

## FUND AIM AND INVESTMENT PROCESS

The Fund focuses on the opportunities created by the transition to healthy, low carbon and sustainable economies. The investment team selects high-quality companies from nine broad themes with strong growth characteristics to create a globally diversified portfolio. We develop long-term relationships with company managements to promote the best environmental, social and economic outcomes.

# Q2 REPORT

April – June 2018

WHEB Asset Management Quarterly Report



WHEB

## Investing in climate adaptation

As the UK endured a sweltering July, much of the rest of the Northern Hemisphere was also experiencing record-breaking weather. May 2018 was the hottest May on record for the UK as a whole, and Scotland experienced its hottest day ever in early July when temperatures exceeded 33°C<sup>1</sup>. At the same time, almost all of the world's high latitudes from Siberia to Scandinavia were experiencing temperatures that were abnormally high. In early July average surface temperatures were 15-30°C warmer than normal<sup>2</sup>. While each of these extremes is somewhat anecdotal, the evidence is now building that the extreme weather being experienced around the world in recent years is linked to human-induced climate change<sup>3</sup>.

Until recently, for most of us climate change was largely theoretical and it has been difficult to conceive of what the impacts on economies would actually be. With each passing year, our experience of tangible climatic change gives us a clearer understanding of what the real impacts are and how economies are likely to respond.

### Climate adaptation more challenging than climate mitigation

From an investment point of view, it is still a challenge to identify specific businesses and technologies that provide solutions to climatic change itself. The vast majority of climate-related investment ideas focus on climate change mitigation. That is, companies that through their products and services, help to reduce greenhouse gas emissions. Identifying businesses that help society to adapt to climate change is an altogether different proposition.



### Climate change intensifies risks associated with water availability and quality

Much of our experience of climatic change appears to be through its impact on the hydrological cycle; changing the quantity of water either in a specific place or over time. Companies that help to manage

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<sup>1</sup> <https://news.sky.com/story/uk-weather-scotland-records-its-highest-ever-temperature-11424053>

<sup>2</sup> <https://wxclimonevents.com/2018/07/02/extreme-heat-event-in-northern-siberia-and-the-coastal-arctic-ocean-this-week/>

<sup>3</sup> <https://www.nature.com/articles/srep45242>

these greater extremes in the availability of water are likely to be important in helping society to adapt to some of the impacts of climate change. Companies in our water management theme like **Xylem** which provides infrastructure for the monitoring and management of water resources are likely to be key. Another example is **Norma** which provides solutions in stormwater management to make cities more resilient to extreme weather. **Ecolab**, which also sits in our water management theme, helps clients across a wide range of industries to reduce the amount of water that is needed for their operations<sup>4</sup>.

### Designing resilience into infrastructure

Consultant engineers are also increasingly involved in providing design support to cities and infrastructure to help them become more resilient to climatic change. **Stantec** has been involved in helping communities around the world recover after climatic disasters. In places like the US East Coast they have helped design more resiliency into new infrastructure following Hurricane Sandy and developed design concepts that allow communities to recover more quickly<sup>5</sup>.

### Dealing with heat and fire

For many parts of the world, climatic change will mean having to deal with increased heat and potentially more fire. One quarter of the Earth's vegetated surface have seen a lengthening fire season over recent decades. Parts of the western United States and Mexico, Brazil, and East Africa now face wildfire seasons that are more than a month longer than they were 35 years ago<sup>6</sup>.



Adapting to these changes is difficult, and consequently finding real solutions even more so. 'Greener' buildings, with higher levels of insulation such as that provided by **Kingspan**, help to insulate buildings from heat as well as the cold. The fund also invests in manufacturers of heating, ventilation and air conditioning (HVAC) equipment such as **Lennox International**. As urban populations grow in parts of the world where extreme heat events are intensifying, cooling is not a

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<sup>4</sup> See for example: <https://en-uk.ecolab.com/nalco-water/stories/circular-solution-helps-nestle-save-water-and-energy-in-brazil>

<sup>5</sup> <https://ideas.stantec.com/urban-resilience-climate-adaptation/resilient-design-for-waterfront-buildings-a-real-estate-win-win-in-vulnerable-area>

<sup>6</sup> <https://earthobservatory.nasa.gov/images/86268/longer-more-frequent-fire-seasons>

luxury good; it is essential<sup>7</sup>. Demand for air conditioning will increase, but given the energy demands of HVAC systems, these current solutions can also be a problem. Our focus is therefore on manufacturers that are focused on the most efficient systems. Lennox, for example, specialises in high-efficiency products as the four-time ENERGY STAR® Manufacturing Partner of the Year award by the US Environmental Protection Agency. The WHEB fund is also invested in **MSA Safety**, a leading provider of fire safety and protection equipment that is used in fighting structural and wildland fires.

