

# FP Wheb Sustainability Fund

Short Report for the six months ended 31 August 2016

## 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	1 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 31/08/16	Operating Charges as at 31/08/16	Operating Charges as at 28/02/16
Share Class A	0.00%	1.50%	1.70%	1.70%
Share Class B	0.00%	0.35%	0.55%	0.55%
Share Class C	0.00%	0.85%	1.05%	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 pence per Share	Percentage Change (%)
Share Class A Accumulation				
28/02/16	8,975,652	6,159,853	145.71	
31/08/16	9,984,041	5,789,907	172.44	18.34
Share Class B Accumulation				
28/02/16	25,736,488	24,391,188	105.52	
31/08/16	32,061,767	25,525,374	125.61	19.04
Share Class C Accumulation				
28/02/16	41,829,713	28,718,603	145.65	
31/08/16	57,864,512	33,458,328	172.95	18.74
Share Class C Income				
28/02/16	11,407,982	10,327,572	110.46	
31/08/16	17,728,450	13,516,542	131.16	18.74

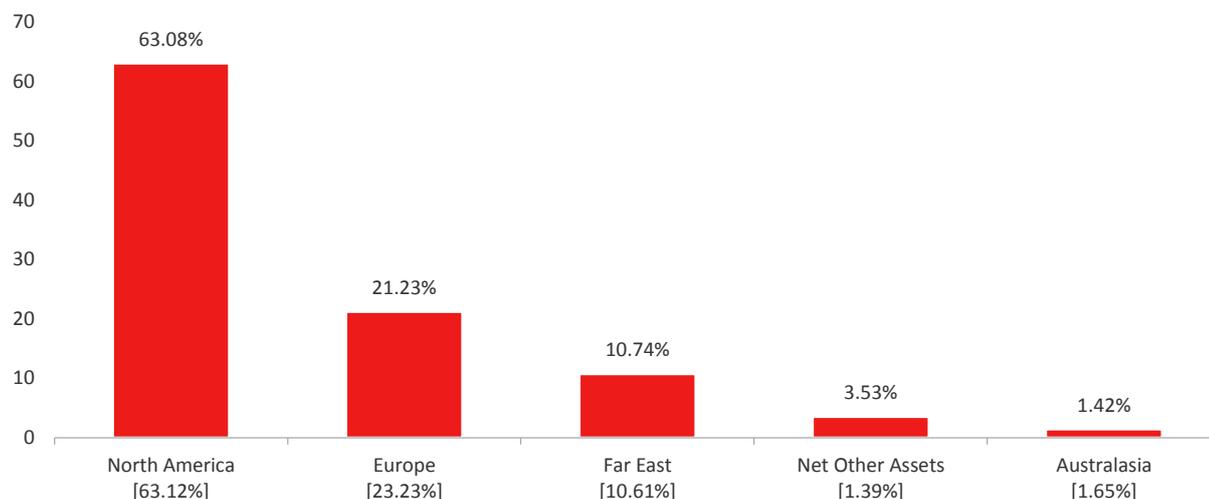
### Major Holdings

Top 10 Holdings	% of Fund as at 31/08/16
Xylem	2.17
MSA Safety	2.13
Ecolab	2.09
Acuity Brands	2.08
Cooper	2.07
Lennox International	2.04
Agilent Technologies	2.04
Littelfuse	2.02
Mettler-Toledo International	1.96
Danaher	1.94

Top 10 Holdings	% of Fund as at 28/02/16
Canadian Solar	2.26
Cooper	2.12
Lennox International	2.10
Danaher	2.10
AO Smith	2.06
Novo Nordisk	2.00
Acuity Brands	1.99
Mettler-Toledo International	1.98
Littelfuse	1.98
Roper	1.98

## Portfolio Information

### Investment by Geographical Region



Comparative figures shown above in square brackets relate to 28 February 2016.

## Risk and Reward Profile

As at 31 August 2016

	Typically lower rewards Lower risk				Typically higher rewards Higher risk		
Share Class A	1	2	3	4	<b>5</b>	6	7
Share Class B	1	2	3	4	<b>5</b>	6	7
Share Class C	1	2	3	4	<b>5</b>	6	7

- The 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 "5" 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 Manager's Report

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### Investment Review

For the period ended 31 August 2016, the C share class of your Fund returned 18.76%<sup>1</sup> while the MSCI World Total Return Index rose by 19.72%<sup>1</sup>, thus underperforming the benchmark. The main reason for the underperformance was driven by the particularly weak performance from our Cleaner Energy theme in the period. We also saw some drag on performance from holding cash in strong equity markets. These negative factors were partly offset by strong performance from our Resource Efficiency and Health themes.

