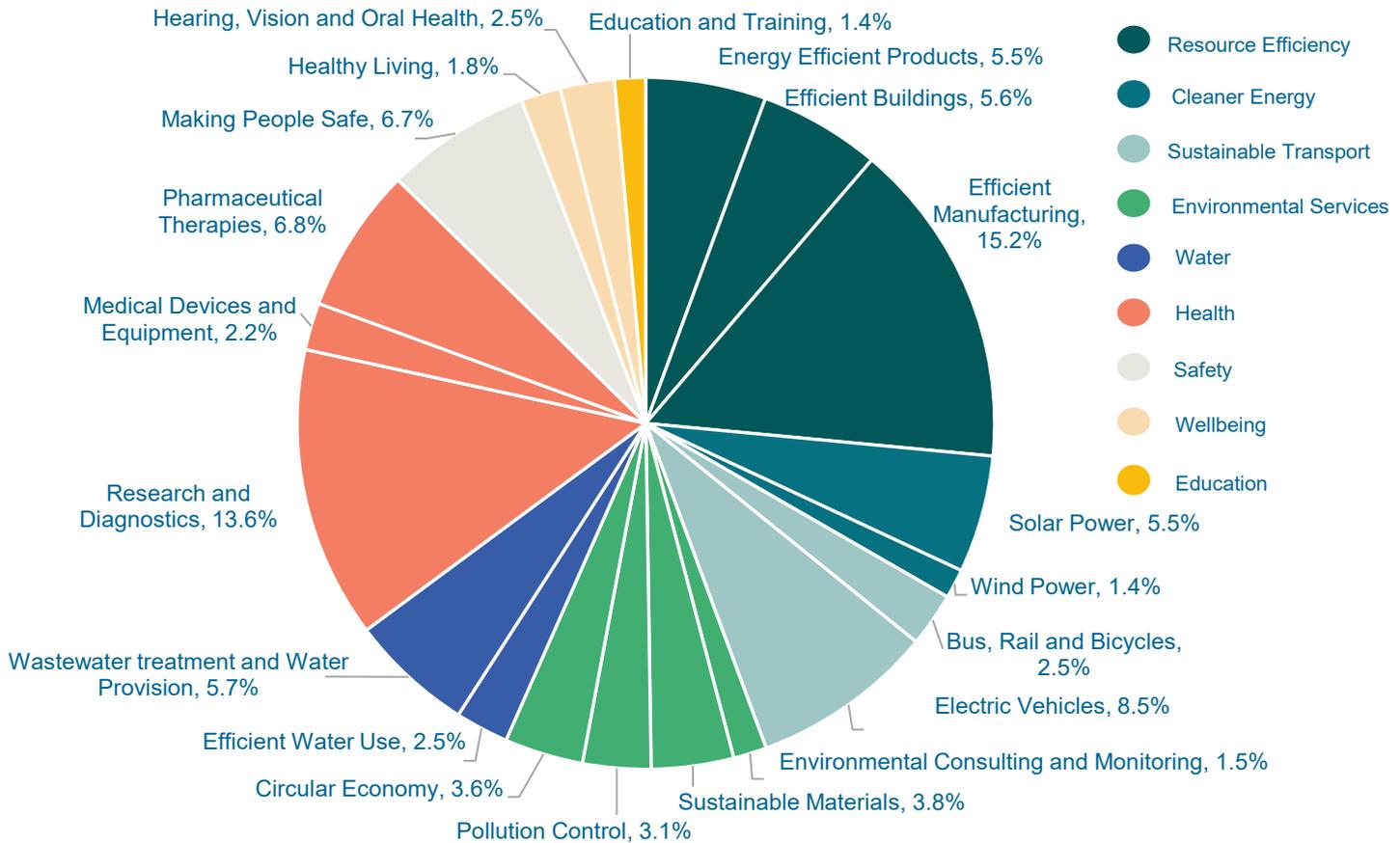


### Attribution by Geography

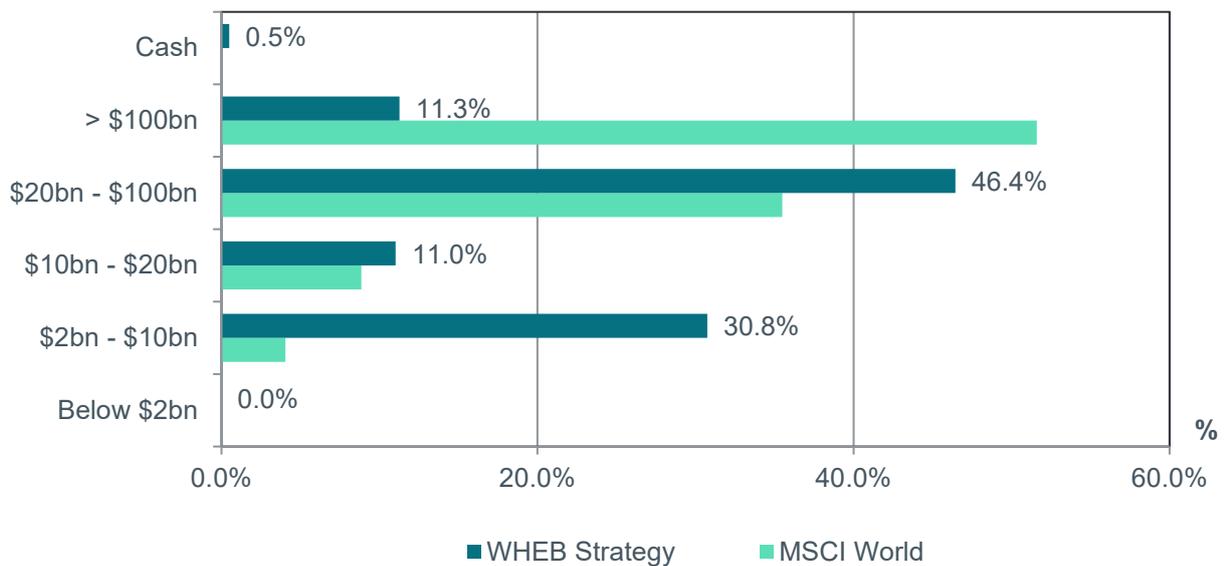


# Portfolio analysis and positioning:

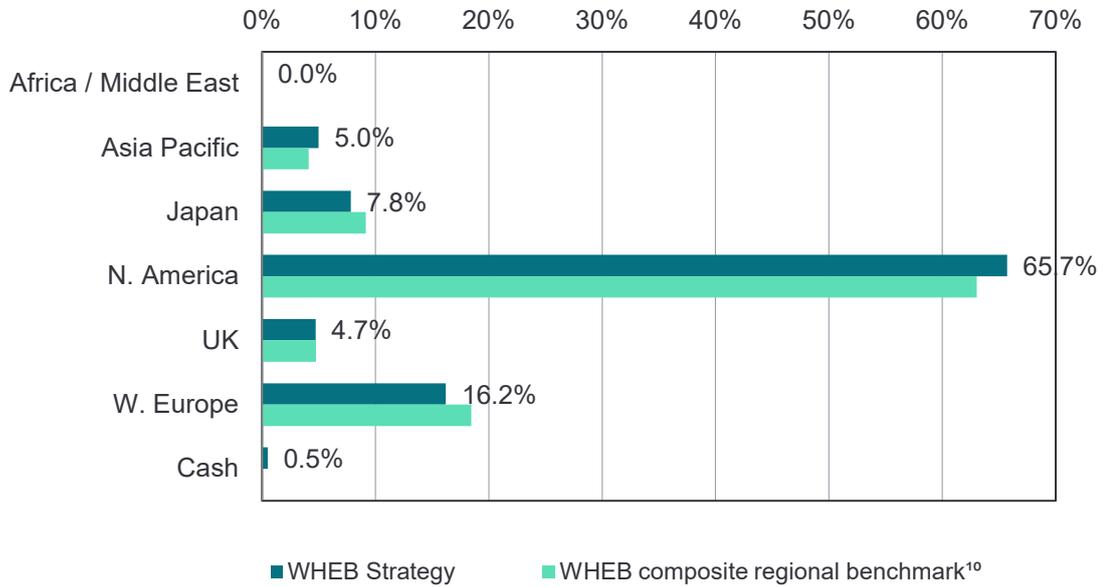
## Portfolio Exposures<sup>9</sup>



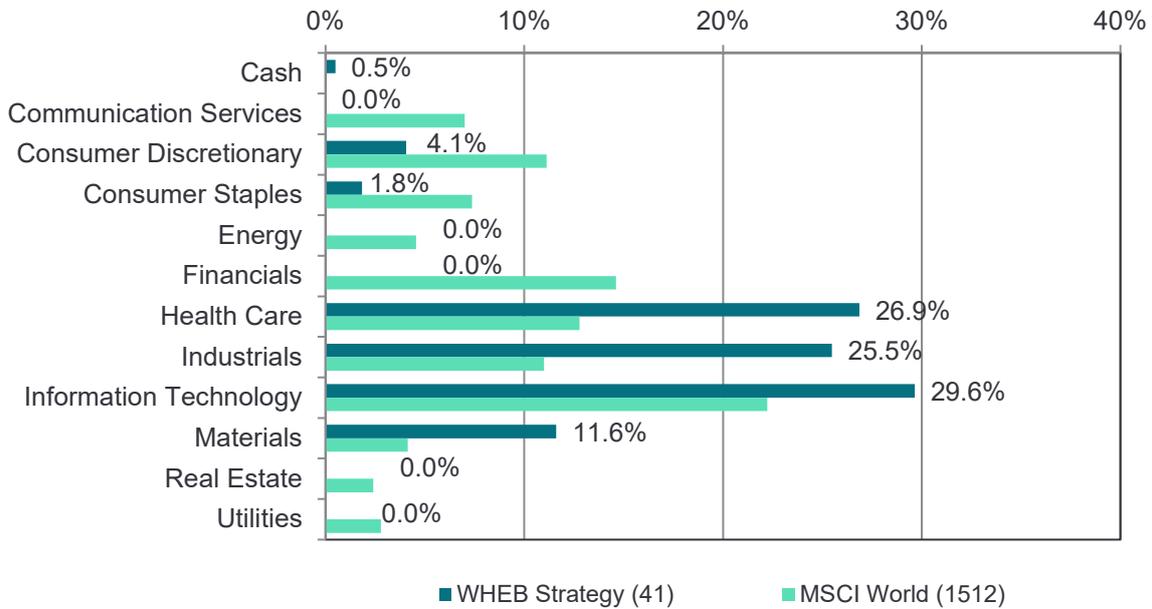
## Market Cap Exposure



### Regional Exposure <sup>10</sup>



### Sector Exposure <sup>11</sup>



## Top Ten Holdings as of 30 June 2023

| Stock                     | Theme                  | Description  | Holding |
|---------------------------|------------------------|--|---------|
| Icon                      | Health                 | A clinical research business providing global outsourced development services to the pharmaceutical, biotechnology and medical device industries. Its aim is to accelerate the development of drugs and devices that save lives and improve quality of life.   | 3.46%   |
| MSA Safety                | Safety                 | Global provider of safety products including self-contained respirators, gas masks and detectors, helmets and thermal imaging cameras. Markets include fire-fighting, industrial, construction and the consumer sector.  | 3.44%   |
| Advanced Drainage Systems | Water Management       | Advanced Drainage Systems is a leading provider of stormwater management systems in the US. The company's products are generally lighter, more durable, more cost effective and easier to install than comparable alternatives made with traditional materials.  | 3.32%   |
