

**WHEB Asset Management LLP**  
**Investment Advisory Committee Meeting**  
**23<sup>nd</sup> January at 4.30pm at 2 Fitzhardinge Street, London, W1H 6EE**

**MINUTES**

**Attendees:**

<b>Seb Beloe (Head of Sus. Research)</b>	<b>Ben Goldsmith (Internal Adviser)</b>
<b>Clare Brook (Head of Bus Dev.)</b>	<b>David Lloyd-Owen (Adviser)</b>
<b>Tim Dieppe (Fund Manager)</b>	<b>Crispin Odey (Adviser)</b>
<b>Ted Franks (Associate Fund Manager)</b>	<b>Nick Robins (Adviser)</b>
<b>Hyewon Kong (Senior Analyst)</b>	
<b>George Latham (Managing Partner)</b>	
<b>Ty Lee (Senior Analyst)</b>	

**Apologies from:**

**Geoff Hall (Chair)**

**1. Fund performance and business update**

- Ben Goldsmith (BG) provided a brief update on recent developments in the business. This has included new investors in WHEB Group including Sir Stuart Rose (ex-CEO of Marks and Spencer) and Stuart Roden (Lansdowne Partners) and the decision to appoint a non-executive Chairman.
- George Latham (GL) provided an update on the business including noting that the fund has grown in size by around £10m since the last meeting.
- Tim Dieppe (TD) gave an update on the fund's performance which has had a strong quarter including strong contributions from Polypore (Sustainable Transport) and Trimble Navigation (Resource Efficiency).
- There followed some initial discussion about how exposed the fund was to a cyclical rally. TD explained that while the fund is not massively overweight cyclical stocks it does have good exposure to cyclical industrial stocks representing approximately 40% of the fund principally through the Resource Efficiency theme.

**2. Review of fund holdings – Tim Dieppe (TD)**

- TD introduced the three new holdings that have been brought into the fund in the quarter, Cooper Companies (Health), IPG Photonics (Resource Efficiency) and WABTEC (Sustainable Transport).
- None of the committee members raised concerns about these new holdings or other existing holdings in the fund.

### **3. Portfolio screens: Business ethics - Seb Beloe (SB)**

- SB reported back on the outcomes of the business ethics screen. Of the fund's holdings, nine companies were considered to have heightened business ethics risks. Of these nine, the team has had conversations with four of these companies to discuss how they manage these risks.
- In each case we have considered a range of factors including: 1) management's recognition of the heightened risks, 2) the existence and quality of business ethics policies and systems, and 3) an assessment of 'soft' issues such as culture and 'tone from the top' that support high standards of business ethics.
- In two of the four companies we have become more negative following the research: in one case because we considered management's approach to be somewhat haphazard, and in the other because, while management clearly recognize the risks, to date, the policies and systems for managing these risks are poor. In one case, our view of the company was improved on the basis of our conversations.
- Committee members suggested that this analysis was likely to be particularly valuable for smaller growth companies and that the analysis should be framed around 'amber lights' rather than red flags reflecting the focus on areas of risk rather than areas of actual bad practice.

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

#### **What items of spending will be the key areas of negotiation for the debt ceiling and implications for our themes?**

- Members pointed out that the US debt ceiling deadline has now been postponed and that the focus will be on the housing market as a catalyst for stronger growth across the economy. Members agreed with Ted Franks (TF) that healthcare is still vulnerable to debt ceiling negotiations, but that action might be more muted than expected because of Obama's support for healthcare entitlements.
- Members also argued that much of the ingredients for improving economics particularly in the US are now in place, but what is still needed is confidence, something that could come from positive housing data.

#### **Resource scarcity – what are the real-world implications? Will we see 'sensible' policies driving greater efficiencies or trade wars and conflict?**

- Committee members were up-beat on the prospects for resource efficiency as an investment theme arguing that high energy – and particularly oil – costs, combined with cheap capital mean that this is a good time to replace capital equipment. Companies have been delaying capex and now productivity gains associated with new technologies are significant.
- US water infrastructure is also considered to be in a critical condition. Members acknowledged that standards in the US are lower than in Europe and it is not clear who will pay for upgrades. Nevertheless, it was argued that the emergence of new 'smart water' technologies offer a compelling return for new capex in this area.

**After the clean-tech bubble of 2007-08, is 2013 likely to be the year when clean tech re-emerges in more commercial form?**

- Members agreed that technologies that deliver economic value can be expected to do well in the coming years. As one member put it, 'it isn't about being green, it's about being sensible.'
- Policy-makers are expected to remain central. Members argued that the US may take up a leadership role on the climate agenda. In part because of the rapid shift from coal to gas as a power source. It was also suggested that the new Obama administration might choose to accelerate this shift while also pushing legislation for a carbon tax. A proposal that has been attracting support from some parts of the Republican party.
- Meanwhile, it was suggested that enthusiasm in Europe may be receding, in part reflected in the difficult phase that the European emission trading scheme is currently in.

**5. AOB**

- Members highlighted the recent controversies around levels of corporate tax payments and suggested that this was likely to remain a contentious issue. It was suggested that WHEB conduct a screen of companies in the portfolio to assess the extent to which companies were at risk as a consequence of their policies on tax avoidance.
- Members also supported recent changes to the Voting and Engagement report and encouraged WHEB to go further – positioning these reports as being about how WHEB is using its investors' money to promote positive change.
- As part of efforts to expand the membership of the committee, IAC members were invited to submit names for new members which the team will consider in advance of the next IAC meeting.