

# FP WHEB Sustainability Fund

Short Report for the six months ended 31 August 2014

## Investment Objective and Policy

The aim of the Fund is to achieve capital growth over the medium to longer term.

The Fund will invest predominantly in global equities and in particular will invest in such equities in those sectors identified by the investment manager as providing solutions to the challenges of sustainability. Under normal circumstances, the Fund will hold cash on deposit up to 10% of the value of the Fund.

The Fund may also invest in other transferable securities, Collective Investment Schemes, money market instruments and near cash.

The Fund may also invest in derivatives for efficient portfolio management. This is in order to reduce the Fund's exposure to risk, as permitted under the FCA Rules.

## Fund Facts

Interim/Annual Accounting End Dates	Ex-dividend (xd) Dates	Income Distribution/Accumulation Dates
31 August 28 February	01 March	30 June

## Risk Profile

Please refer to the Full Prospectus for details of all the risks. The Fund has exposure to credit, counterparty and usual market risks. Past performance is not a guide to future performance. The value of investments and any income from them may go down as well as up. Exchange rate changes may cause the value of any overseas investments to rise or fall. You should always regard investments in the Fund as medium to long term.

## Charges

Share Class	Initial Charge	Annual Management Charge as at 31/08/14	Ongoing Charge Figures as at 31/08/14	Ongoing Charge Figures as at 28/02/14
Share Class A	0.00%	1.50%	1.68%	1.70%
Share Class C	0.00%	0.85%	1.03%	1.05%

## Distributions/Accumulations

The Fund distributes annually, following the annual accounting period. Therefore there is no distribution in the current period.

## Comparative Tables

### Net Asset Value

Date	Net Asset Value of Share class (£)	Shares in issue	Net Asset Value per Share (p)
Share Class A Accumulation			
28/02/12	28,558,337	26,851,489	106.36
28/02/13	24,545,939	20,912,985	117.37
28/02/14	15,961,278	12,320,982	129.55
31/08/14	13,825,938	10,362,802	133.42
Share Class C Accumulation			
28/02/13	16,614,880	14,441,414	115.05
28/02/14	36,200,106	28,321,752	127.82
31/08/14	41,286,017	31,261,571	132.07
Share Class C Income			
28/02/14	6,751,380	6,821,405	98.97
31/08/14	10,793,733	10,554,797	102.26

### Price and Revenue History

Calendar Year	Highest Published Share price (p)	Lowest Published Share price (p)	Net Revenue per Share (p)
Share Class A Accumulation			
2009 <sup>1</sup>	116.27	97.63	0.0000
2010	122.45	104.01	0.0000
2011	124.48	91.05	0.0000
2012	107.66	93.99	0.0000
2013	127.69	104.66	0.0000
2014 <sup>3</sup>	134.01	123.31	0.0000
Share Class C Accumulation			
2012 <sup>2</sup>	102.48	96.58	0.0000
2013	125.85	102.49	0.0376
2014 <sup>3</sup>	132.65	121.61	0.0843 †
Share Class C Income			
2014 <sup>4</sup>	102.71	94.17	0.0000

<sup>1</sup> From 26 May to 31 December 2009.

<sup>2</sup> From 3 September to 31 December 2012.

† Includes distribution paid 30 June 2014.

Share Class C Income was launched 6 January 2014

<sup>3</sup> From 1 January to 31 August 2014.

<sup>4</sup> From 6 January to 31 August 2014.

Share Class C Accumulation was launched 3 September 2012.