| Steris                    | Safety                 | Steris provides sterilisation and anti microbial treatment services to hospitals, medical device manufacturers, pharmaceutical and biotechnology businesses as well as for food safety and industrial markets.   | 3.30%   |
| Autodesk                  | Resource Efficiency    | Autodesk is a global leader in 3D design and engineering software and services. Autodesk tools are a critical component in the design and operation of more resource efficient products and buildings. They can deliver quite striking resource savings, due to their impressive capabilities and critical position in the design process. | 3.25%   |
| TE Connectivity           | Sustainable Transport  | The leader in the connectors and sensors industry. It uses electronic components, network solutions and wireless systems to improve safety as well as fuel and energy efficiency in the automotive industry and other markets.   | 3.25%   |
| Ansys                     | Resource Efficiency    | Sells simulation software for product design and optimisation. The software improves quality and safety in products like fuel efficient cars and planes, wind turbines, medical technology and consumer goods.   | 3.15%   |
| Linde                     | Environmental Services | Supplies a variety of gases to manufacturing, petrochemical and electronics industries and also to the healthcare sector. These are used in a variety of applications to make manufacturing processes more efficient and to reduce harmful emissions.  | 3.15%   |
| Trane Technologies        | Resource Efficiency    | Trane is a world leader in air conditioning systems and services. It also has an offering in the heat pump space which brings a 300% efficiency gain compared with the system it would replace.  | 3.14%   |
| Power Integrations        | Resource Efficiency    | Power Integrations produces EcoSmart chips which reduce energy waste when an appliance is in standby mode. Unlike traditional power conversion solutions requiring dozens of components, the company's integrated solutions reduce the bill of materials and the size of the integrated circuit board.                                     | 3.10%   |

## Fund Characteristics

|                                       | WHEB  | MSCI World (Total Return – GBP) |
|---------------------------------------|-------|---------------------------------|
| FY1 Price/Earnings (PE) <sup>12</sup> | 21.82 | 16.38                           |
| FY2 Earnings Growth <sup>12</sup>     | 17.63 | 13.79                           |
| FY1 PE/FY2 Earnings Growth (PEG)      | 1.24  | 1.19                            |
| 3-year Volatility <sup>13</sup>       | 15.77 | 12.56                           |

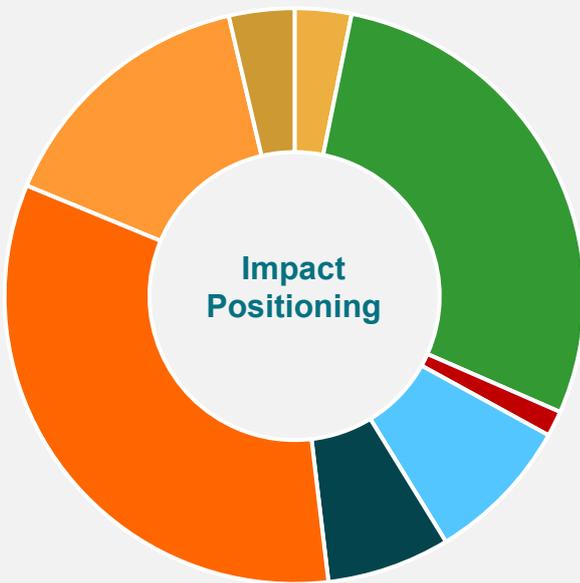
|                                   | WHEB |
|-----------------------------------|------|
| Beta (predicted)                  | 1.12 |
| 1-year Tracking Error (predicted) | 6.37 |
| 5-year Tracking Error (ex-post)   | 8.04 |

