



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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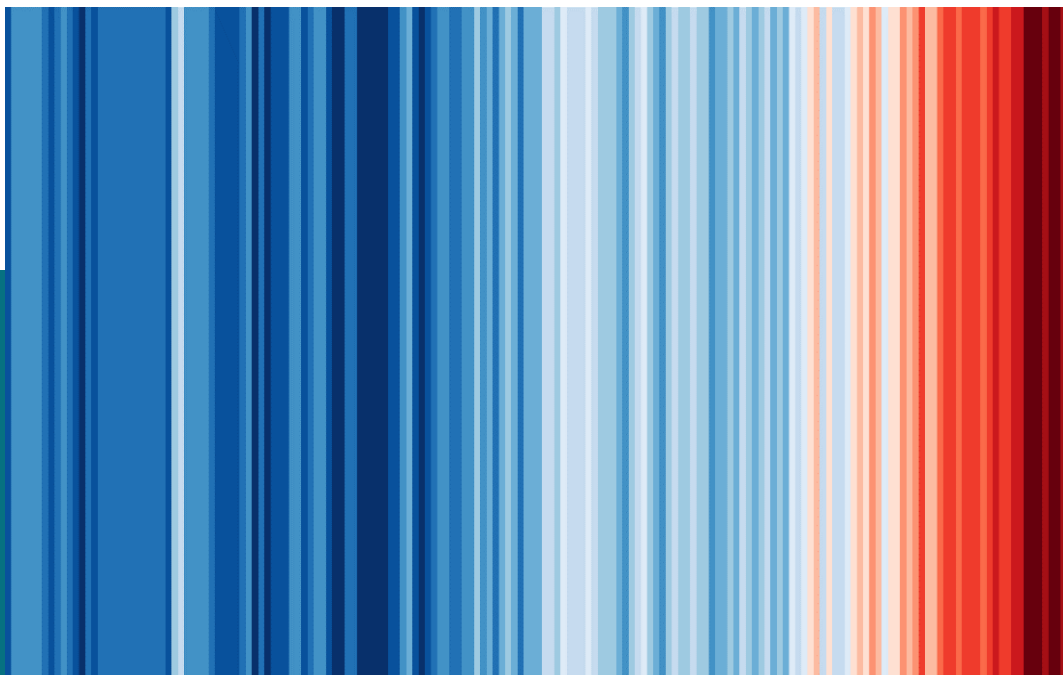
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- Investment performance
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- Portfolio analysis and positioning
- Engagement and voting activity

Time to Adapt

The reasoning behind WHEB's new sub-theme: Climate Adaptation

By Claire Jervis



Another year, another red stripe

Many of our readers will be familiar with the above image – especially if they have seen Seb, our Head of Research lately, who's had it made into an... *ahem*... attractive and thought-provoking tie.

Created by Professor Ed Hawkins at the University of Reading, the Climate Stripes show a series of coloured vertical bars, each depicting the average global temperature for a single year. Shades of blue indicate cooler-than-average years¹. Red shows years that were hotter-than-average.

2023 was the warmest year on record by a large margin. "I think I need a new colour", reflected the Professor.



Climate change costs more than money

It is well established that rising global temperatures are strongly correlated with extreme weather events².

Carbon Brief, an award-winning climate journal, has mapped and analysed over 400 scientific studies on this subject. They found that over 70% of the extreme weather events studied were exacerbated by human-caused climate change³.

Behind these figures are hundreds of weather events around the world. Each caused tragedy and devastation.

Munich RE, a reinsurance firm, estimates that natural disasters caused \$250 billion in financial losses in 2023 alone. Over 74,000 lives were lost⁴.



Hawaii: 'Apocalyptic' wildfires leave at least 53 dead on island of Maui⁵

¹ The average temperature is set as the average temperature between 1971-2000.

² <https://www.ipcc.ch/report/ar6/syr/>

³ <https://www.carbonbrief.org/mapped-how-climate-change-affects-extreme-weather-around-the-world/>

⁴ <https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2024/natural-disaster-figures-2023.html>

⁵ <https://www.itv.com/news/2023-08-09/hawaii-people-jump-into-sea-to-escape-apocalyptic-wildfires>

We need to adapt

The world is not investing enough to prevent climate change. The result is an ever-hotter climate and increasing natural disasters.

And make no mistake – it is killing people.

We investors do what we can. We buy shares in impactful companies. We engage with corporations to reduce their emissions. We work with policymakers to accelerate change.

But we also need to accept the reality we find ourselves in.

With that in mind, WHEB has formally established a Climate Adaptation sub-theme in our investment strategy. This forms part of our Environmental Services theme.

Importantly, this new sub-theme changes nothing about how our strategy is managed. In fact, we have been investing in adaptation for years.

Rather, it formally acknowledges the crucial role of adaptation investment.

It also, potentially, creates opportunities for new companies to enter our investment universe. For example, we recently spoke to a company which has experienced rapid growth from selling hurricane-resistant windows in Florida.

Investing in Climate Adaptation

Today, about 5% of WHEB's global fund is invested in companies supporting climate adaptation⁶.

My favourite is probably **Advanced Drainage Systems (ADS)**. This remarkable company sells plastic stormwater pipes in America.

The company's products are crucial for helping communities become more resilient to flooding. ADS has seen huge revenue growth and margin expansion as its products are increasingly seen as critical infrastructure.

Environmental consultants **Arcadis** are another example of an investee company supporting climate adaptation. They have been working on projects to shore up flood defences⁷; transform concrete jungles into green spaces⁸; and create stormproof sewers⁹.

Arcadis has seen rapidly increasing demand for its services over the last few years.

Spend now, save later

Investing in climate adaptation does not mean we are admitting defeat. Spending on mitigation measures like cleaner energy must, and will, continue.

But it is important to realise that investing in climate-resilient infrastructure today can avoid even greater costs in the future.

The UN estimates that spending \$1.8 trillion on a variety of adaptation projects could generate four times that amount in avoided costs and benefits¹⁰.

And, more importantly, these investments could save lives. That is surely invaluable.

⁶ As of December 31, 2023.

⁷ <https://www.arcadis.com/en-gb/projects/north-america/united-states/redefining-adaptation-to-build-a-fit-for-future-coastal-community>

⁸ <https://www.arcadis.com/en-gb/projects/europe/france/forets-urbaines-a-paris>

⁹ <https://www.arcadis.com/en-gb/projects/europe/netherlands/op-weg-naar-een-klimaatbestendig-utrecht>

¹⁰ <https://www.un.org/en/climatechange/climate-adaptation>

What the outcomes of COP28 mean for WHEB's investment strategy

By Seb Beloe



Penguins in the desert

Organising the 28th annual Conference of the Parties (COP28) in Dubai was always going to throw up some contradictions. Delegates heading off on the rest day to the 22,500m² ski resort (complete with penguins) was perhaps one of the more bizarre examples¹¹. More germane to the negotiations was the fact that the talks were being chaired by the head of the Abu Dhabi National Oil Company (ADNOC) and who was accused of using the talks as a kind of ‘speed-dating’ programme for the country’s oil and gas industry¹².

This narrative was, however, immediately contradicted on the first day of the conference by the announcement of a deal on the loss and damage fund. This upended typical diplomacy at UN conferences where ‘nothing is agreed until everything is agreed’. Not only was agreement reached at the opening plenary, but by pledging \$100m each to the fund, Germany and the UAE set up a bidding war which eventually pushed contributions from 18 countries to \$792m.

Phasing out fossil fuels

In the end, however, the key fight was over whether to include a commitment to phasing out fossil fuel use in the final agreement. The language in the final version of the ‘UAE Consensus’ was to “*transition away from fossil fuels in energy systems, in a just, orderly, and equitable manner*”. For some, this represented ‘an unequivocal beginning of the end of the fossil fuel era’¹³. For others, such as campaigners Greta Thunberg and Vanessa Nakate it was desperately weak and nothing more than a betrayal of future generations.

So what do the key agreements at COP28 mean for WHEB’s investment strategy?

In the short-term, probably not very much. COP discussions happen a long way from the day-to-day reality of businesses, let alone stock markets. The narrative is, however, important in maintaining momentum. And ultimately agreements do get translated down into national legislation.

Against expectations, more was probably achieved at COP28 than at most COPs. The International Energy Agency estimate that the new pledges made in Dubai, if fully implemented, would translate into global energy-related greenhouse gas emissions in 2030 being around 4 gigatonnes of CO₂e lower than would be expected without them¹⁴.

Scaling up zero carbon energy

A key contributor to this reduction is the pledge to triple global renewable power capacity by 2030 made by 130 countries. This would take annual additions of renewables from 440GW currently, to about 1,000GW. These countries also pledged to double the annual rate of energy efficiency improvements every year to 2030.

Many countries still need to address bottlenecks from slow permitting processes and a lack of grid capacity and key labour skills. Nonetheless, the vastly improved economics of renewable energy make this commitment a relatively easy win.

The role of renewables and energy efficiency are already well-understood and based on established technologies. Our investment in **Alfen** and **Elia** in our European fund, as well as in **First Solar**, **SolarEdge** and **Vestas**¹⁵ are we believe very well-placed to benefit from the dramatic growth that these pledges imply.

¹¹ <https://www.malloftheemirates.com/en/ski-dubai>

¹² <https://www.bbc.co.uk/news/science-environment-67508331>

¹³ <https://www.e3g.org/news/the-fossil-fuel-era-is-ending-e3g-s-reacts-to-cop28-outcome/>

¹⁴ 4GtCO₂e represents about 7% of global GHG emissions.

¹⁵ Vestas is held in both our European and global funds.

Decarbonising the existing power system

Alongside the rapid scaling up of the new zero emission energy system, COP28 also secured commitments to decarbonise the existing energy system. Our direct exposure to oil and gas is zero in our strategies, and even indirect exposure represents a low single-digit percentage of revenues¹⁶.

Net-zero as an organising principle – including in finance

With more than 80,000 delegates including 160 heads of state and 700 CEOs, the sheer scale of the conference cemented the notion that achieving net-zero has become what McKinsey has called a 'central organising principle' for businesses in the 21st century¹⁷. This is apparent in finance as well. Over \$80bn of climate finance commitments were made during COP28. Several structures such as the UAE private investment vehicle Alterra explicitly aim to deliver impact investments with both financial and environmental returns. New initiatives such as the UAE Global Finance Framework will also work to transform the importance of carbon in finance more generally.