### Sticking plasters?

As the climate continues to change, we can expect continued and, in all likelihood, even more extreme weather. Many of the companies and technologies highlighted here have developed solutions that help society cope with modest further climate change. Further technology development will, no doubt, help to improve these solutions. Ultimately, however, climate mitigation is required to ensure that the world's climate does not move beyond a point where our economies and societies can reasonably adapt.

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## Thematic trends in focus

Warrant Buffett once said “*If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes*”. As a long-term investor and business owner, it is important that the companies we own share a similar vision to ours. WHEB's mission is to advance sustainability and create prosperity through positive impact investments. We believe that investing in sustainability solutions and generating attractive financial returns can be complementary. We hope that most of our holding companies, if not all, share this view. DSM is a perfect example, demonstrating a company can do well by doing good.

### DSM Capital Markets Day

We recently attended DSM's Capital Markets Day (CMD) in London. DSM is a purpose-led company. At the CMD we got a very strong sense of how its sustainability-oriented purpose trickles down through the whole organisation from top to bottom. Its purpose, together with its core competences, define three domains it will focus on for years to come. These are Climate Change, Resources and Circularity, and Nutrition and Health.

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<sup>7</sup> <http://time.com/4884909/air-conditioning-ac-climate-change-global-warming/>

## Purpose-led company created: doing well by doing good



### Climate Change

A good example is what DSM is doing in relation to Climate Change. Methane produced by cows accounts for 4% of total greenhouse gas emissions.<sup>8</sup> Methane is a much more harmful greenhouse gas in contributing to global warming, as it traps much more heat than carbon dioxide. As a leading animal nutrition company, DSM is developing an innovative feed supplement as a more sustainable farming solution, in what is known as “Project Clean Cow”. It has been testing this feed supplement for nearly 10 years, and the findings are showing that it can reduce methane production by over 30%. Most importantly, DSM’s feed supplement does not have any adverse effects on animal welfare, feed consumption or performance.

### Resources and Circularity

Under the heading of Resources & Circularity, one of the areas that DSM focuses on is overfishing. 30% of global fish stocks are considered to be overfished today. Almost 20% of the global fish catch is processed into fish oil and fishmeal to feed farmed fish.<sup>9</sup> With current practices, the growing demand for omega-3 will soon outstrip sustainable marine resources. To tackle this global challenge, in 2018 DSM and Evonik launched a joint venture called Veramaris. The objective is to cultivate marine microalgae which will meet the demand for omega-3 in fish feed, in the hope of reducing the “fish-in-fish-out ratio” to zero.<sup>10</sup> This would help reduce the need to catch wild fish stocks and protect both marine populations and biodiversity.

<sup>8</sup> UN Food and Agricultural Organization

<sup>9</sup> DSM

<sup>10</sup> Fish-in-fish-out ratio is the efficiency at which the aquaculture converts a weight-equivalent unit of wild fish into a unit of cultured fish.

### Nutrition and Health

Lastly, Nutrition & Health is a very promising area for DSM as consumers become more health conscious. As the medical sector starts talking about personalised medicine, DSM is researching the potential in personalising nutrition. Its recent acquisition Mixfit is a pioneer which is developing a consumer-based solution to personalised nutrition by collecting health data from wearable devices. Mixfit is using state-of-the-art technologies such as AI, machine learning and blockchain to build its solution. More importantly, DSM can now support this venture with its expertise in nutritional sciences to provide broader societal benefits.

DSM is just one company example in our portfolio. Admittedly, not all of our holdings can demonstrate such a strong and well-articulated commitment and intentionality towards sustainability and positive impact. We will continue to actively engage with our portfolio companies to recognise and maximise the positive impact which we believe their products have, and look for companies that embed sustainability deep within their long-term strategy and culture.

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## Engagement Activity

### Gender Diversity

The high profile given to gender equality in discussions about corporate governance, and in society at large, has led to modest improvements in gender representation within businesses. In the UK, for example, the Hampton-Alexander Review of 2017, chaired by Sir Philip Hampton, found that women now occupy almost 28% of board positions in FTSE 100 companies, up from 12.5% in 2012<sup>11</sup>. This is remarkable progress, but also shows that women still hold less than a third of Board positions. Among smaller companies the proportion is even less.

