

**WHEB Asset Management LLP**  
**Investment Advisory Committee Meeting**  
**22<sup>nd</sup> October at 3pm**

**Summary Minutes**

**Attendees:**

<b>Seb Beloe (Head of Sus. Research)</b>	<b>Geoff Hall (Chair)</b>
<b>Clare Brook (Head of Bus Dev)</b>	<b>David Lloyd-Owen (Adviser)</b>
<b>Tim Dieppe (Fund Manager)</b>	<b>Nick Robins (Adviser)</b>
<b>Ted Franks (Associate Fund Manager)</b>	
<b>Bobby Glamorgan (Intern)</b>	
<b>Hyewon Kong (Senior Analyst)</b>	
<b>George Latham (Managing Partner)</b>	
<b>Ty Lee (Senior Analyst)</b>	

**Apologies from:**

**Crispin Odey (Adviser)**  
**Ben Goldsmith (Internal Adviser)**

**1. Fund performance and business update**

- George Latham (GL) reported that the fund is now top of the comparable thematic peer group over five months since the new strategy was fully implemented at end of April.
- Subsequent discussion focused on positioning the fund as a 'new model for SRI'. In particular it was suggested that the tone and focus of the blog (on companies providing solutions to sustainability problems) should be central.
- It was also suggested that we should be clear on how the fund is different from traditional SRI funds which often tend to have big holdings in large cap mainstream companies.
- Nick Robins (NR) suggested that voting and engagement reports, while accurate, were boring. He suggested we should address high level issues that give a sense of the on-going nature of engagement – rather than simply providing lists.

**2. Review of fund holdings**

- Ted Franks (EF) walked through the portfolio holdings focusing on each of the new holdings added since the end of April. It was noted that a proportion of the new holdings sit within the Education theme which was formally added to the fund strategy at the beginning of September.
- There were no concerns raised about the portfolio holdings.
- There followed a discussion about Sodastream the makers of home carbonation products. The team believe there is a case to include the company in the fund on the

basis that its product avoids the need for the significant quantity of packaging (and associated delivery costs) associated with traditional bottled drinks.

- However, we have a significant concern regarding the location of the main manufacturing operations in the occupied Palestinian territory of the West Bank. We agreed that any investment would be predicated on an extremely high level of corporate responsibility from the business at this facility addressing not just operational issues on the site, but also wider support for democratic rights in the region. We agreed to write to the company to understand their approach to this issue in more detail.

### **3. Portfolio screens: Exposure to government spending and business ethics (Tim Dieppe (TD)/SB)**

- At the Advisory Committee's request, two screening processes were commissioned on the fund. TD introduced the first process which established the fund's exposure to government spending cuts and the extent to which companies in the portfolio offer to save their customers money. The analysis indicated that 44% of fund holdings are exposed to government spending, but 37% offer to save customers money.
- SB described the methodology of the business ethics screen which focuses on identifying characteristics of businesses that have historically made them more vulnerable to corruption and business ethics issues. The total number of these red flags then equates to the overall level of risk that a company experiences. We plan to complete the screen in October/November and report back at the next Committee Meeting in early 2013.

### **4. Theme reviews – Hyewon Kong (HK)/SB**

- In-depth reviews of each of the investment themes are undertaken as part of the investment research process.
- HK presented the US Rail and Intermodal review (part of the Sustainable Transport theme). The decision was taken at the review to exit our position in the US railroad company CSX and start a position in Kansas City Southern (KSU). We had an existing holding in JB Hunt (JBH) which we retained following the review.
- SB presented the Industrial Gases review (part of the Environmental Services theme). As a result of the review, a position was initiated in Praxair.

### **5. Strategic questions: Advisory Committee proffers its views on markets, the economy, legislative and sustainability developments.**

#### **Likely outcome of the US election and implications for the fund's themes**

- NR argued that Obama and Romney have very different views on US energy strategy. However, he pointed to some conservative commentators that argue a carbon tax would be an effective way of reducing the public sector deficit which, if offset by reductions in income tax, could be made appealing to the US electorate.

- David Lloyd-Owen (DLO) argued that the US already lags behind other developed countries in their environmental standards and that a Republican victory would almost certainly lead to further erosion in the effective management of water and waste.

#### **Freak weather events - managing the new normal**

- Both DLO and NR agreed that the freak weather events of 2012 represent a “new normal”, and that companies will need to adapt to these new conditions.
- DLO pointed to the work that Suez Environnement is doing in deploying more remote sensors to better monitor critical flood protection infrastructure.
- NR suggested that industry has typically been poor at monitoring and calibrating its operations to different weather conditions. To date, this sort of work has largely been limited to specific industries such as utilities and farming, but he anticipates that this will become common-place across many more industry sectors in future.

#### **Developments in energy policy**

- We had a brief discussion on developments in energy policy around the world including touching on the growing importance of energy efficiency in Japan in all future scenarios of their energy mix, and in China on the slow-down in energy growth being the result of a deliberate policy to shift economic growth to higher value (and lower energy intensity) activities.

#### **6. AOB**

- The next meeting will take place in January. A date will be arranged by WHEB at a time that all committee members can attend.