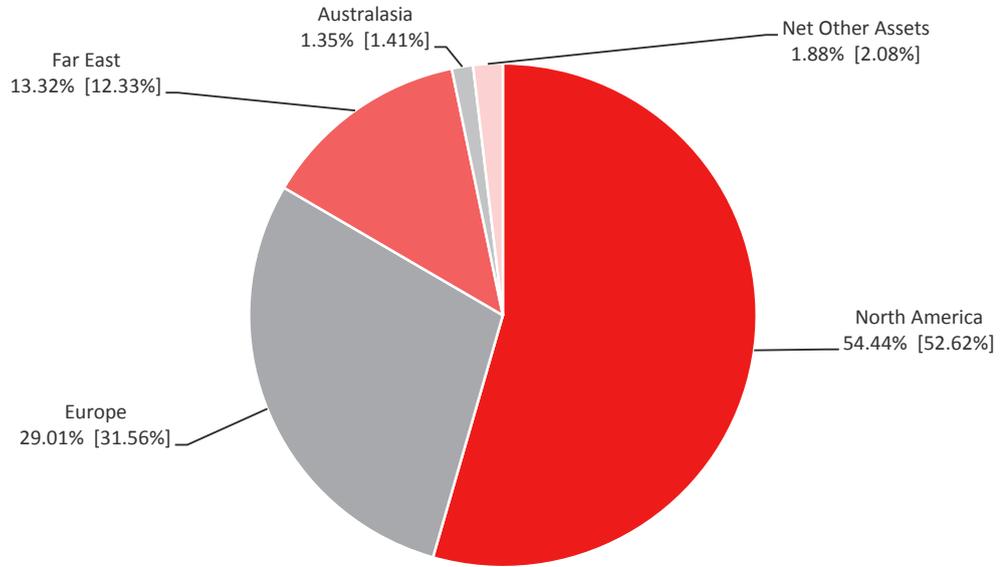
### Major Holdings

Top 10 Holdings	% of Fund as at 31/08/14
Ecolab	2.10
Quanta Services	1.98
Wabtec	1.92
BorgWarner	1.90
LKQ	1.89
Xylem	1.86
Pentair	1.83
Thermo Fisher Scientific	1.74
Pall	1.73
Mettler Toledo	1.72

Top 10 Holdings	% of Fund as at 28/02/14
Pentair	2.07
BorgWarner	2.02
Thermo Fisher Scientific	1.99
Novo Nordisk	1.92
Trimble Navigation	1.90
Covidien	1.88
Fresenius	1.87
Quanta Services	1.84
Johnson Controls	1.80
Mednax	1.75

## Portfolio Information

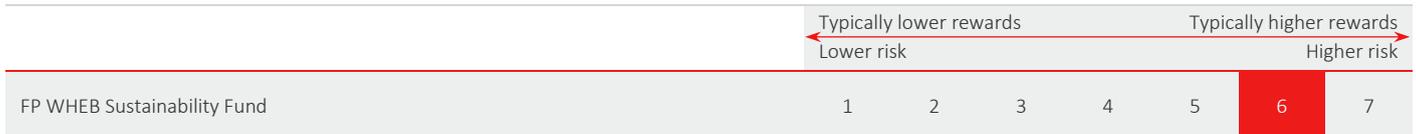
### Breakdown of Investment type



Comparative figures shown above in square brackets relate to 28 February 2014.

## Risk and Reward Profile

As at 31 August 2014



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
- The risk category shown is not guaranteed to remain unchanged and may shift over time.
- The lowest category does not mean 'risk free'.
- The Fund appears as a "6" on the scale. This is because it invests in the shares of companies, whose values tend to vary more widely

## Investment Manager's Report

### Investment review

In a period when the MSCI World Total Return Index rose by over 6%<sup>1</sup>, the A share class of your Fund rose by 3%<sup>1</sup>. This was a period when the structural sector and market cap biases of the Fund worked against the performance relative to the benchmark. Our performance was particularly impacted in April when there was a sharp style shift away from mid-cap companies and into larger cap companies where we are significantly underexposed relative to the benchmark.

We took the view that the shift away from mid-cap stocks in favour of large cap stocks was temporary and not based on any long-term fundamental factors. Meanwhile, many of the secular trends supporting our themes continue to improve.

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## Investment Manager's Report (continued)

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### Investment review (continued)

For example, Energy Efficiency continues to be driven by companies wanting to drive down both costs and environmental impact. We are particularly interested in the construction sector, which we see as enjoying a sustained recovery following a protracted slump. We therefore initiated a position in insulation manufacturer, Kingspan, taking advantage of weakness in the shares during the midcap sell-off mentioned above. Another construction-related stock that we bought was AO Smith, a US company which makes energy efficient water heating equipment. Its solar water heaters save energy costs with a payback period as low as 2-3 years<sup>2</sup>.

Another trend that hit a number of our holdings in the period was the strong Pound. For example Oxford Instruments reported lower growth than usual, due in part to the effects of Sterling on its exports. We think this is a temporary situation and are sticking with the shares.

Our sustainable transport theme contributed positively over the period. A number of long-term trends are supporting this theme, including the global resurgence of rail, the increasing popularity of cycling, and ever more stringent standards in auto emissions. Specifically, Singapore transport company ComfortDelGro saw its shares rise strongly in the period on news that the Singapore Government will change its contracting model for bus operations to the benefit of the company. Shares in bicycle parts company Shimano were also strong. We initiated a position in automotive catalyst company Johnson Matthey, which stands to benefit from more stringent emission regulations globally.