There is also of course very wide geographic variability. In the US, the proportion of directorships held by women in the S&P 1500 is just 20%. In South Korea it is just 2%<sup>12</sup>. Gender diversity also varies by sector. In the US, Consumer Discretionary and Consumer Staples have relatively high levels of female Board representation at 25% and 24% respectively. Energy, Information Technology and Industrials have relatively poor diversity at 13%, 16% and 18% respectively.



### The FP WHEB Sustainability Fund and Board-level gender diversity

As part of our Impact Report this year, we published data on the gender diversity within the WHEB fund compared to the MSCI World. In 2017, 20.4% of directorships at companies in the Developed Market MSCI World Index were held by women. The equivalent figure for the WHEB portfolio was 18.6%. The FP WHEB Sustainability does though have greater exposure to sectors with poor female representation at Board-level (such as Industrials, Information Technology and Healthcare) and lower exposure to sectors with strong female representation. This likely explains a proportion of the relative underperformance of the FP WHEB Sustainability Fund on this issue.

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<sup>11</sup> <https://economia.icaew.com/en/news/november-2017/new-targets-for-ftse-350-board-gender-representation>

<sup>12</sup> Institutional Shareholder Services, U.S. Board Study Board Diversity Review, 11 April 2018

### Gender diversity and financial performance

There is conflicting data on the extent to which gender diversity at Board-level is correlated with financial performance. A widely reported study by McKinsey & Company found strong evidence of a positive correlation between female representation at Board-level and organisational performance. A separate study also found that companies with strong organisational performance tended to have superior operating margins and valuations than their weaker peers<sup>13</sup>. However, academic studies are much less emphatic. Two meta-studies published in 2015, for example, suggest that the relationship between board gender diversity and company performance is either non-existent (effectively zero) or very weakly positive<sup>14</sup>.

### WHEB's approach to gender diversity

At WHEB, we believe that, at the margin, having a more gender diverse board is likely to be good for business. However, the evidence for this is not decisive. We also believe that gender diversity is likely to be a more powerful driver of performance when it is addressed throughout an organisation, not just at Board-level. Though there is less academic study on this point. There is of course a wider justification for promoting gender diversity; that it is just the right thing to do. Together these arguments underpin the work that we do with companies to promote gender diversity.

### Recent engagement work

In recent months we have engaged several portfolio companies explicitly on the issue of gender diversity, particularly at Board-level. Smurfit Kappa, an Irish-listed recycled cardboard manufacturer, was in fact highlighted in the media as a company with poor gender diversity at senior level. The company has now appointed a second female Board-level Director. However, the overall proportion of female representation remains low at 17%. We have also written again to Lenzing to encourage the appointment of more female Board Directors to supplement the current low levels of female representation.

As part of our annual voting at company meetings, we have also voted against the reappointment of certain directors at China Everbright International and Horiba on the basis that both companies have an insufficient level of gender diversity at Board-level. Several other companies in the portfolio also have poor Board-level gender diversity. We plan to write to all portfolio companies where the proportion of female directors is less than 20%.

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<https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/Our%20Insights/Gender%20diversity%20a%20corporate%20performance%20driver/Gender%20diversity%20a%20corporate%20performance%20driver.ashx>

<sup>14</sup> <http://knowledge.wharton.upenn.edu/article/will-gender-diversity-boards-really-boost-company-performance/>

## Company disclosure to the CDP

WHEB has been a signatory to the CDP (formerly the Carbon Disclosure Project) since 2012. We benefit from a number of the research outputs from the CPD including sector reports as well as individual assessments and responses to the annual climate change questionnaire.

This year, we have been involved in two CDP initiatives aimed at encouraging greater disclosure around climate change activities from companies in the portfolio.