## Trading Activity

### Significant Portfolio Changes

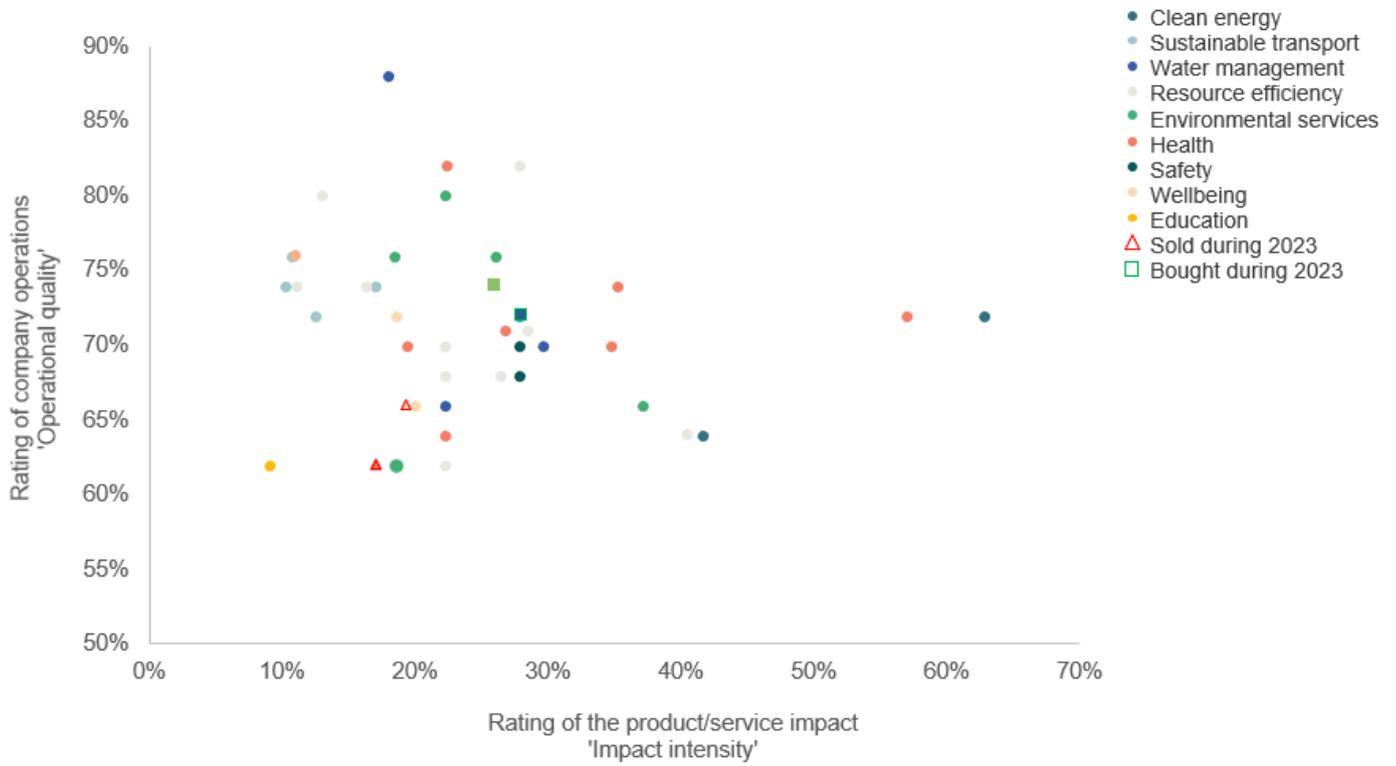
| Stock Name | Purchase or sale | Theme | Brief description of purchase or sale rationale |
|------------|------------------|-------|---|
| None       |                  |       |   |

### Impact Positioning: Supporting the UN Sustainable Development Goals<sup>14</sup>



- 3% in agriculture & nutrition
- 28% in health & well-being
- 1% in education
- 8% in clean water & sanitation
- 7% in affordable & clean energy
- 33% in industry, innovation & infrastructure
- 15% in sustainable cities & communities
- 4% in responsible consumption & production