The health sector performed well as the outcomes of Obamacare legislation have become clearer. There has also been a lot of bid activity in the health sector and we benefitted when medical company Covidien, which we held, received a bid from Medtronic. Another of our holdings, Cooper, which makes contact lenses, performed well after acquiring a UK-based lens manufacturer.

Internal discussions, which also extended to our Advisory Committee, regarding the boundaries of our Safety theme led us to sell out of two companies that we no longer regard as fitting this theme. These were Japanese security company Secom, and lock manufacturer Assa Abloy. We started a position in leading circuit protection product company Littelfuse which does fit into our Safety theme. Applications for fuse and circuit breakers have grown by 400%<sup>3</sup> in the past ten years, driven by regulations and increasing safety standards.

### Market review

Global markets were strong over the period, led by North American markets where confidence in the economic recovery continues to increase. The UK was flat and European markets were mixed, though the strong Pound meant they underperformed in Sterling terms. The Pound rose to a six year high against the Dollar, boosted by comments from the Bank of England indicating that interest rates could rise again before the end of the year. The Pound fell back versus the Dollar at the end of the period, though it retained its gains against the Euro.

The oil and gas sector, where we have no exposure, was the strongest performing sector, and industrial sectors, where many of the stocks in our themes reside, lagged behind. There has been a sharp increase in merger and acquisition activity in the market which reached levels last seen at the peak in 2007 for the first six months of this year<sup>4</sup>. US companies with cash earned overseas are spending it on acquisitions, rather than pay tax on repatriating those earnings. Some are seeking to re-domicile through acquisition. This has provided some short-term support to market valuations, but potentially leaves markets vulnerable to a set-back.

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## Investment Manager's Report (continued)

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### Outlook

Global markets have now recovered their losses from the global financial crisis and are making new highs in many regions. Market optimism has continued in the face of significant geopolitical tensions in Ukraine, Iraq, and Israel. There is a risk that further escalation of these tensions could hit market sentiment. Construction activity in the US and Europe is still some way below peak levels and has finally started to pick up. A number of companies in our Resource Efficiency theme are well placed to benefit from recovery in construction. Efficient lighting companies Dialight and Acuity Brands will benefit from this, as will heat pump manufacturer Nibe Industrier. We increased our exposure to building activity in the period with the purchase of efficient water heating company AO Smith, where the demand for new boilers is linked to construction. We also initiated a position in insulation board manufacturer Kingspan where there is considerable scope for margin improvement as capacity utilisation improves.

Resource Efficiency has become the largest theme in the Fund and we see scope for these companies to benefit from increased regulatory promotion of energy efficiency as well as the cost-saving potential that they offer their customers.

Health is our next largest theme where many of our companies are set to benefit from the implementation of the Affordable Care act in the United States, which will increase healthcare insurance coverage and remove bad debts from uninsured patients. Overall, this should lead to an increased usage of non-emergency health care services across the system, which will benefit a number of our healthcare companies. We also see a trend to increase the focus on preventative medicine and ensure patient compliance, which will save overall healthcare costs for the population, but increase utilisation of various healthcare services.

There is increased political attention being paid to climate change issues, with the US announcing a climate plan in June which includes significant CO2 emission reductions from power stations. The fossil fuel divestment campaign has attracted widespread support from various institutional investors. We sympathise with the basis of this campaign and your Fund is free from investing in any fossil fuel companies. We continue to see the long-term growth prospects for the themes as being very attractive.

Source :

<sup>1</sup> Bloomberg

<sup>2</sup> Company Reports and Accounts 2011

<sup>3</sup> Littelfuse Product Catalogue 2013

<sup>4</sup> Financial Times 30/6/14

<sup>5</sup> <http://www.whitehouse.gov/climate-change>

### Investment Manager

WHEB Asset Management

13 September 2014

## Significant Changes

Three specific changes have been brought into effect as at **16 June 2014**

- The Depository to the Company has moved from State Street Trustees Limited (“SSTL”) to Northern Trust Global Services Limited (“NTGSL”);
- The Custodian to the Company has moved from State Street Bank and Trust Company to The Northern Trust Company;
- The Fund Accountant to the Company has moved from State Street Bank and Trust Company to Apex Fund Services (UK) Limited.