- We led three collaborative engagements with companies in the portfolio. We held teleconferences with both China Everbright International Ltd. and Kion AG and in both cases, the company has agreed to participate in the 2018 climate change questionnaire. We have written to the third company Norma Group SE who are considering participating in next year's survey.
- We have also participated in the 'Investor Agenda' initiative. This initiative, which represents over \$30 trillion in assets under management, aims to collect information from listed companies on their use of climate scenario analysis in informing their business strategy and on their efforts to reduce their own carbon emissions. The initiative also encourages companies to participate in the 'We Mean Business' coalition on climate change. 17 WHEB portfolio companies have been written to as part of this initiative

## Public policy engagement

### Sustainable finance

Over the past eighteen months, we have seen a notable increase in the number and scale of public policy initiatives aimed at clarifying and enhancing the role that financial services can play in advancing sustainability. This has included the Taskforce on Climate-related Financial Disclosure, the High-Level Expert Group (HLEG) on Sustainable Finance (and subsequent European Commission proposals) and the UK's Taskforces on Green Finance and Social Impact Investing. Standard-setters are also getting involved with groups like the BSI developing a programme of work on 'Green and sustainable finance standards'.

We believe that this is a critical time in the development of these programmes. Establishing a robust approach that has integrity but also flexibility to accommodate what is still a very dynamic sector, will, in our view, be essential.

Our involvement in these initiatives has included work with industry groups such as the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment and Finance Association (UKSIF) as well as direct participation in working groups with the UK's Taskforce on Green Finance and Social Impact Investing and with the BSI in their work on developing standards for Sustainable Finance.

### Other initiatives

Beyond our work on sustainable finance, we have remained involved in wider investor initiatives aimed at broader social and environmental policy. WHEB has, for example, been signatory to letters to the UK Government and European Commission encouraging both parties to make cooperation on energy and climate change a priority in the Brexit negotiations. We were also a signatory to an IIGCC

letter to the G7 and G20 governments to remain committed to the targets contained in the Paris Declaration.

Finally, during the quarter, WHEB was also a signatory to a letter organised by the UN Principles for Responsible Investment (UN-PRI) that was sent to International Organization of Securities Commissions encouraging securities regulators to integrate environmental, social and governance (ESG) considerations into listing rules on stock exchanges around the world.

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## Performance commentary

The Fund grew 7.02% but underperformed the benchmark MSCI World Index in this quarter by 1.15%.<sup>15</sup> The potential for a trade war between the US and the rest of the world was the dominant headline during the period. As a global equity fund, it was inevitable that part of the portfolio would be impacted by the negative sentiment around trade. The impact was particularly concentrated in the industrials and automobile sectors, which explains why our Resource Efficiency and Sustainable Transport themes were the biggest detractors from relative performance in the quarter.

Within the Resource Efficiency theme, **ams AG** was the worst contributor, in contrast to its very strong performance in the first quarter. This actually had nothing to do with global trade. The weakness in ams was mainly driven by a near term inventory issue in its 3D imaging modules, resulting from poor iPhone X sales combined with concerns over the adoption rate of 3D technologies. Two other negative contributors in the theme were **Daifuku** and **Kion**. Both are market leaders in warehouse automation and they are particularly exposed to the risk of a trade war.

Our Sustainable Transport theme was weak as President Trump threatened to impose punitive tariffs on vehicles imported into the US. In particular, the German auto sector was hardest hit, as markets were concerned that the industry could be the biggest loser in a US-EU trade war. Our two German holdings **Hella** and **Norma** were weak as a result. Despite the potential near-term headwind, both companies should continue to benefit from the secular trends towards hybrid and electric vehicles and more energy efficient and intelligent lighting for cars.

Our Safety theme was the key positive contributor to the fund. **MSA Safety** was the best performer in the theme, and has consistently demonstrated its ability to grow its core product portfolio such as its innovative self-contained breathing apparatus for fire fighters and improve its operational efficiency over the last three years. Recent share price performance was supported by strong organic revenue growth of 7% combined with impressive operating margin improvement of over 4% reported in the last quarter.<sup>16</sup> Another strong performer was **Intertek**. It is a leading UK company in inspection, product testing and certification. We like the quality of the company with a strong and credible management team and have been a shareholder since 2002. We are glad to see that its Resources

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<sup>15</sup> Source: Bloomberg

<sup>16</sup> MSA Safety company filings

segment finally delivered positive organic growth in the last quarter for the first time in a very long time.

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## Portfolio activity

We initiated two new holdings and closed three positions in the Fund during the quarter.