### Impact map of the FP WHEB Sustainability Fund portfolio following changes in 2Q 2023 <sup>15</sup>



# Engagement and voting activity

## Voting Record: Q2 2023

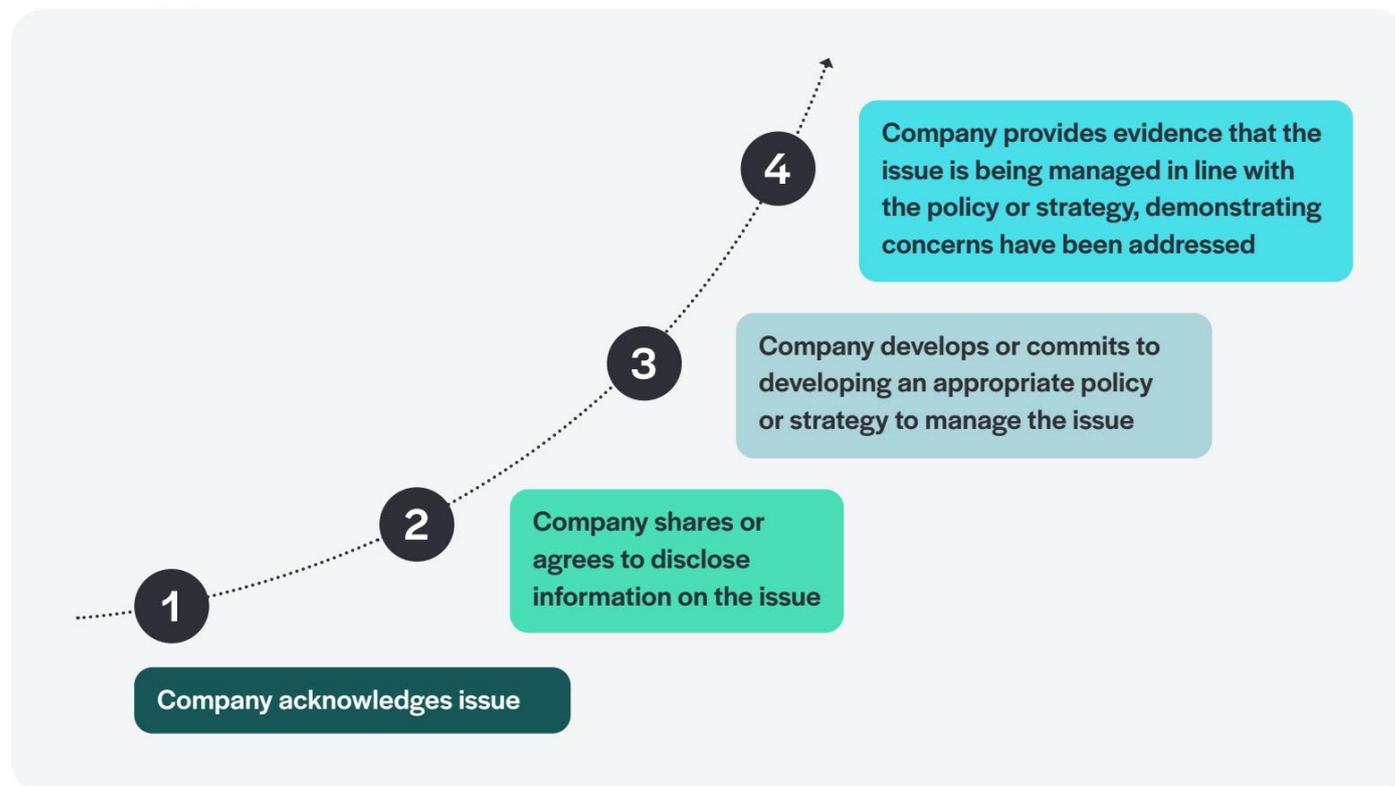
The table below summarises the voting record at companies held in WHEB's investment strategy from 1<sup>st</sup> April to 30<sup>th</sup> June 2023. Full details of how we voted on each of the individual votes are detailed on our website: <http://www.whebgroupp.com/investment-strategy/fund-governance/engagement-and-voting-records/>

| Meetings   | No. of meetings    | %    |
|--|--------------------|------|
| # votable meetings   | 40                 |      |
| # meetings at which votes were cast  | 40                 | 100% |
| # meetings at which we voted against management or abstained               | 37                 | 93%  |
| Resolutions  | No. of resolutions | %    |
| # resolutions  | 690                |      |
| # non-voting resolutions non-voting  | 47                 | 7%   |
| # resolutions eligible to vote   | 643                | 93%  |
| # eligible resolutions voted   | 643                | 100% |
| # votes cast with management   | 502                | 78%  |
| # votes cast against mgmt. or abstained or withheld (see list in appendix) | 141                | 22%  |
| <i># of which were withheld</i>  | 7                  |      |
| <i># of which were abstain</i>   | 2                  |      |
| # votes cast against ISS recommendations                                   | 87                 | 14%  |