### Rationale

State Street served notice to terminate the Depository Agreement with the Company.

We identified a new provider, NTGSL, as being best suited to take on these duties. However, this has meant an increase in costs for services to reflect changes in the market and the introduction of new regulations since the Fund and original deal with SSTL was agreed.

Below we have formally laid out details of the changes and their impact on the overall Ongoing Charge Figures of the Fund’s share classes.

### Depository Change

The new Depository is NTGSL. The relative fees of the previous and new Depositories are as follows:

<b>Previous Depository Fee (based on an aggregate size of all the Funds of the Company)</b>	<b>Rate (%)</b>	<b>New Depository Fee (based on the size of each individual Fund of the Company)</b>	<b>Rate (%)</b>
On the first £1 billion	0.015%	On the first £250 million	0.04%
On the next £1 billion	0.0125%	On the next £250 million	0.03%
On any excess	0.01%	On the next £500 million	0.02%
		On any excess	0.01%
Minimum Fee per sub-fund per annum	£6,000 (inclusive of VAT)	Minimum Fee per sub-fund per annum	£16,800 (inclusive of VAT)

### Custodian Change

NTGSL appointed The Northern Trust Company to be the Custodian of the Fund’s assets, in the place of State Street Bank and Trust Company. The relative fees of the previous and new Custodians are as follows:

<b>State Street Bank and Trust Company</b>	<b>Fee range</b>	<b>The Northern Trust Company</b>	<b>Fee range</b>
Safekeeping charges	From 0.005% to 0.5%	Safekeeping charges	From 0.009% to 0.7%
Transaction charges	From £10 to £100	Transaction charges	From £6 to £200
Subject to a minimum annual charge of	N/A	Subject to a minimum annual charge of	£7,500 (exempt from VAT)

## Significant Changes (continued)

### Fund Accountant Change

Fund Partners Limited, as the Authorised Corporate Director (ACD) of the company, has appointed Apex Fund Services (UK) Limited to act as the Fund Accountant for the Company. They will replace State Street Bank and Trust Company. The relative fees of the previous and new Fund Accountants are as follows:

State Street Bank and Trust Company	Rate (%)	Apex Fund Services (UK) Limited	Rate (%)
On the first £100 million	0.025%	On the first £100 million	0.025%
On the next £500 million	0.015%	On the next £500 million	0.015%
On the next £500 million	0.005%	On any excess	0.005%
On any excess	0.001%		
Subject to a minimum annual fee per sub-fund of	£22,000 (exempt from VAT)	Subject to a minimum annual fee per sub-fund of	£22,000 (exempt from VAT)

### Ongoing Charge Figure ('OCF')

We do not expect the changes in fees related to Custody to contribute to any increase to the Ongoing Charge Figures. However, fluctuations in the size of the Fund may still cause variations whereby the OCF can increase or decrease.

Please note that these changes do not alter the Fund Policy and objectives in any respect, or the way in which the Fund is managed.

## Significant Information

The name of the Company has been changed, such that the prefix "IM" is replaced with "FP". This change became effective from the commencement of business on 30 September 2013.

The information in this report is designed to enable shareholders to make an informed judgment on the activities of the Fund during the period it covers and the result of those activities at the end of the period. The long Report and Accounts are available free of charge on request. For more information about the activities and performance of the Fund during the period and previous periods, please contact:

#### Authorised Corporate Director

**Fund Partners Limited**  
Cedar House, 3 Cedar Park,  
Cobham Road, Wimborne  
Dorset, BH21 7SB  
Customer Service Centre 0844 931 0006

[www.fundpartners.co.uk](http://www.fundpartners.co.uk)

Authorised and regulated by the FCA

#### Depository

**State Street Trustees Limited,**  
20 Churchill Place,  
London, E14 5HJ  
**From 16 June 2014**  
**Northern Trust Global Services Limited**  
UK Trustee & Depository Services  
50 Bank Street,  
London, E14 5NT  
Authorised by the Prudential Regulation  
Authority (PRA) and regulated by the FCA  
and the PRA

#### Investment Manager

**WHEB Asset Management LLP,**  
2 Fitzhardinge Street,  
London, W1H 6EE

Authorised and regulated by the FCA

#### Auditor

**Deloitte LLP**  
Saltire Court,  
20 Castle Terrace,  
Edinburgh, EH1 2DB