Adaptation now critical

But none of this is enough. There remains a \$41trn financing gap to get the global economy back onto a net zero by 2050 pathway¹⁸. The 4 gigatonnes of CO₂e reduction from COP28 pledges is important, but represents c.30% of the emissions reduction needed to keep global warming to <1.5°C. Meanwhile, the impacts of climate change continue to be felt, making adaptation an urgent task.

At COP28 the importance of adaptation was formally recognised. This is something that we have also done at WHEB with Climate Adaptation now an explicit segment in our investment strategy. Even with rapid decarbonisation, companies supplying adaptation products and services like **Arcadis**, **Advanced Drainage Systems** and **Xylem** will continue to do well as communities around the world adapt to an already changing climate.

¹⁶ Exposure to fossil fuels activities is largely through companies that sell safety equipment and services to the sector, or that undertake land and water remediation work.

¹⁷ https://www.mckinsey.com/capabilities/sustainability/our-insights/outcomes-from-cop28-what-next-to-accelerate-climate-action?mkt_tok=NDczLVpZRS01MjIAAAGQMKxMEsCnu2quYbpPQyIWIGpZ1Xgf8zUjed-Tb7Z_2je8lkrFM_g38iEZIY3v1xe38U5lbOZ98vR6WeW9Kdv4MqtVpsw07sLOUQYSi5IZ4iMXQ

¹⁸ <https://www.mckinsey.com/mgi/our-research/from-poverty-to-empowerment-raising-the-bar-for-sustainable-and-inclusive-growth>

Stewardship in the spotlight: The stewardship stampede

By Rachael Monteiro



Levels of stewardship activity have never been higher. Whilst by no means a new feature of the investment industry, in 2023 stewardship became a core activity for many asset managers and owners.

For sustainability investors, in the UK at least, the high profile for stewardship has been cemented by the FCA's Sustainability Disclosure Requirements (SDR). Published at the end of last year, this policy includes a notable focus on investor stewardship for all four of its labels¹⁹. Internationally, the Global Impact Investing Institute (GIIN) also recognises stewardship's role in impact investing.

Since 2022, UK Pension schemes with more than 100 members have been expected to state their – or their external managers' – engagement policy and priorities and explain in detail how they steward their sustainable investments. This in turn has encouraged underlying asset managers to develop their own policies and systems to meet these expectations. It is perhaps no wonder then that the 2020 UK Stewardship Code continues to gain signatories. Up from 236 at the end of 2022, and now standing at 277, 68% of these are asset managers²⁰.

Quantity over quality?

This new impetus for engagement is having an impact on the levels of engagement activity reported by asset managers. In a study by the investment consultants Redington, one asset manager reported that they had undertaken more than 10,000 engagement actions with the 2,000 companies that they own²¹. The report's authors conclude that 'not all engagement is created equal [and therefore], we can't rely on the raw numbers to tell us what's going on.'

In fact, prioritising quantity over quality very much seems to have been the reaction of much of the market. For example, in 2023 asset managers' stewardship efforts came under fire on multiple fronts including misalignment with client values²²; lack of consistency in voting activities²³; low-quality efforts and under-resourcing²⁴; and ineffective escalation²⁵ to name a few.

Elsewhere in 2023, to combat greenwashing, some managers have tried to show proof of additionality or "engagement alpha", for example through joint statements between investors and even the companies themselves²⁶.

While we don't think this is the answer (or the best use of time), we *do* acknowledge what this, along with these other issues, is ultimately telling us: there is a lack of consensus on what 'good' investor stewardship looks like and how asset managers should manage, assess and report their activities.

Minding the gap

The good news, in our view, is that these issues represent 'growing pains'. While there's discomfort now, there lies an opportunity for the industry to learn from the pain points to build a collective understanding of what constitutes 'good stewardship' and strengthen practices.

¹⁹ <https://www.fca.org.uk/publication/policy/ps23-16.pdf>

²⁰ <https://esgclarity.com/uk-stewardship-code-signatories-grow-to-277/>

²¹ <https://redington.co.uk/wp-content/uploads/2022/12/Redington-Stewardship-Code-reporting-FINAL.pdf>

²² Hoepner, Andreas G. F., UK Asset Owner Stewardship Review 2023: Understanding the Degree & Distribution of Asset Manager Voting Alignment (November 17, 2023). Available at

SSRN: <https://ssrn.com/abstract=4643377> or <http://dx.doi.org/10.2139/ssrn.4643377>

²³ <https://www.responsible-investor.com/manager-inconsistency-on-stewardship-drives-growing-frustration-among-uk-asset-owners/>

²⁴ <https://www.responsible-investor.com/under-resourced-and-ineffective-industry-leaders-deliver-gloomy-verdict-on-stewardship/>

²⁵ https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/UNDER-EMBARGO-RISE-Paper-2_Introducing-a-standardised-framework-for-escalating-with-companies.pdf

²⁶ <https://www.responsible-investor.com/engagement-claims-without-additionality-pose-greenwash-risk-says-ca100-chair/>

WHEB's approach to engagement and voting is well established²⁷ and underpinned by extensive research, analysis, and policy development. Nonetheless, 2023 has still proven to be a foundational year for us as we have worked to elevate the overall quality of what we do. Predominantly, this work has comprised:

1. Focusing on outcomes (not just activity) and how this links to long-term value creation

Ultimately, our company engagement activity is focused on encouraging companies to address issues that we think will help them be successful. Asset managers need, in our view, to demonstrate how their stewardship and engagement activity contributes to this long-term value creation. We will address how we select these issues in a future blog.

We are clear though that outcomes are ultimately what matter. Reporting should therefore focus on achieving good outcomes, not just engagement activity. At the same time, we are careful about attributing outcomes specifically to our engagement, which we see as deeply problematic. Changes in company policy and performance are almost always the result of multiple efforts from a variety of stakeholders.

Nonetheless, it is possible to show a correlation. We believe this begins with a systematic approach to engagement (Figure 1), comprising:

1. Identifying the issues on which to engage whether proactively or reactively (the 'inputs');
2. Prioritising material issues and setting long-term objectives and relevant engagement milestones;
3. 'Engaging and voting' (iteratively) to achieve progress against these milestones and feeding this back into our investment analysis which,
4. along with our reporting of progress to clients and other stakeholders, represents our "Investor Contribution" to positive impact.

Our work to address biodiversity across the portfolio, which we wrote about recently²⁸, is an example of this approach in practice.

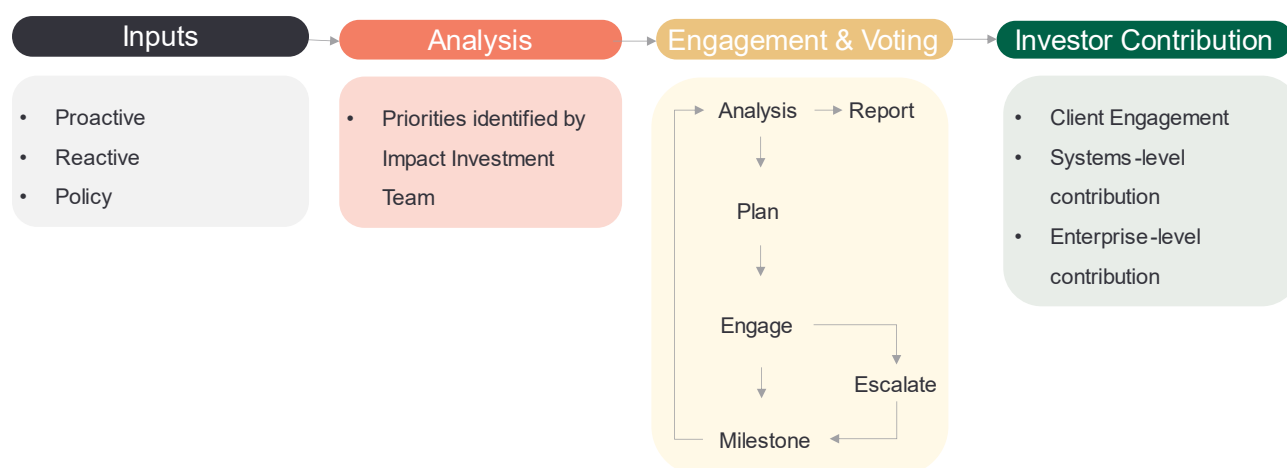


Figure 1. A systematic approach to managing company engagement

²⁷ Stewardship has been a core aspect of our offering and we have been reporting on progress quarterly since 2016.

²⁸ <https://www.whebgroup.com/our-thoughts/stewardship-in-the-spotlight-nature-calls-from-assessment-to-action>

2. How effective is our engagement?

We've also developed a more rigorous approach to assessing the effectiveness of our engagement. This involves setting specific outcome milestones for each engagement. These milestones start with the company acknowledging the issue and conclude with clear evidence that the issue is being effectively addressed, and are shown in Figure 2.

