

# FP WHEB Sustainability Fund

For the year ended 28 February 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 long term

## Charges

Share Class	Initial Charge	Annual Management Charge as at 28/02/14	Ongoing Charge Figure as at 28/02/14	Ongoing Charge Figure as at 28/02/13
A Accumulation	0.00%	1.50%	1.70%	1.81%
C Accumulation <sup>1</sup>	0.00%	0.85%	1.05%	1.12%
C Income <sup>2</sup>	0.00%	0.85%	1.05%	0.00%

<sup>1</sup>Share Class C Accumulation was launched 3 September 2012.

<sup>2</sup>Share Class C Income was launched 6 January 2014.



## Distributions/Accumulations

The distribution for Share Class C Accumulation is 0.0843p per share, payable 30 June 2014.

At the year end, expenses exceeded revenue, generating a shortfall position on Share Class A Accumulation and Share Class C Income therefore there will be no distribution.

## 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
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
Share Class C Income			
28/02/14	6,751,380	6,821,405	98.97

### 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			
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>2</sup>	131.00	123.31	0.0000
Share Class C Accumulation			
2012 <sup>1</sup>	102.48	96.58	0.0000
2013	125.85	102.49	0.0376
2014 <sup>2</sup>	129.15	121.61	0.0843 †
Share Class C Income			
2014 <sup>2</sup>	100.00	94.17	0.0000

<sup>1</sup> From 3 September to 31 December 2012.

<sup>2</sup> From 1 January to 28 February 2014.

† Includes the distributions payable 30 June 2014.

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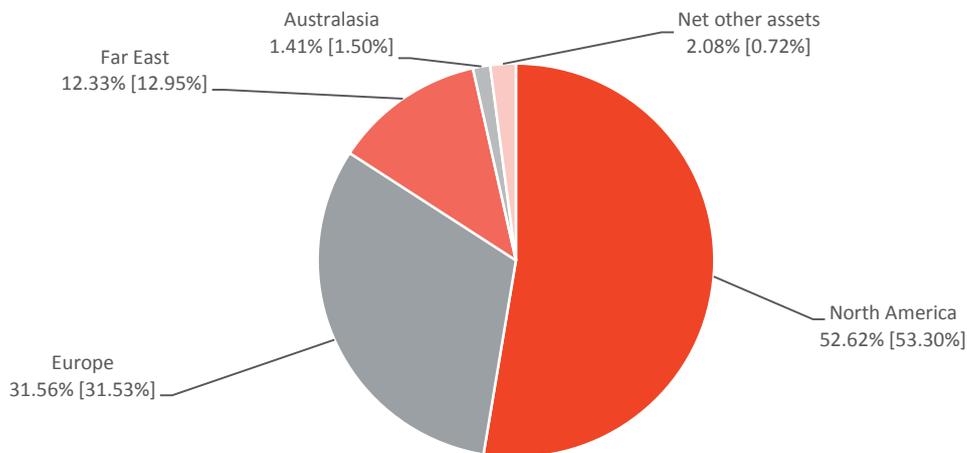
## Major Holdings

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	1.84
Johnson Controls	1.80
Mednax	1.75

Top 10 Holdings	% of Fund as at 28/02/13
ABB	1.97
Fresenius	1.85
Schneider Electric	1.80
Regal Beloit	1.79
Covidien	1.77
Kansas City Southern	1.77
Pentair	1.76
Hunt (JB) Transport	1.74
Acuity Brands	1.72
Emerson Electric	1.71

## Portfolio Information

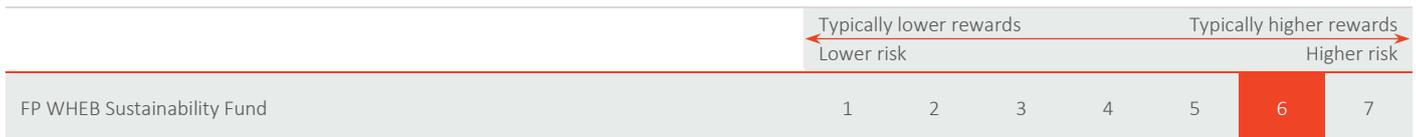
### Breakdown by Investment type



Comparative figures shown above in square brackets relate to 28 February 2013

## Risk and Reward Profile

As at 28 February 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.



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## Investment Review

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Over the period, the MSCI World Total Return Index rose by just over 10% and the A share class of your Fund also rose by 10% to close marginally behind the benchmark. The Fund benefited overall from its exposure to sustainability themes, with water management, resource efficiency and environmental services being particularly strong contributors<sup>1</sup>.

Our top contributor was efficient lighting company Acuity Brands in our resource efficiency theme, which reported LED sales more than doubling year-on-year and saw its share price rise by over 80% in the period<sup>1</sup>. We initiated a holding in Chinese efficiency equipment manufacturer Boer Power which went on to rise by 40%. We also saw strong contributions from building efficiency company Johnson Controls, heat pump manufacturer Nibe Industrier, and Japanese sensor manufacturer Keyence in this theme<sup>1</sup>.