## Company engagement: Q2 2023

| Engagement Summary  | Count | %   |
|---------------------|-------|-----|
| # Companies engaged | 24    |     |
| # Engagements       | 60    |     |
| # Milestone 0       | 20    | 33% |
| # Milestone 1       | 20    | 33% |
| # Milestone 2       | 14    | 23% |
| # Milestone 3       | 3     | 5%  |
| # Milestone 4       | 3     | 5%  |

## WHEB's engagement milestones



| Company      | Topic                     | Objective  | Method                                 | Milestone |
|--------------|---------------------------|--|--|-----------|
| Air Liquide* | Product impact            | Information seeking to determine proportion of revenues that would qualify as impactful.                                 | Call                                   | 2         |
| ANSYS        | Sustainability disclosure | Encouraging improved disclosure on material environmental and social issues  | Vote/Letter                            | 1         |
|              | Net zero carbon targets   | Encourage the company to set a science-based net zero carbon target.   | Vote/Letter                            | 1         |
|              | Gender diversity          | Encourage female board representation >33%   | Vote/Letter                            | 1         |
|              | Auditor independence      | Change the auditor Deloitte as it has been in place for more than 10 years.  | Vote/Letter                            | 1         |
|              | Executive remuneration    | Set compensation at justifiable level and include ESG/Sustainability metrics as part of KPIs                             | Vote/Letter                            | 1         |
| Arcadis      | Biodiversity              | Understand company's approach addressing biodiversity impacts  | Email/Letter                           | 2         |
|              | Living wage               | Understand policies in place to ensure a fair living wage for all employees  | Email                                  | 2         |
|              | Supervisory Directors     | Ensure accountability of supervisory directors.  | Call                                   | 2         |
| Autodesk     | Auditor independence      | Tenure of the company's statutory auditor or auditors is >10yrs  | Vote/Letter                            | 1         |
|              | Executive remuneration    | Vote against Remuneration Report due to lack of ESG criteria and we view the executive's remuneration as being excessive | Vote/Letter                            | 1         |
| Ariston*     | Executive remuneration    | Set compensation at justifiable level  | Vote/Letter                            | 0         |
|              | Director independence     | Improve governance by increasing number of independent directors   | Vote/Letter                            | 0         |
|              | Carbon targets            | Encourage the company to set a science-based net zero carbon target.   | Vote/Letter                            | 0         |
|              | Gender diversity          | Encourage female board representation >33%   | Vote/Letter                            | 0         |
| Croda        | Carbon targets            | Collaborative engagement coordinated by ShareAction encouraging the company to increase the ambition of carbon strategy  | Collaborative calls and AGM Attendance | 2         |
| Daikin       | Hazardous Chemicals       | Understand Daikin strategy and policy for phase out of PFAS  | Call                                   | 1         |

|                        |                                    |   |                     |   |
|------------------------|------------------------------------|---|---------------------|---|
|                        | Board independence                 | Improve board governance. The Chair/President are both insiders and the board is not majority independent   | Vote/Letter         | 0 |
|                        | Committee independence             | Clarify sub-committee structure and independence unclear  | Vote/Letter         | 0 |
|                        | Hazardous chemicals                | Company to set a clear roadmap with concrete targets and a timeline to reduce and over time phase out PFAS and replace it with more environmentally friendly products   | Vote/Letter         | 0 |
|                        | Gender diversity                   | Improve female representation on the board to 33%   | Vote/Letter         | 0 |
|                        | Auditor independence               | Improve governance by reducing the number of insider auditors   | Vote/Letter         | 0 |
| Daifuku                | Director independence              | Increase number of independent board directors  | Vote/Letter         | 0 |
|                        | Gender diversity                   | Increase female representation at board level   | Vote/Letter         | 0 |
|                        | Executive remuneration             | Link CEO's remuneration package to relevant sustainability metrics  | Vote/Letter         | 0 |
| Ecolab                 | Product impact                     | Clarifying data relating to the positive environmental impact on customer operations.   | Email               | 0 |
|                        | Executive remuneration             | Improve the quality of ESG metrics in compensation  | Email               | 0 |
| Evotec*                | Executive remuneration             | Further discretionary equity awards were made to two executives during the year without a detailed and compelling justification.  | Vote/Letter         | 0 |
|                        | Waste management                   | Understand how company plans to achieve target of 0% landfill waste disposal by 2025  | Email               | 0 |
| First Solar            | GHG Emissions                      | Congratulating company on commitment to EPEAT and request for more action on Scope 1 & 2 emissions<br>Encouraging the company to provide more information on its current emissions, the use of sustainability metrics in compensation and use of renewables to reduce scope 2 emissions | Email/Collaborative | 3 |
|                        | Tax rate                           | Understand company's tax rate   | Call                | 2 |
| Getinge*               | Board independence                 | Improve governance by increasing proportion of independent directors.   | Vote/Letter         | 1 |
|                        | Committee independence             | To significantly improve committee governance: The audit committee is only 25% independent, the remuneration committee is 40% independent, and the nomination committee is 100% non-independent.  | Vote/Letter         | 1 |
|                        | Director independence/overboarding | Improve governance by increasing proportion of independent directors.   | Vote/Letter         | 1 |
|                        | Auditor independence               | Replace PwC as auditors as tenure >10 years   | Vote/Letter         | 1 |
| Grand Canyon Education | Executive compensation             | Originally voted against due to a lack of explicit sustainability / CSR related targets for LTIP / STIP. CFO claimed that 25% of bonus is tied to environmental and social goals so vote revised to a "FOR" but we will want to see more details.                                       | Vote/Letter         | 2 |
|                        | Auditor independence               | KPMG has been auditor since 2012 and should have been changed this year.  | Vote/Letter         | 2 |
|                        | Board independence                 | As of 2024, tenure of lead director, Ms Sara R. Dial, will be 11 years, shifting the board's independence to just 50% and the Chair and the lead director will be non-independent. We would strongly recommend the board is refreshed at the next AGM.                                  | Vote/Letter         | 1 |
|                        | Sustainability targets             | Company to set net zero carbon target by 2050 at the latest. Company to set a more explicit assignment of CSR and sustainability responsibilities to one of the executive board members.  | Vote/Letter         | 1 |
| HelloFresh             | Supply chain                       | Follow up discussion confirming the company's approach to managing the risk of animal labour in the supply chain  | Call                | 4 |
|                        | Product impact                     | Encouraging the company to publish internal plastic/packaging reductions targets.   | Call                | 2 |
|                        | Marketing practices                | Request for comment on reports of deceptive marketing   | Call                | 2 |
| Infineon               | Product safety                     | Query about safety of electric vehicles compared to internal combustion engine vehicles   | Email               | 1 |
| J.B. Hunt              | Labour rights                      | Query into potential employment litigation  | Email               | 1 |