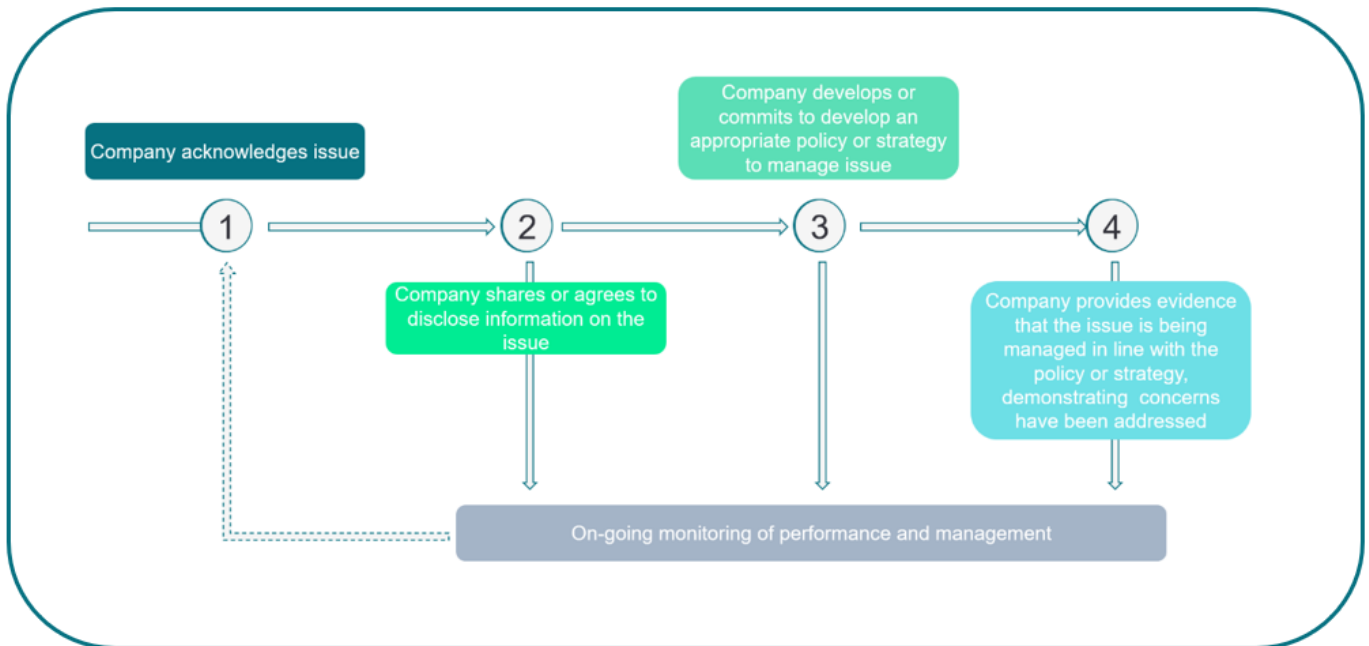


Figure 2: WHEB's objective milestones

During 2023 we reviewed our engagement activities over the past six years to identify the milestones that have been achieved over this period. Figure 3 shows how the overall amount of engagement has increased during this period, with a greater number of engagements initiated from 2020 – 2022. In turn, this has fed into a proportionally larger number of Milestone 1 (M1) and Milestone 2 (M2) outcomes.

As illustrated in Figure 2, we don't expect every engagement to conclude with an M4 milestone, but with WHEB's engagement objectives often targeting ambitious, long-term changes to strategy and policy, we hope that over time we will see an increase in Milestones 3 and 4 (M3, M4). We will be publishing more insights from this analysis in our forthcoming Stewardship Report.

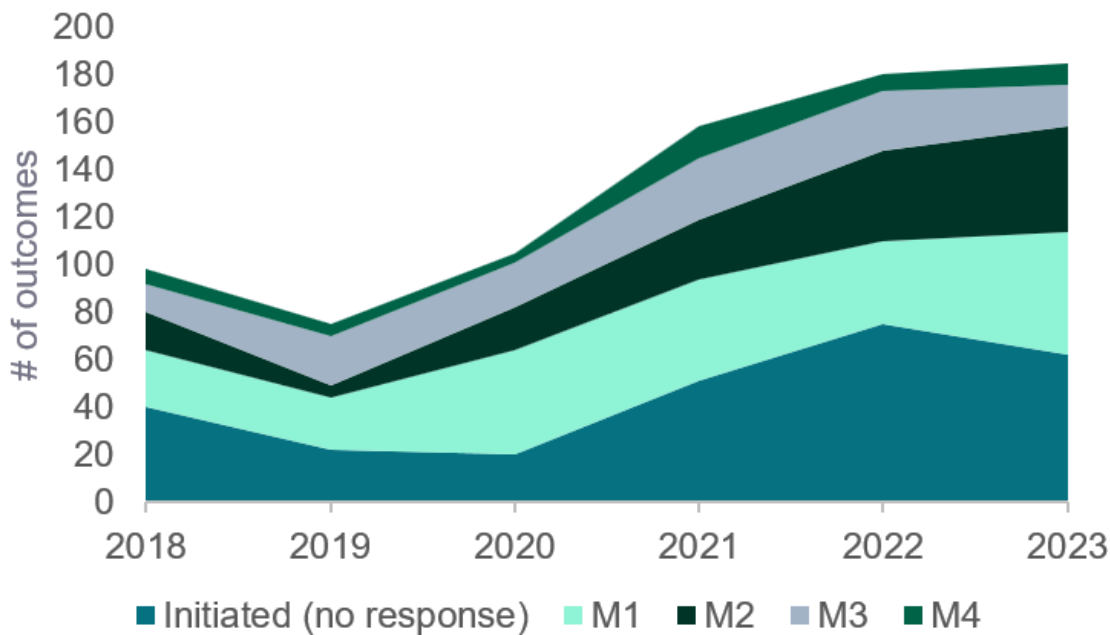


Figure 3: Milestone progress 2018-2023

3. Making disclosures meaningful

We've previously written about²⁹ our 'radically transparent' and comprehensive reporting, which extends to all of our engagement and voting work. Though serving as a form of assurance for our investors, we understand that this alone is not always helpful as navigating large volumes of data can be a challenge.

In our efforts to avoid both the 'Scylla' of cherry-picked anecdotes as well as the 'Charybdis' of meaningless data, we have developed complementary disclosures to evidence how our actions align with client priorities and values. We hope this makes them more meaningful. So far, efforts have centered around demonstrating overall progress on the highest priority issues. Figure 4, for example, shows how the biggest emitters of greenhouse gases (GHGs) in WHEB's portfolio have changed their emissions between 2022 (dots) and 2023 (triangles), and also whether their approach to managing their emissions has become more or less aligned with the Paris Agreement.

²⁹ <https://www.whebgroupp.com/our-thoughts/stewardship-in-the-spotlight-achieving-accountability-while-avoiding-engagement-washing>

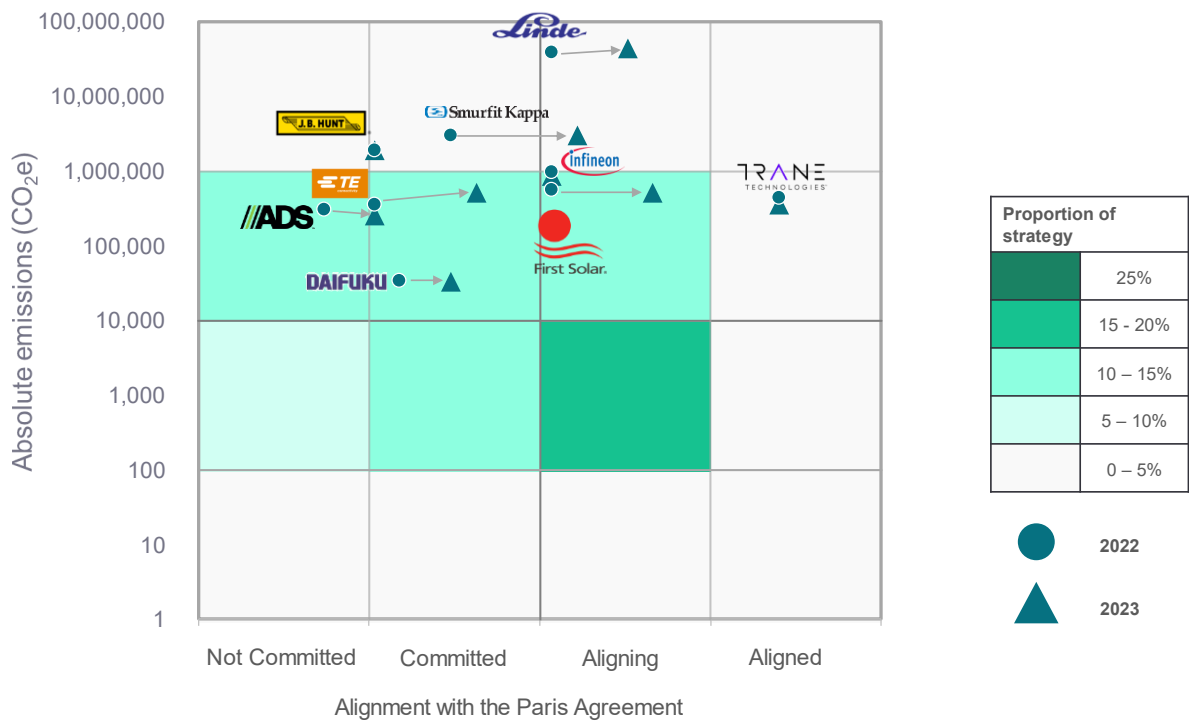


Figure 4: WHEB’s investor contribution to progressing core sustainability issues

Currently, we are working to develop this visualization tool further and to expand coverage to other key stewardship priorities such as gender diversity, biodiversity, and executive remuneration.

Conclusions

Our ambition is to give our clients the tools to see how their investments with WHEB are helping to deliver positive change through the engagement work that we do. As we head into 2024, the ability of investment managers to successfully deliver on stewardship will, in our view, depend on considered, systematic stewardship processes, underpinned by robust systems, resources, and meaningful reporting.

Performance Commentary



Market review

For the quarter overall, the MSCI World Index rose 6.78% (in GBP).

Equities rallied in Q4 on the back of big gains in November and December following a tough October.

The narrative for Q4 revolved around a meaningful easing of financial conditions over the final two months of 2023, after the Fed made a notable dovish pivot in its December meeting. The hope that Central Banks will cut interest rates sooner in 2024 than previously expected, resulted in most asset classes rallying in the final quarter of the year.

Growth and small cap stocks outperformed while commodities were the laggards. This breadth in stock strength was a change from the dominance of the magnificent seven mega-cap stocks for the better part of the year.

In terms of regions, US and European equities delivered strong returns. Japan was the weakest performing equity market, benefitting less than other markets from central bank tailwinds. The UK equity market also struggled due to a higher exposure to underperforming energy stocks and sterling strength.

Technology, Real Estate and Industrials were the strongest sectors while Energy and defensive sectors Consumer Staples and Health Care were the laggards over the quarter.

Performance review

The fund delivered strong performance over the quarter with positive contributions across most themes, most notably Resource Efficiency.

Several holdings performed well, including **Ansys**, **Trane Technologies** and **Spirax-Sarco**. Ansys is the market leader in simulation software for product design and optimisation. There are strong rumours that it is an acquisition target.

Further positive contributions came from the Environmental Services theme, led by **Advanced Drainage Systems** and **Arcadis**.

Positioning in Healthcare also added to the return with holdings **Agilent** and **CSL** performing particularly well. Agilent, the life sciences company, posted better-than-expected results and saw signs of stabilisation in order growth.