Our Cleaner Energy theme performed poorly as the solar sector was haunted by SunEdison's bankruptcy in April 2016, which created severe disruption across the whole sector. In addition, markets became increasingly concerned of the risk of oversupply of solar modules in the second half of 2016 as China, the biggest solar market in the world, cut its solar tariff starting from 1 July 2016 after a rush of solar installations. Our solar holdings including SunPower and Canadian Solar suffered as a result. SunPower recently issued a profit warning and gave a negative outlook for 2017 due to unexpected challenges at their solar power plant business. We sold our position as a consequence.

Our Resource Efficiency theme delivered the largest positive contribution in the period, supported by strong performance from a number of our holdings. Our top contributor was ARM Holdings, a global leading designer of mobile and energy efficient chips, as it was bid for by Softbank and the stock price jumped 41% on the day of the announcement. We sold out of it subsequently. A.O. Smith, a leading efficient water heater manufacturer in the US and China, performed extremely well as it continued to deliver strong growth and improved profitability while other industrial companies struggled to grow in the current environment.

Within our Health theme, HMS, a leading provider of cost containment services to healthcare payers and sponsors, was a key contributor as it finally turned around its business and delivered two consecutive solid quarterly results after having settled a prolonged legal dispute with its competitor. Advisory Board was another strong contributor, which provides best practice research and analysis to healthcare providers and education institutions. The recently announced contract value was reassuring, which helped the stock to recover strongly from its low point in February 2016 when it issued disappointing guidance.

### Performance of the Fund

Over the six months, the MSCI World Total Return Index rose by 19.72%<sup>1</sup> and the C share class of your Fund rose by 18.76%<sup>1</sup>, thus underperforming the benchmark.

<sup>1</sup> Source: Bloomberg, Total Return 31/08/16.

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## Investment Manager's Report (continued)

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### Market Overview

While global economic growth remained muted in the period, global equity markets were buoyed by expectation of more monetary stimuli from central banks. The US economy remained resilient as evidenced by positive data in employment, housing and consumer spending. On the other hand, Japan's economy continued to struggle to grow as 'Abenomics' failed to stimulate consumption and banish deflation. Europe's economy slowly recovered from its trough but still looked fragile. Concerns over China's economic slowdown remained. In the meantime, the oil price recovered meaningfully from its low point in February 2016.

The major event in the period was the UK referendum and the result of it shocked global markets, initially causing major indices to plummet. However, the decline was short-lived as markets expected more accommodative monetary policies. The referendum nevertheless had a severe impact in the currency markets. The UK Pound fell to its lowest level in three decades against the US dollar. The weakened Pound led to strong performance for both your Fund and the benchmark as stocks traded in currencies other than Pounds surged as a result of the translation effect.

### Outlook

We continue our cautious stance on global markets. As we head to the second half of the financial year, we expect more market volatility as attention shifts to a number of global events including the US election in November, the possibility of a US interest rate hike in December and the possible initiation of the 'Brexit' discussion early next year.

The US election debate has already created some noise around our holdings. As both presidential candidates have expressed support for increased infrastructure spending, it has created positive momentum for some of our holdings such as Xylem, a water infrastructure play which stands to benefit from an increase in water infrastructure investment. On the other hand, the recent debate on drug pricing has led to negative sentiment against the pharmaceutical sector, which had an indirect adverse impact on our new holding CVS, a leading pharmacy benefits manager and retail pharmacy in the US. The pace of interest rate hikes in the US remains the market's focus. As we have always been cautious about highly leveraged companies, we believe any increase in interest rates would have minimal impact on the Fund.

While the ultimate impact of the UK referendum remains to be seen, our strategy of being geographically in line with our benchmark keeps our exposure to the UK at 6%. We believe the Fund is well positioned to weather any potential outcomes from the 'Brexit' discussion as most of our UK holdings are well diversified geographically with more than half of their businesses outside of Europe.

## Investment Manager's Report (continued)

### Outlook (continued)

In view of the uncertainties we are facing, we have increased our weight in defensive growth stocks, especially in our Health theme by initiating new positions in CVS and Steris. The latter is a leading US infection prevention specialist. We have also reduced the exposure to our Cleaner Energy theme by selling out of SunPower and China Singyes because of the challenges in their end markets. As a result, Health remains our biggest theme and Cleaner Energy has become our smallest theme after Education, which remains at zero weighting in the fund.

Despite the macro-economic challenges, we see many growth opportunities emerging in our themes driven by our secular sustainability themes including energy storage, companion diagnostics, digital intelligence in energy efficiency, advanced driver assistance systems and others. Your Fund is set to benefit from these growth trends in the long term through our stock selection process under the thematic framework.

### Investment Manager

WHEB Asset Management LLP

14 September 2016

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

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