|                     |                           |   |                      |   |
|---------------------|---------------------------|---|----------------------|---|
|                     | Director independence     | Increase the number of independent directors on the board   | Vote/Letter          | 0 |
|                     | Gender diversity          | Improve female board representation >33%  | Vote/Letter          | 0 |
|                     | Committee independence    | Improve committee independence by increasing the number of independent directors on the board   | Vote/Letter          | 0 |
| Linde               | Sustainability disclosure | Discussion with Transition Pathway Initiative to clarify the company's scores   | Email                | 2 |
| Silicon Labs        | Executive remuneration    | Improvements in company remuneration policy following low support for 'say n pay' vote in 2022 AGM.   | Vote/Letter          | 4 |
| Smurfit Kappa       | Executive remuneration    | Understand process for evaluating CEO remuneration.   | Vote/Letter          | 2 |
| SolarEdge           | Hazardous chemicals       | Collaborative engagement on human rights and hazardous chemicals in the solar supply chain (chaser).  | Collaborative/E mail | 0 |
| Sonova              | Carbon targets            | Encourage company to have carbon targets validated by SBTi  | Email                | 4 |
| Sweco               | Director independence     | Increase the number of independent directors on the board<br>3- Chair is non-independent<br>4 - Both the remuneration and nomination committees are not majority independent. | Vote/Letter          | 1 |
|                     | Committee independence    | Improve governance through ensuring nomination and remuneration committees are majority independent.  | Vote/Letter          | 1 |
|                     | Chair independence        | Improve governance by ensuring independent Chair, or else a nominated senior independent director.  | Vote/Letter          | 1 |
|                     | Auditor independence      | Replace PwC as auditors as they have been in place for over 10 years.   | Vote/Letter          | 1 |
| TE Connectivity     | Net Zero carbon emissions | Encourage company to set net zero carbon target   | Vote/Letter          | 3 |
|                     | Director overboarding     | Improve board governance. Director has too many board level commitments.  | Vote/Letter          | 2 |
|                     | Auditor independence      | Deloitte has served as the auditor for over 10 years  | Vote/Letter          | 2 |
| Vestas Wind Systems | Biodiversity              | For Vestas to mitigate negative impacts and maximise positive impacts of their activities on biodiversity.  | Collaboration        | 3 |

\* Companies held in the iMGP Sustainable Europe Fund only

## Footnotes and important risk warnings

General: This report (“Report”) is issued by WHEB Asset Management LLP (“WHEB Asset Management”). It is intended for information purposes only and does not constitute or form part of any offer or invitation to buy or sell any security including any shares in the FP WHEB Sustainability Fund, including in the United States. It should not be relied upon to make an investment decision in relation to Shares in the FP WHEB Sustainability Fund or otherwise; any such investment decision should be made only on the basis of the Fund scheme documents and appropriate professional advice. This Report does not constitute advice of any kind, investment research or a research recommendation, is in summary form and is subject to change without notice.