At a stock level the largest positive contributor was **Vestas**, the leading wind turbine manufacturer. The company saw very strong momentum in order intake during the fourth quarter, suggesting an improved outlook for demand.

This was partly offset by poor performance of **HelloFresh**, the meal kit delivery company. The company issued a profit warning only three weeks after their latest results, which damaged our confidence in management. In combination with their struggles to add new customers, this led us to exit our position in November.

Outlook

Following the fall in inflation, sentiment in global equities is more positive with markets expecting that the central bank tightening phase is nearing its end. This environment should be more supportive for the generally smaller and more growth-orientated impact stocks we invest in. Our faith in the sustainability-led growth drivers and competitive advantages of the companies themselves is as strong as ever.

Portfolio Activity



We initiated two new positions. One of them was a spin-off from an existing holding. We also exited two existing positions during the quarter.

Purchases

We initiated a position in **Veralto** in our Water Management theme. This is the former Environmental and Applied Solutions segment which was spun off from our existing holding **Danaher**.

Veralto is a leading company in the water analysis and treatment industry. It manufactures products that manage, test, protect, and treat water. It also provides traceability and testing services for food and pharmaceutical products.

Veralto has some really innovative water management solutions, that help reduce the environmental impact of industrial water and address water scarcity by increasing efficiency. For example, its UV and membrane filtration systems for water disinfection and contaminant removal support the recycling of 12 trillion gallons of water annually. This in turn helps improve access to clean water for more than 250 million people every day.

We also initiated a position in **Bureau Veritas** in our Safety theme. Bureau Veritas is a world leader in testing, inspection, and certification. In particular, it holds leading global positions in consumer testing, marine, and industrial inspection services, as well as strong local franchises in construction inspection and certification services. It has a diversified business portfolio which has enabled it to deliver stable margins despite the market volatility in recent years.

The company is very committed to sustainability and launched its Green Line services in November 2020. Green Line services include services specifically addressing sustainability challenges such as energy performance diagnostics and certification of energy management systems, as well as traditional services geared towards sustainability-oriented assets such as construction inspections of wind turbines. These services help its clients meet the challenges of product and service quality, health and safety, as well as environmental protection. Green Line also enables its clients to implement, measure, and achieve their sustainability objectives reliably and transparently.

Sales

We sold our position in **Daikin** in the Resource Efficiency theme. It is a leading provider of high-quality, energy-efficient air conditioning solutions for residential, commercial, and industrial sectors.

Daikin has a long track record of profitable growth and developing innovative new products. Our investment thesis has been that it would develop more energy-efficient air conditioning solutions, driving market share gains over time.

However, we recently found that the company is involved in the production of white phosphorus weapons. Weapons containing white phosphorus are widely considered to be controversial because of their incendiary characteristics. Having consulted with WHEB's independent investment advisory committee, we have included white phosphorus in our definition of banned and controversial weapons where we apply a 0% revenue threshold³⁰. We were unable to get any reassurance that the company was thinking about exiting the business, and therefore we disposed of our position in Daikin and have now disqualified it from our investment universe.

In the Wellbeing theme, we sold our position in **HelloFresh**. HelloFresh is a leading meal-kit provider in several geographies around the world. Besides HelloFresh, it also owns brands including Factor, EveryPlate, Green Chef, Chefs Plate and Youfoodz. Its direct impact is providing a healthier diet for consumers by making fresh and healthy food more accessible and convenient. It also provides another impact, which is the reduction of food waste through its more efficient supply chain management.

One of the key elements of our investment thesis was its ability to benefit from increasing demand for meal kits. Based on our recent conversations with the company management, we believed that the company's mid-term growth targets

³⁰ See <https://www.whebgroupp.com/assets/files/uploads/20240110-ethical-outcomes-final.pdf>

looked too ambitious given the weakened consumer market, and very slow growth in new customers. The company's shift of focus to the ready-to-eat (RTE) business as a growth driver also implicitly suggested the slowdown of the growth opportunity in the meal kit market.

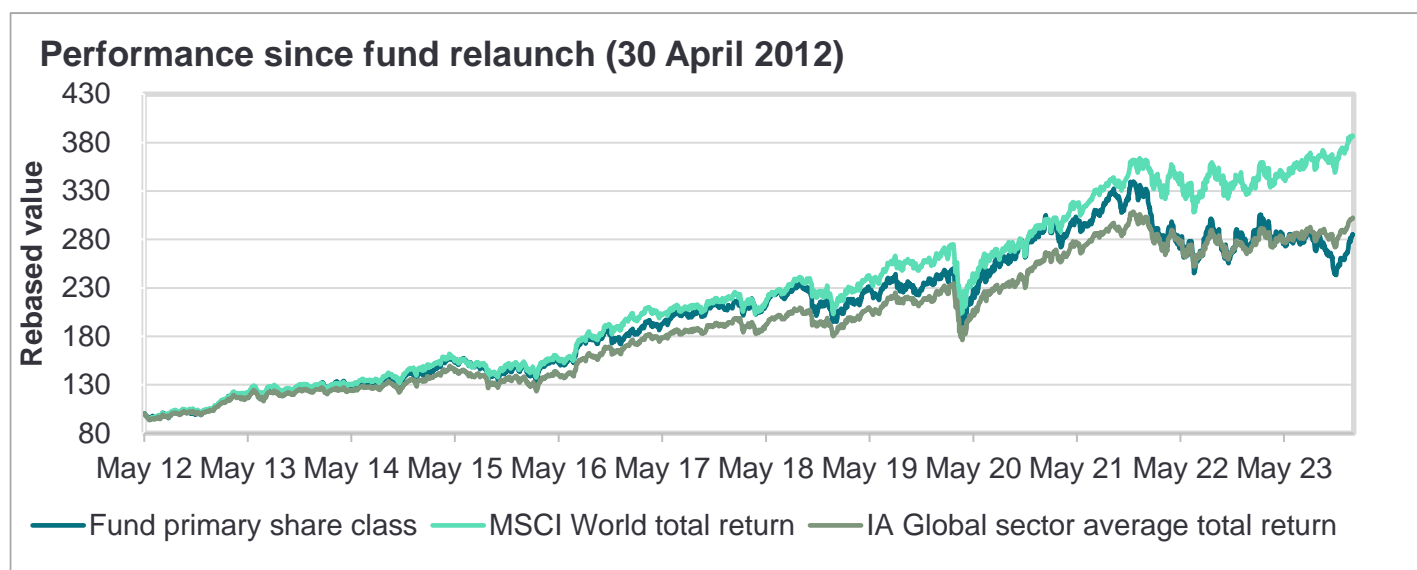
Our thesis also assumed that the company would continue to penetrate the growing meal kit market. However, we were increasingly concerned that the company would need to keep customer acquisition costs high in order to grow its customer base, which would put pressure on margins. Due to all of these factors, we decided to sell our position in HelloFresh.



FP WHEB Sustainability Fund: 31 December 2023

Fund size	£747m	IMA Sector	Global
Holdings	41	Expected number of holdings	40 – 60
Average holding period¹	5.42	Expected holding period	4 – 7 years
Active Share vs Benchmark²	97.2%	Index benchmark³	MSCI World Total Return Net GBP

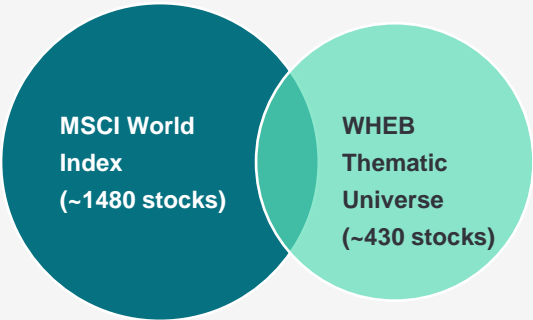
Investment Performance⁴:


Investment returns by discrete 12-month period

	Dec 2022 – Dec 2023	Dec 2021 – Dec 2022	Dec 2020 – Dec 2021	Dec 2019 – Dec 2020	Dec 2018 – Dec 2019
FP WHEB Sustainability C Acc Primary share class (GBP)	3.99%	-17.32%	15.49%	20.01%	21.03%
MSCI World total return (GBP)	16.81%	-7.83%	22.94%	12.32%	22.74%
IA Global ⁵ sector average total return	12.68%	-11.06%	17.68%	15.27%	21.92%

Cumulative investment returns

	Fund (Primary share class) %	MSCI World (Total return - GBP) %	IA Global sector average (Total return - GBP) ⁵ %
3 Months	6.53%	6.67%	6.84%
6 Months	0.84%	7.27%	5.80%
12 Months	3.99%	16.81%	12.68%
3 Years (annualised)	-0.24%	9.80%	5.65%
5 Years (annualised)	7.60%	12.78%	10.63%
Cumulative since relaunch (30 April 2012)⁶	184.95%	286.76%	203.30%