In our water management theme, we saw a strong contribution from water treatment company Suez Environnement whose shares rose over 40% in the year in anticipation of a recovery in water and waste spending in Europe. We also saw a strong contribution from water equipment company Pentair which is benefitting from synergies achieved with the Tyco Flow Control acquisition<sup>1</sup>.

In our sustainable transport theme, Chinese electric bike battery manufacturer Tianneng Power detracted from performance after reporting disappointing results. We engaged with the company over media allegations concerning environmental issues, but were unable to obtain the level of comfort we sought and subsequently sold the shares.

In our health theme, Healthcare IT company HMS Holdings under-performed as regulatory changes and uncertainty over the implementation of the Affordable Care Act caused near term weakness in the shares. Robotic surgery company Intuitive Surgical was also weak as fewer hysterectomies were carried out resulting from a change in medical practice, and media reports of safety concerns which we consider to be overblown. We have continued to retain positions in both these names as we remain optimistic about their longer-term growth potential.

As a team, we aim to build up deep knowledge of the sectors by conducting thematic reviews in order to identify the best long-term growth opportunities. We reviewed packaging stocks in our environmental services theme and this led us to switch out of D.S. Smith into Smurfit Kappa both of which manufacture recycled cardboard. Smurfit Kappa subsequently performed better than D.S. Smith, contributing positively to performance. We also reviewed the Chinese Wind sector in our Cleaner Energy theme and initiated a position in Chinese wind farm developer China Longyuan.

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## Market Overview

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Global markets were strong over the year, with all major markets showing significant gains. Japan rose by 30%, and was particularly strong in the first few months of the period as investors became more confident in Prime Minister Abe's new economic policies. The US market rose over 20% in local currency, but less in sterling terms because of the strength in the British pound against the Dollar. We ensure that our Fund is not adversely affected by individual market or currency movements relative to the benchmark by keeping our geographic allocation close to that of the MSCI World Index. We believe that we add value as global fund managers through our theme and stock selection, rather than through asset allocation decisions<sup>1</sup>.

A strengthening macroeconomic environment helped investors to gain confidence and overcome fears that the Federal Reserve's planned tapering of quantitative easing would adversely affect the market. A stronger macroeconomic environment was positive for our sustainability themes, particularly energy efficiency, which tends to have more cyclical exposure. The renewable energy sector was extremely strong over the period, partly because investors' risk appetite increased, but also because prices in both wind and solar energy production seem to have bottomed out.

The strong market made it difficult for active funds to outperform and most global equity funds under-performed the MSCI World over the period. The FP WHEB Sustainability Fund out-performed the average for the IMA Global Equity peer group in the 12 month period<sup>2</sup>.



## Outlook

Economic data have continued to improve, with manufacturing activity picking up in all major markets. Your Fund has significant exposure to industrial stocks across our various themes and we believe these companies will benefit as the economy gradually continues to strengthen. Companies have tended to provide cautious guidance for earnings growth this year, and after such a strong year for global markets we may expect a more muted year for performance.

We have increased our exposure to cleaner energy by investing in two wind farm development companies over the period. We see this as an attractive way to benefit from the growth of wind energy as turbine prices continue to decline and wind becomes less reliant on subsidies. We have also invested in Canadian Solar which was the first solar company to turn profitable in this cycle and marks our first solar investment for over two years. Solar is now at or near grid parity in many parts of the world and demand for solar power continues to grow rapidly.

We sold out of UK Education company Pearson as we became increasingly concerned that the transition to digital delivery of education content would reduce barriers to entry in their business. This, combined with the sale of Benesse, leaves the Fund with no holdings currently in our Education theme. As well as our concerns over digital transition, we have been keen to avoid the political wrangling over the cost-benefit of education in the US. However, we still believe in the long-term growth opportunity of this theme and are monitoring other opportunities to invest in this area.

Policy and regulation provide important support for many of the technologies and businesses in which we invest. In most geographies regulatory standards for environmental emissions as well as safety continue to be strengthened. In healthcare, efforts to rein in costs remain a priority, particularly in the US, and we anticipate that this will continue to be the case for the foreseeable future. Across our other themes policy signals remain more mixed.

Your Fund is positioned in companies that are well placed to benefit from the long term trends represented by our themes. The two largest areas of investment in the Fund are in resource efficiency and in healthcare. We particularly like companies that are able to offer a cost-saving proposition to their customers – whether through energy and production efficiency or more effective healthcare. We believe the Fund is well placed to outperform over the coming years.

Sources:

<sup>1</sup>Bloomberg, 28 February 2014

<sup>2</sup>Trustnet, 28 February 2014

## 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.

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