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Risks include: the value of units in FP WHEB Sustainability Fund (“Fund”) may increase or decrease and you may not get back the amount originally invested, for reasons including adverse market and foreign exchange rate movements. Past performance does not predict future returns. The Fund invests in equities and is exposed to price fluctuations in the equity markets, and focuses on investments in mid-sized companies in certain sectors so its performance may not correlate closely with the MSCI World Index (the Fund’s benchmark). For full risks, please see fund prospectus on [www.whebgroupp.com](http://www.whebgroupp.com).

WHEB Asset Management LLP is registered in England and Wales with number OC 341489 and has its registered office at 7 Cavendish Square, London, W1G 0PE. WHEB Asset Management LLP is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 496413.

FundRock Partners Limited (formerly Fund Partners Limited) is the Authorised Corporate Director of the Fund and is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 469278 and has its registered office at Hamilton Centre, Rodney Way, Chelmsford, England, CM1 3BY.

The state of the origin of the Fund is England and Wales. The Representative in Switzerland is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, 8024 Zurich. The relevant documents such as the prospectus, the key investor information document (KIIDs), the Articles of Association as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland. This is a marketing document.

## Notes to data tables

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<sup>1</sup> The average holding period is calculated by WHEB in accordance with the requirements of the UCITS V directive, and derived from fund turnover over the last 12 months as of the end of the reporting month. This calculation method can result in very long reported holding periods when most of the trading volume is explained by subscriptions and/or redemptions, and can even result in a negative portfolio turnover figure when subscriptions and redemptions exceed purchases and sales. As of 30<sup>th</sup> June 2023 the UCITS holding period based on the UCITS methodology was 6.42 years. During periods when the resulting figure is negative or more than 100 years, we will report the outcome here within the footnotes and not on page 22 of this report to avoid the risk of presenting a confusing figure.

<sup>2</sup> Active Share refers to the % overlap between the Fund and MSCI World Index weightings. Data as at 30<sup>th</sup> June 2023. Source: Factset.

<sup>3</sup> The MSCI World Index is quoted at month end with net dividends reinvested and without the deduction of any expenses (in contrast to the portfolio). Index data are provided by MSCI Barra via Bloomberg, calculated using GBP. The MSCI World Index is unmanaged and cannot be invested in directly. Performance figures for the FP WHEB Sustainability Fund are calculated mid to mid.

<sup>4</sup> Performance data for the FP WHEB Sustainability Fund Primary Share Class comprises the A share class since inception of the fund on 8 June 2009, and the C share class since its launch on 11 Sept 2012. Prices are last quoted prices for each day i.e., MSCI World quoted after market close in North America; FP WHEB Sustainability quoted at midday in UK. Effective from 2<sup>nd</sup> January 2020, we have introduced a single, fixed rate "Management Fee" which includes all of the costs and charges that were previously in the ongoing charges figure (or "OCF") of the Fund. As a result, various costs and charges associated with services to the Fund such as depository and custody, transfer agency, legal, audit and fund accounting charges are now paid out of the single, fixed rate Management Fee. For further information see: <http://www.whebgroup.com/fp-wheb-sustainability-fund-moves-to-a-single-fee/>  
**Past performance is not a reliable guide to future performance. Your capital is at risk.**

<sup>5</sup> IA Global refers to the fund weighted average performance of the UK Investment Association Global equity sector peer group. Source FE Analytics.

<sup>6</sup> The FP WHEB Sustainability Fund was originally launched on 8 Jun 2009. Effective re-launch as at 30 April 2012 after the portfolio was transitioned to a new investment process by a new investment team.

<sup>7</sup> Performance attribution is calculated with reference to the MSCI World Index, and based on the Fund's valuation at the market close. Depending on timing differences between midday pricing of the Fund's unit price and the market close, the total attribution may therefore deviate from the quarterly performance quoted in the investment performance section of the report.

<sup>8</sup> The "Thematic Selection Effect" is calculated as the attribution from not having any holding in stocks which are constituents of the MSCI World Index but are not in WHEB's investable universe.

<sup>9</sup> Source: Apex, data as of 30<sup>th</sup> June 2023. Numbers may not add up to 100% due to rounding.

<sup>10</sup> The WHEB Benchmark for regional exposure is calculated as an average of The MSCI World Index, The MSCI World Mid-Cap Index and The WHEB Universe.

<sup>11</sup> The figures in brackets relate to the number of companies included in the fund or the index.

<sup>12</sup> Earnings growth data source: Factset forecast estimates. FY1 is the forecast estimate for the next year, FY2 is the forecast estimate for the following year.

<sup>13</sup> Volatility data as at 30<sup>th</sup> June 2023, source: Bloomberg.

<sup>14</sup> For descriptions of impact mapping methodologies please see WHEB's impact reports, available at <https://impact.whebgroup.com/methodology/>. The SDG mapping methodology is described in the 2020 Impact Methodology Report, available at <https://impact.whebgroup.com/methodology/>, and the impact positioning graph is described in detail in the 2021 impact report.

<sup>15</sup> *ibid*