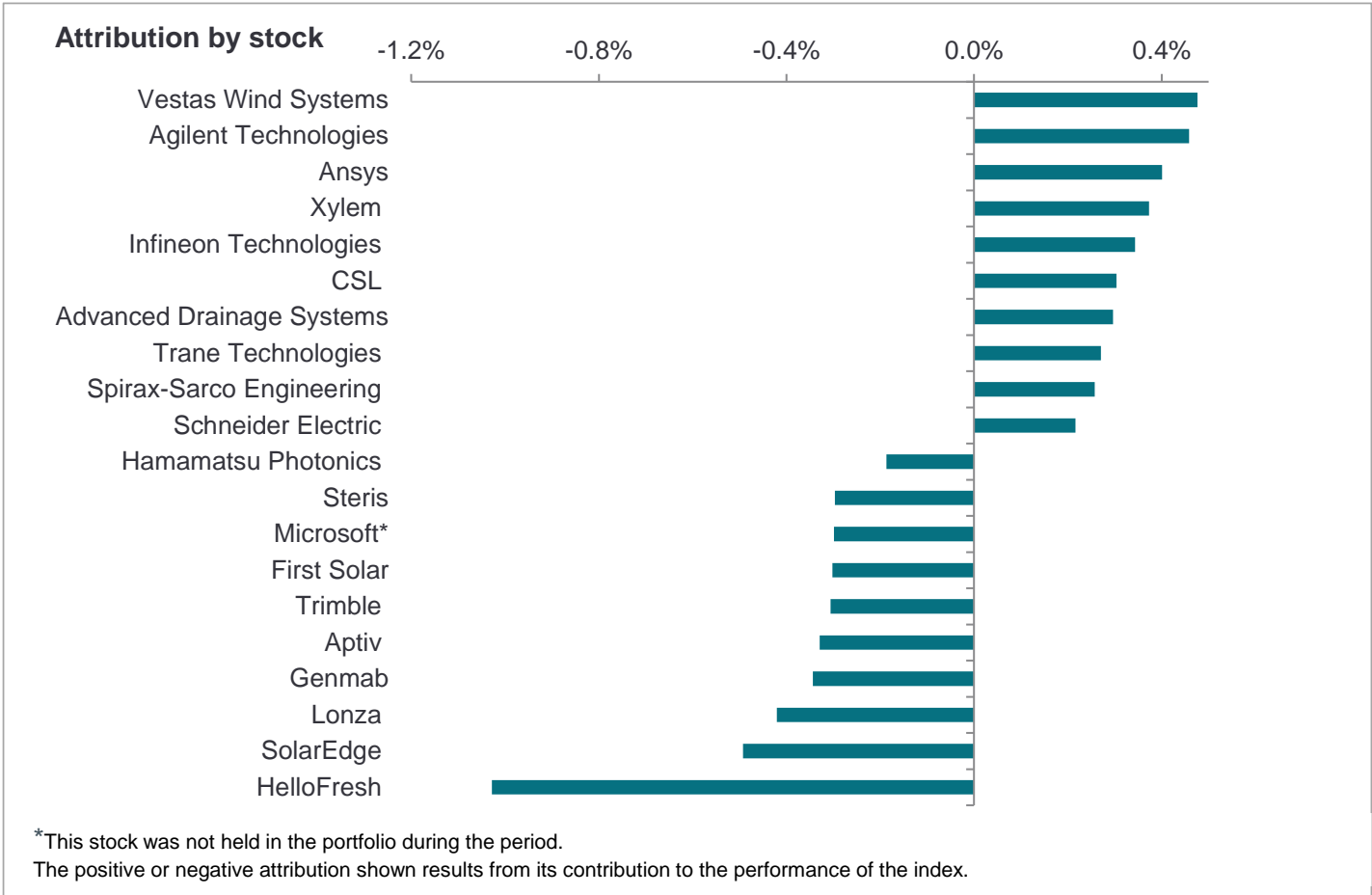


Overlap: ~200 stocks;
13.5% (as at 31 December 2023) of
MSCI World Index

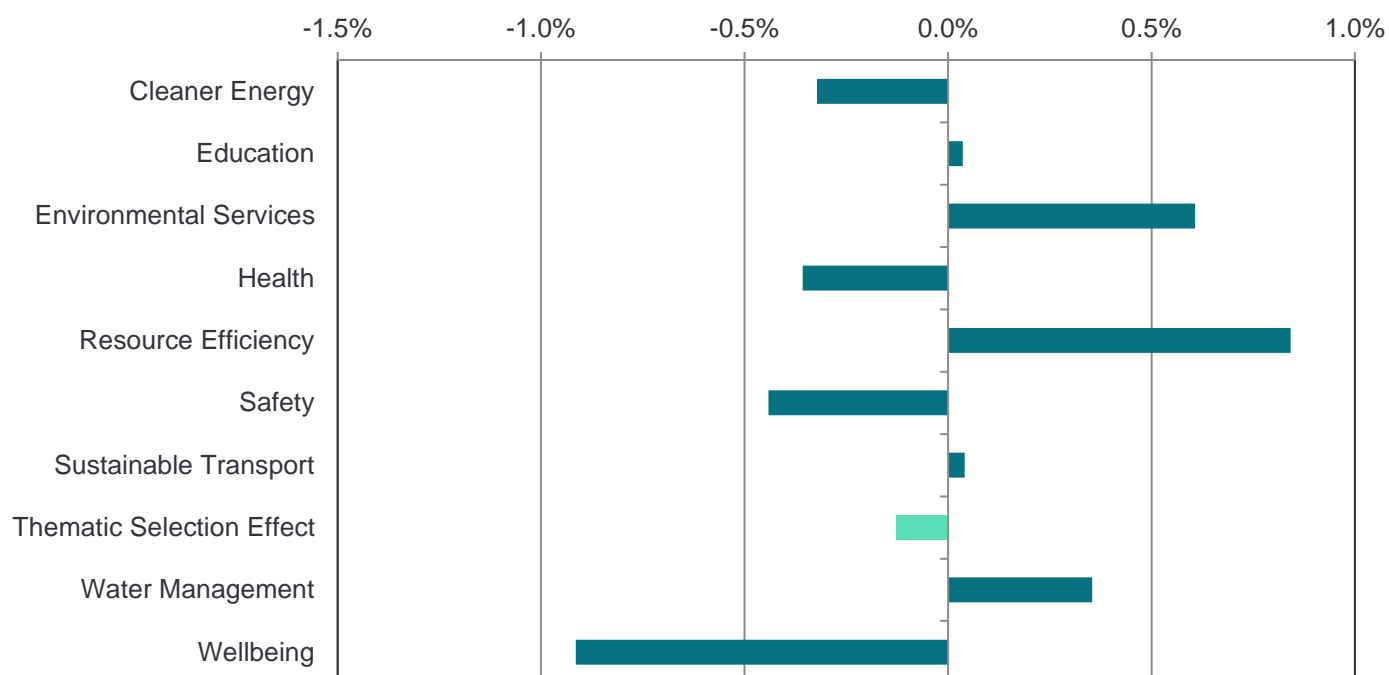
Theme Overlap

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 indices, such as financials and energy, and have significant overweights in other parts of the market, such as health and industrials.

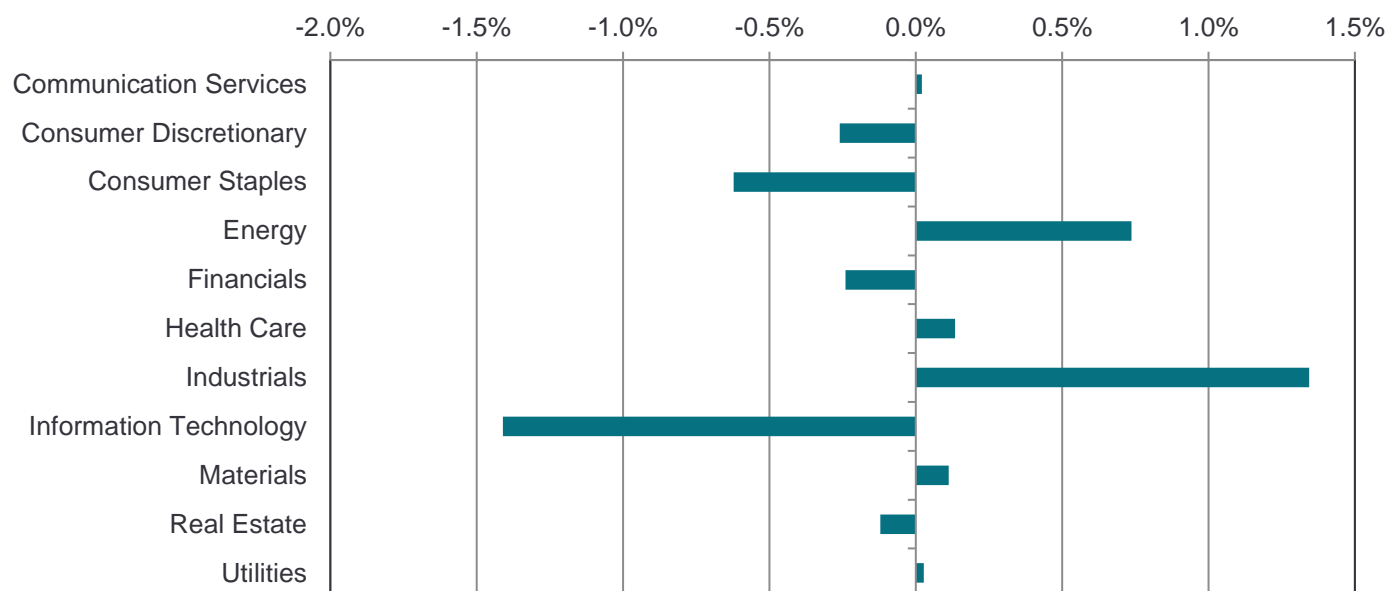
Performance Attribution – Last 3 months⁷

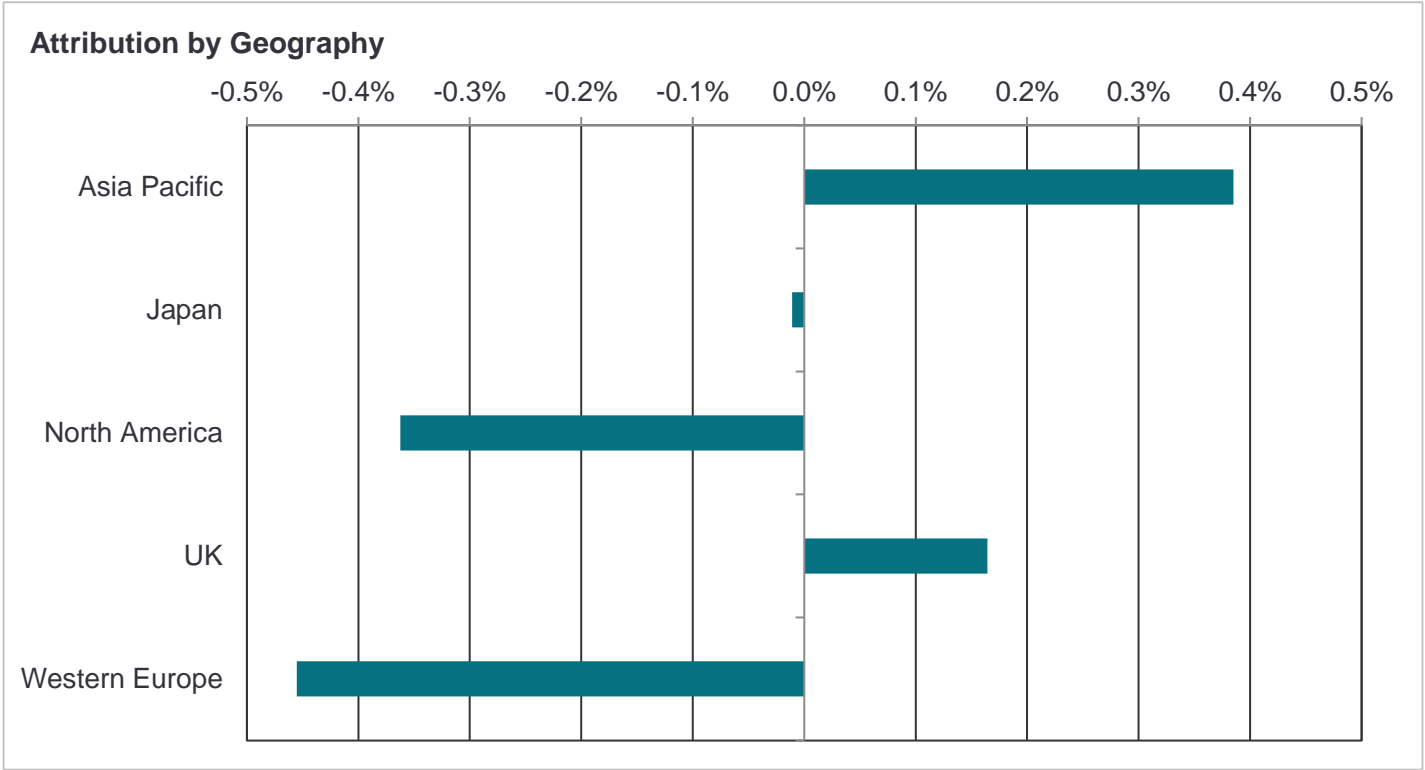


Attribution by Sustainability Theme ⁸



Attribution by Sector



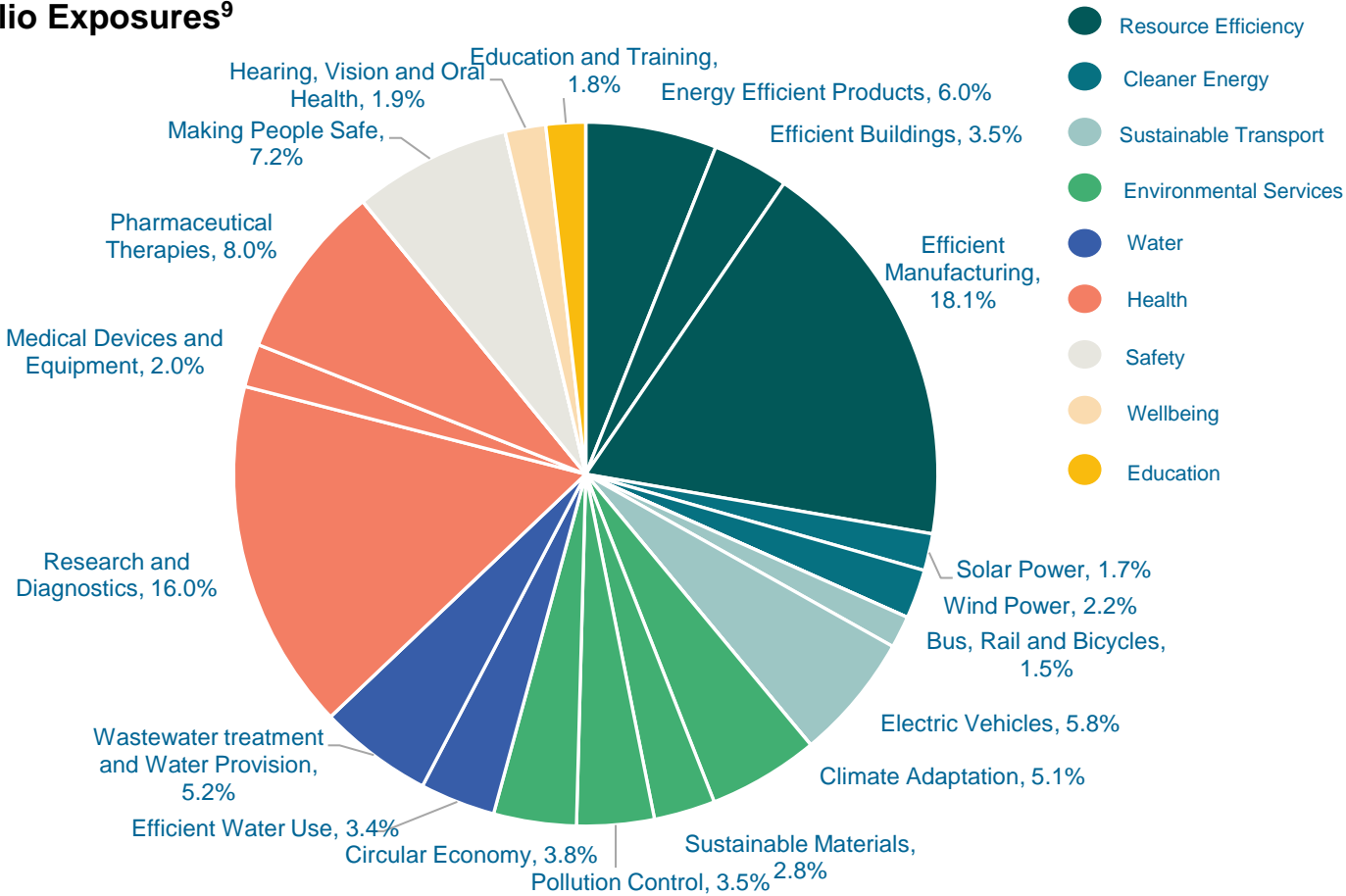


Awards and Ratings

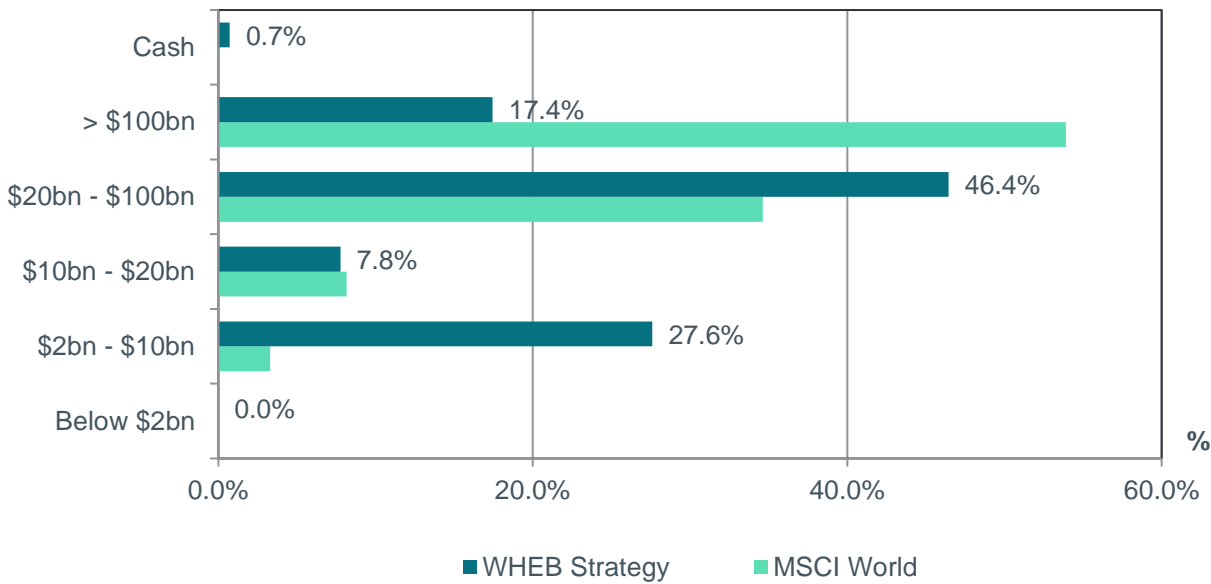


Portfolio analysis and positioning:

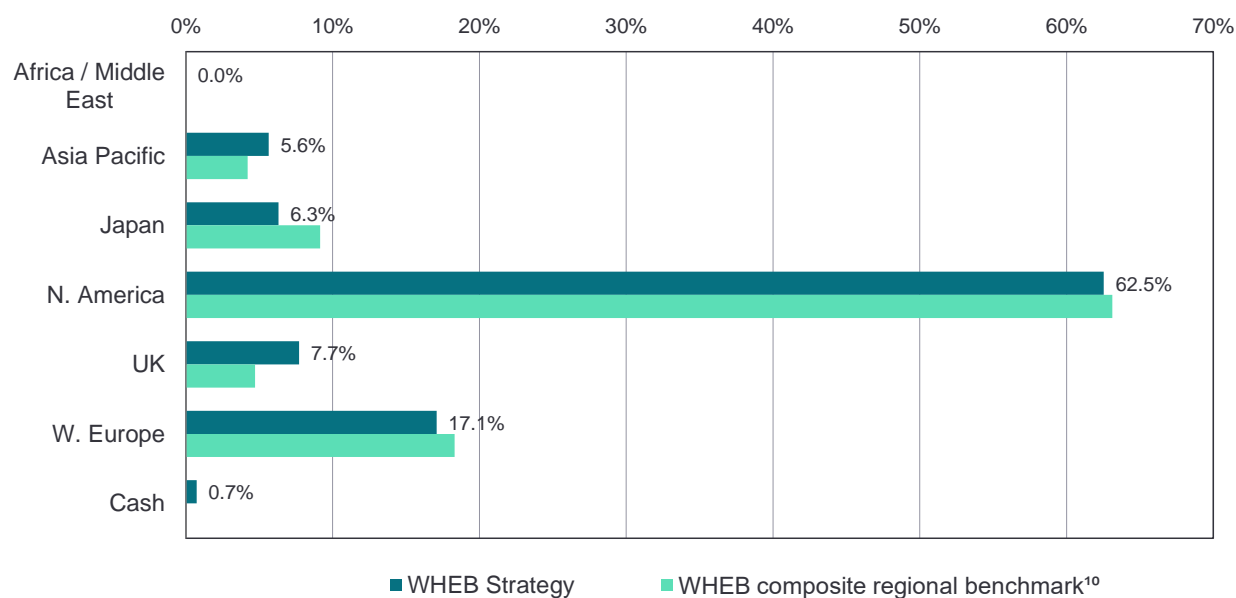
Portfolio Exposures⁹



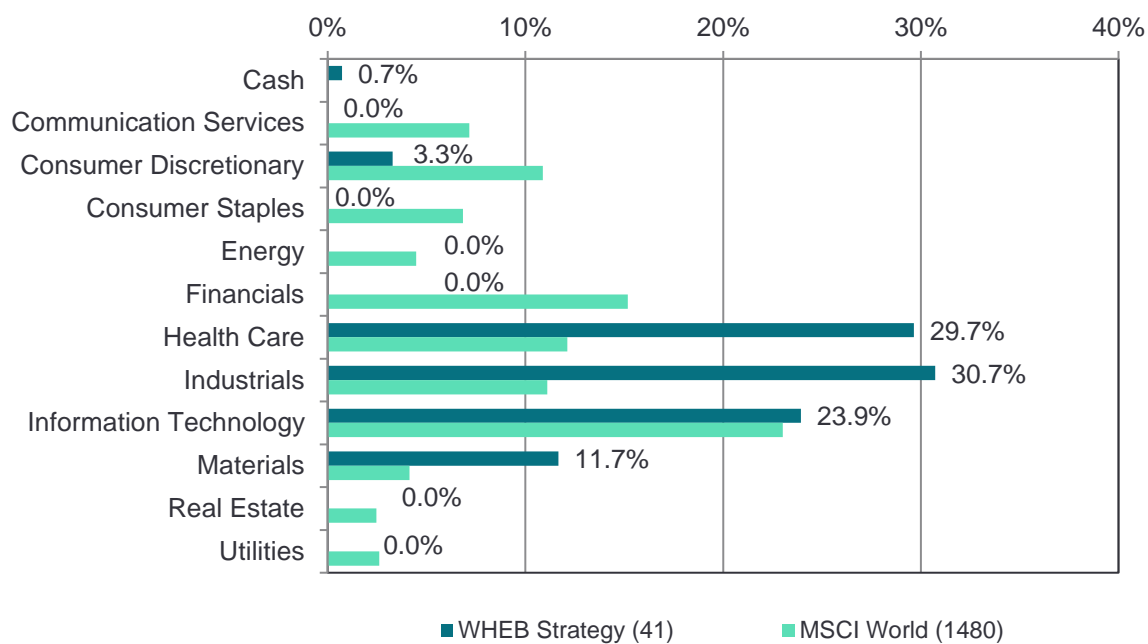
Market Cap Exposure



Regional Exposure ¹⁰



Sector Exposure ¹¹



Top Ten Holdings as of 31 December 2023

Stock	Theme	Description	Holding
Agilent Technologies	Health	A provider of bio-analytical measurement solutions to the life sciences, chemical analysis and healthcare industries. It also makes pollutant monitoring equipment for food and measures human body contamination.	4.07%
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.	4.03%
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.	3.82%
Thermo Fisher Scientific	Health	A leading provider of analytical instruments, equipment, software and services for research and diagnostics in healthcare industries.	3.70%
CSL	Health	CSL provides human blood plasma-derived products to treat bleeding disorders, infections and autoimmune diseases. CSL also manufactures vaccines and related products including for flu and cervical cancer.	3.67%
Xylem	Water Management	Xylem manufactures a wide range of products and provides services to the water industry. The company also supplies commercial, residential markets with water and wastewater systems, and provides measurement and control solutions. Xylem's strategy is characterised by the application of intelligent technology to improve water efficiency, in products such as smart meters and intelligent monitoring equipment.	3.64%
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.	3.53%
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.	3.48%
Spirax-Sarco Engineering	Resource Efficiency	Spirax-Sarco is an industrial engineering business with steam at the heart of it. Steam is a high efficiency, mission-critical tool for diverse and important industries. Its properties make it the preferred choice in a variety of applications.	3.45%
Ecolab	Water Management	A global provider of hygiene products to restaurants, hotels and hospitals, e.g. detergent. The products need much less water to be effective.	3.43%

Fund Characteristics

	WHEB	MSCI World (Total Return – GBP)
FY1 Price/Earnings (PE) ¹²	24.60	17.16
FY2 Earnings Growth ¹²	18.45	9.42
FY1 PE/FY2 Earnings Growth (PEG)	1.33	1.82
3-year Volatility ¹³	17.49	11.68

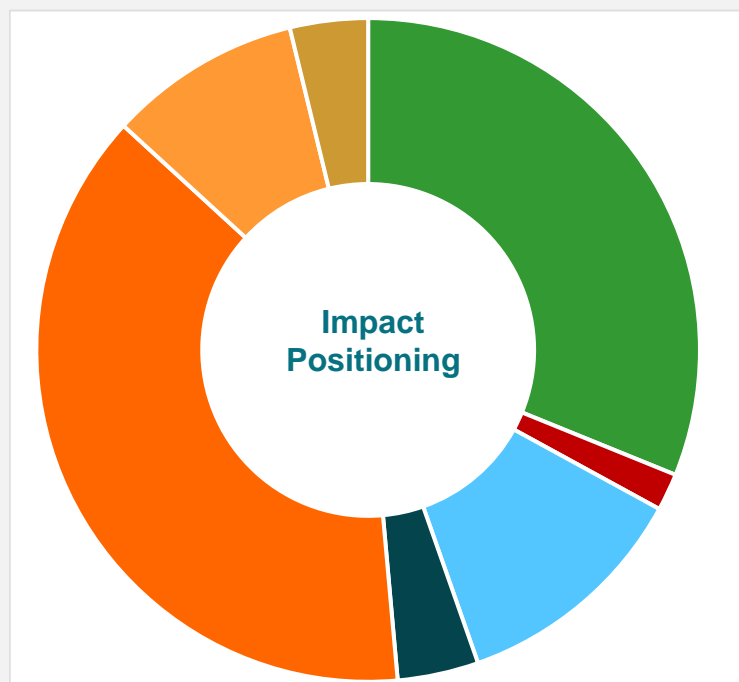
	WHEB
Beta (predicted)	1.13
1-year Tracking Error (predicted)	6.72
5-year Tracking Error (ex-post)	8.81

Trading Activity

Significant Portfolio Changes

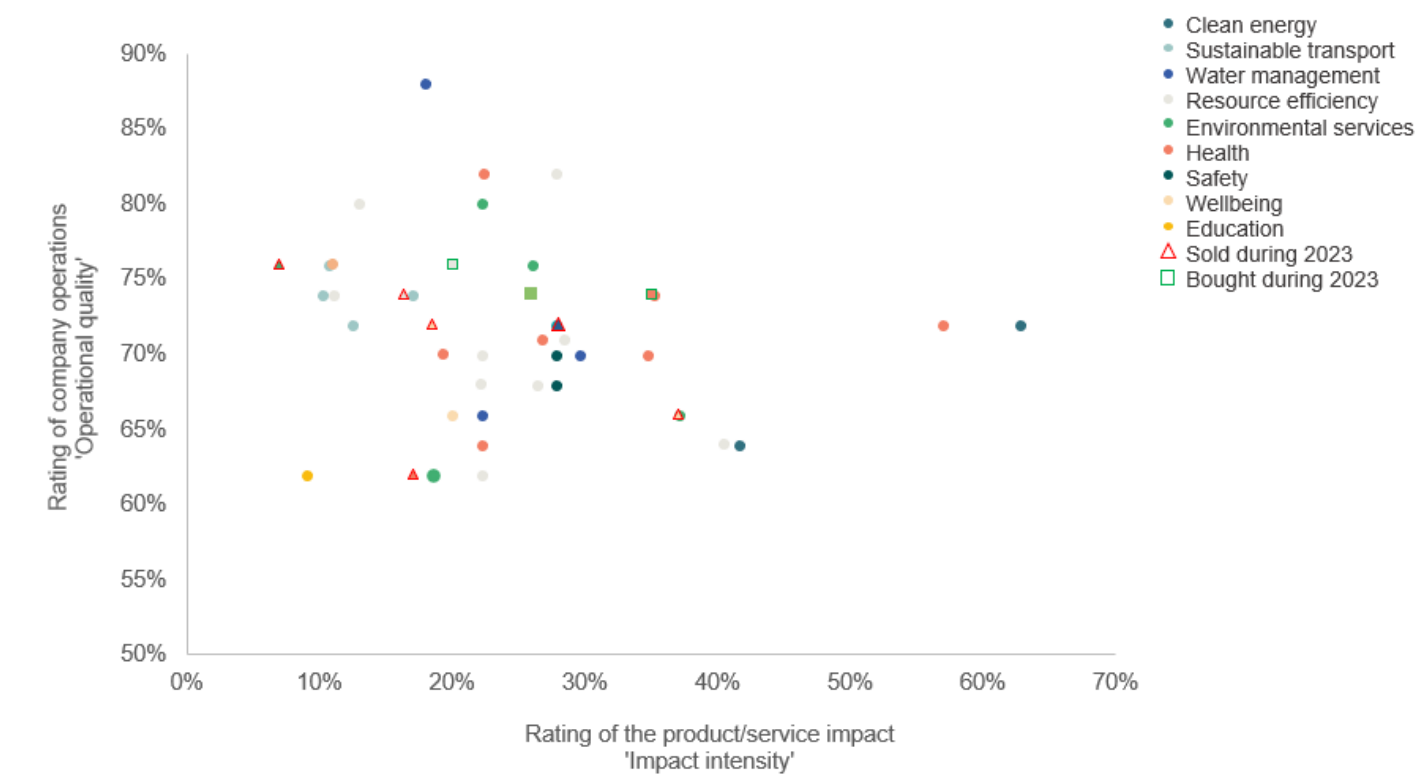
Stock Name	Purchase or sale	Theme	Brief description of purchase or sale rationale
HelloFresh	Sale	Wellbeing	Team has lost confidence in management after a profit warning, plus lack of confidence in customer growth predictions.
Bureau Veritas	Purchase	Safety	Quality testing, inspection and certification operator which has captured the sustainability opportunity.
Daikin	Sale	Resource Efficiency	Recent awareness of white phosphorus munitions business disqualifies company from universe.
Veralto	Purchase (spin-off)	Water Management	Veralto was spun out of Danaher and is now held in our Water Management theme.

Impact Positioning: Supporting the UN Sustainable Development Goals¹⁴



	31% in health & well-being
	2% in education
	12% in clean water & sanitation
	4% in affordable & clean energy
	38% in industry, innovation & infrastructure
	9% in sustainable cities & communities
	4% in responsible consumption & production

Impact map of the FP WHEB Sustainability Fund portfolio following changes in 4Q 2023 ¹⁵



Engagement and voting activity

Voting Record: Q4 2023

The table below summarises the voting record at companies held in WHEB's investment strategy from 1st October to 31st December 2023. Full details of how we voted on each of the individual votes are detailed on our website:

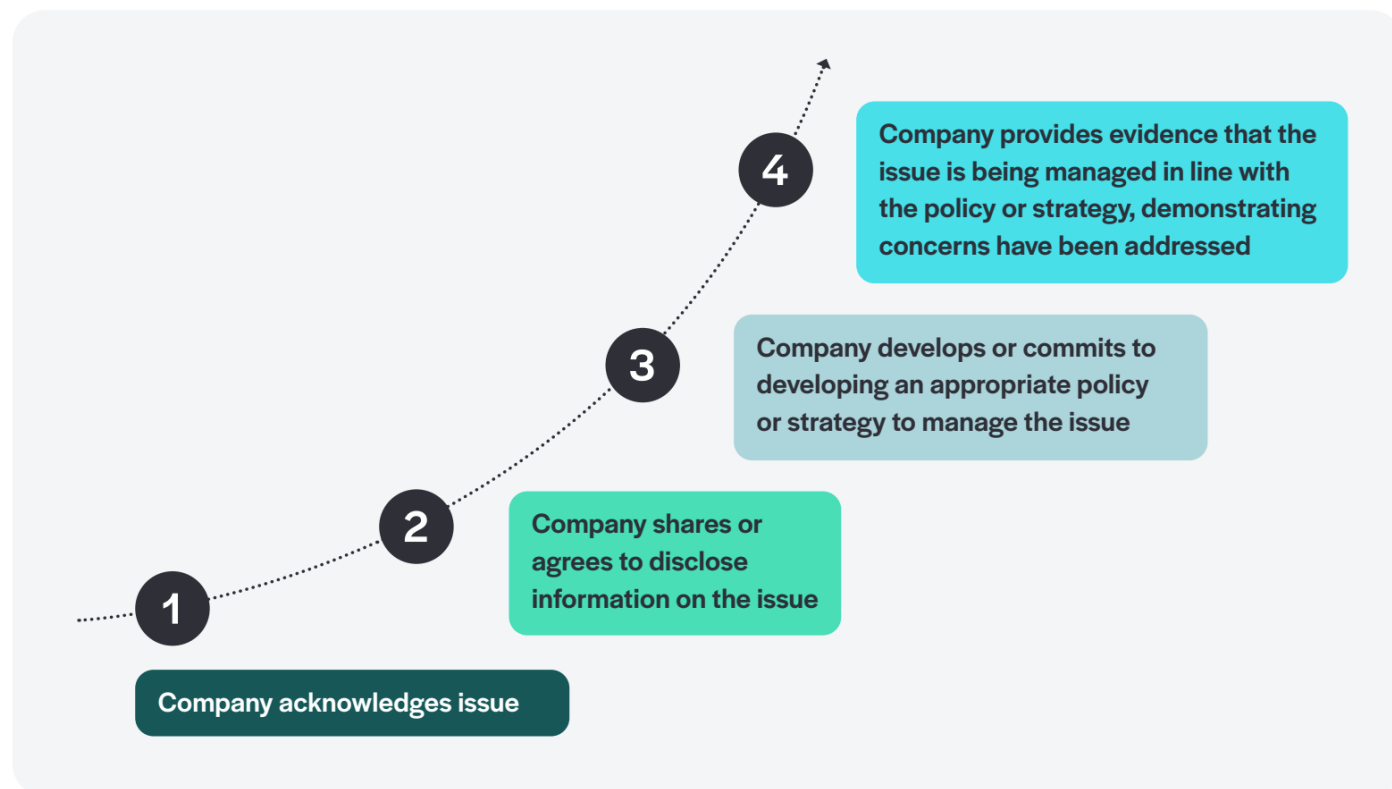
<http://www.whebgroupp.com/investment-strategy/fund-governance/engagement-and-voting-records/>

Meetings	No. of meetings	%
# votable meetings	4	
# meetings at which votes were cast	4	100%
# meetings at which we voted against management or abstained	2	50%
Resolutions	No. of resolutions	%
# resolutions	40	
# non-voting resolutions non-voting	6	
# resolutions eligible to vote	34	
# eligible resolutions voted	34	100%
# votes cast with management	30	88%
# votes cast against mgmt. or abstained or withheld (see list in appendix)	4	12%
<i># of which were withheld</i>	0	
<i># of which were abstain</i>	1	
# votes cast against ISS recommendations	4	12%

Company engagement: Q4 2023

Engagement Summary	Count	%
# Companies engaged	16	
# Engagements	25	
# Milestone 0 – company does not acknowledge issue	8	32%
# Milestone 1 – company acknowledges issue	4	16%
# Milestone 2 – company shares or agrees to disclose information on the issue	7	28%
# Milestone 3 – company develops or commits to developing an appropriate policy or strategy to manage the issue	3	12%
# Milestone 4 – Company provides evidence that the issue is being managed in line with the policy or strategy, demonstrating concerns have been addressed	3	12%

WHEB's engagement milestones



Company	Topic	Objective	Method	Milestone
Air Liquide SA	Carbon - Net Zero target/strategy	Collaborative effort coordinated by ShareAction aiming for Air Liquide to commit to setting a SBTi-aligned Scope 3 target covering up-and downstream emissions and to improve communications of their approach to Scope 3.	Collaborative/ Group	M0
Coloplast A/S Class B	Director independence/overboarding	Request for independent lead director in absence of lead independent Chair	Formal Letter (AGM)	M1
	Director independence/overboarding	The chair and a director are considered overboarded. Encouraging company to improve director independence by reducing number of overboarded directors.	Formal Letter (AGM)	M1
	Auditor independence/tenure	Change of auditor (incumbent for >10 years). Vote against re-appointment of the auditor and the chair of the audit committee	Formal Letter (AGM)	M1
Croda International Plc	Carbon - Net Zero Target/Strategy	To discuss Croda's response to the NZEI letter sent by IIGGCC, and discuss further questions the group had regarding net zero, specifically around Croda's plan to prepare and disclose a Net Zero Transition Plan.	Collaborative/ Group	M4
DAIKIN INDUSTRIES, LTD.	Environmental Pollution - Hazardous chemicals	IIHC letter to Daikin reporting on their poor score in the ChemScore ranking and encouraging them to improve. Objectives: 1. Increase transparency; 2. Publish time-bound phase-out plan of products that are, or contain, persistent chemicals; 3. Develop safer alternatives for hazardous chemicals	Collaborative/ Group	M0
	Human Rights	For the company to terminate the business unit responsible for manufacturing weapons made with white phosphorous.	Email	M2
Ecolab Inc.	Environmental Pollution - Hazardous Chemicals	Objectives: 1. Increase transparency; 2. Publish time-bound phase-out plan of products that are, or contain, persistent chemicals; 3. Develop safer alternatives for hazardous chemicals	Collaborative/ Group (WHEB as engagement Lead)	M4

First Solar, Inc.	Carbon - Net Zero Target/Strategy	Ongoing encouragement of FirstSolar to address worker rights in its supply-chain, reduce chemical use and Scope 2 carbon emissions	Collaborative/ Group	M2
Hamamatsu Photonics K.K.	Director independence/overboarding	For company to ensure the Chair or lead director is independent.	Formal Letter (AGM)	M0
	Board independence	To reduce the number of insider board directors.	Formal Letter (AGM)	M0
	Disclosure – ESG	To improve on poor disclosure regarding board members and remuneration	Formal Letter (AGM)	M0
	Diversity – gender	Improve board-level female representation	Formal Letter (AGM)	M0
	Carbon - Net Zero Target/Strategy	For the company to commit to net zero carbon by 2050.	Formal Letter (AGM)	M0
HelloFresh SE	Carbon - Net Zero Target/Strategy	Company invited WHEB team to feedback on potential insetting strategy	Email	M2
J.B. Hunt Transport Services, Inc.	Carbon - Net Zero Target/Strategy	For company to set SBTi net zero carbon target.	Call	M2
Linde plc	Carbon - Net Zero Target/Strategy	Better understand the credibility of Linde's NZC target and strategy are	Email/Call	M3
Siemens Healthineers AG	Biodiversity	Analyse company's assessment of biodiversity risk and opportunities.	Collaborative/ Group	M2
Smurfit Kappa Group PLC	Biodiversity	Analyse company's assessment of biodiversity risk and opportunities.	Collaborative/ Group	M2
	Human Rights	Assess approach for managing operations and land responsibly, particularly with regards to local communities and high-risk groups such as indigenous peoples.	Email/Call	M2
Spirax-Sarco Engineering PLC	Investor Materiality Assessment	Company requested WHEB's input on double materiality assessment in preparation for EU CSRD alignment	Email/Call	M3
TE Connectivity Ltd.	Carbon - Net Zero Target/Strategy	Discussions with collaborators on how to escalate this engagement.	Collaborative/ Group	M0
Thermo Fisher Scientific Inc.	Human Rights	Assessment of company's policies and processes to ensure its products are not used for purposes related to human rights abuses.	Call	M4
Vestas Wind Systems A/S	Employee/worker rights	Clarification of alleged controversy	Collaborative/ Group	M1
	Biodiversity	Improve disclosure regarding evolving biodiversity strategy, improve transparency and provide ongoing feedback.	Collaborative/ Group	M3

* 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.

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

¹ 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 30th September 2023 the UCITS holding period based on the UCITS methodology was 6.34 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 20 of this report to avoid the risk of presenting a confusing figure.

² Active Share refers to the % overlap between the Fund and MSCI World Index weightings. Data as at 31st December 2023. Source: Factset.

³ 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.

⁴ 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 2nd 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.whebgroupp.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.

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

⁶ 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.

⁷ 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.

⁸ 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.

⁹ Source: Apex, data as of 31st December 2023. Numbers may not add up to 100% due to rounding.

¹⁰ 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.

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

¹² 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. Outliers more than 3 standard deviations from the mean have been excluded.

¹³ Volatility data as at 31st December 2023, source: Bloomberg.

¹⁴ For information on impact mapping please see our Impact Measurement Methodology, available here: <https://www.whebgroupp.com/assets/files/uploads/202303-impact-measurement-methodology.pdf>

¹⁵ *ibid*