We initiated a position in **Aptiv** within our Sustainable Transport theme. Aptiv is a spin-out from Delphi Technologies, and has a strong market position in advanced automotive safety and connectivity. The company is well positioned to benefit from strong content growth as the automotive industry shifts towards electric and autonomous vehicles. Another new addition in the Fund was **Tivity Health** in our Wellbeing theme. Tivity offers fitness programmes, health benefits management, physical therapy and related services, particularly for elderly people through healthcare insurance plans. It has a leading position in the growing market for fitness courses for the over 65s in the US, and its programmes have been shown to have a positive impact on both mental and physical health.

We sold our position in **Murata**, which is a market leader in electronic components such as capacitors, which are commonly used in numerous products including electric vehicles, smartphones and home appliances to improve battery efficiency. We were disappointed by its falling profitability over the last year, and we believe the recent acquisition MetroCirc could put further pressure on its margins in the near term.

Another sale was **Hannon Armstrong**, which provides debt and equity financing for sustainable infrastructure projects that generate renewable energy or improve energy efficiency. Whilst we like the positive impact generated by its businesses, its business model and REIT status make it vulnerable in a rising interest rate environment. We also sold out of **Shimano**, which is the largest manufacturer of bicycle parts globally. We believe that its long-term growth prospects may be under pressure, given the twin threats from the proliferation of shared bike schemes and increasing competition.

The past 6 years has seen a steady but gradual reduction in the number of stocks in the portfolio as we believe a slightly more concentrated portfolio is beneficial to our unit holders in the long term. We moved the expected range of holdings down to between 50 and 70 stocks (from 60 to 80) just over a year ago. We finished the quarter with 59 holdings in the portfolio, the first time we have moved below 60 stocks since we relaunched the FP WHEB Sustainability Fund in 2012.

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# Q2 REPORT

## FP WHEB Sustainability Fund Quarterly Datapack

April – June 2018

WHEB Asset Management Quarterly Report

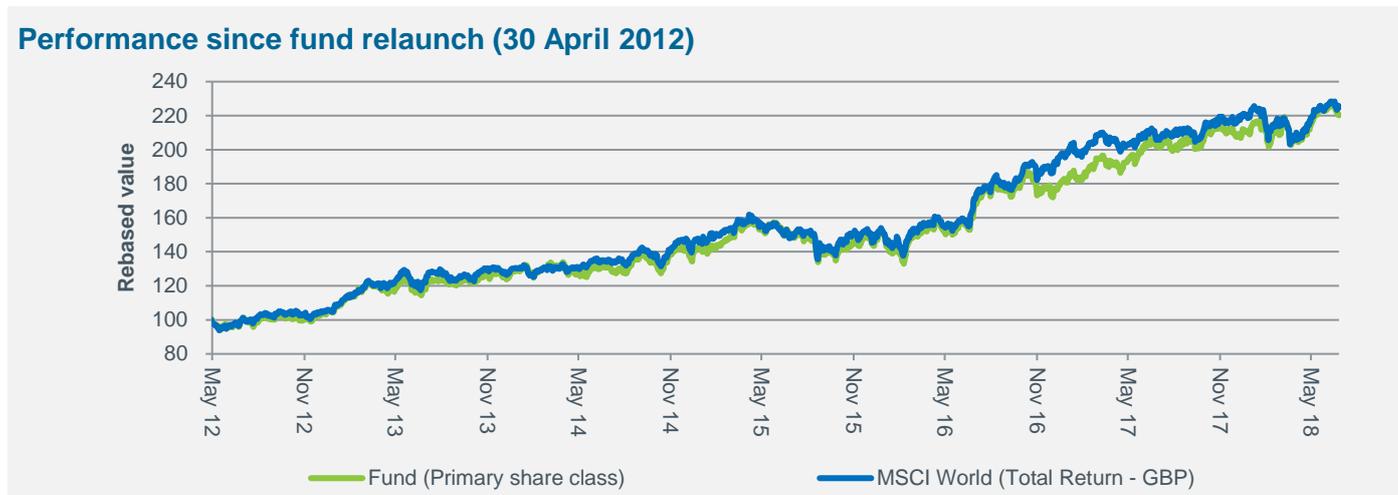


WHEB

## FP WHEB Sustainability Fund: 30 June 2018

<b>Fund size</b>	£234m	<b>IMA Sector</b>	Global
<b>Holdings</b>	59	<b>Expected number of holdings</b>	50 – 70
<b>Average holding period<sup>1</sup></b>	7.9 years	<b>Expected holding period</b>	3 – 6 years
<b>Active Share vs Benchmark<sup>2</sup></b>	98%	<b>Index benchmark<sup>3</sup></b>	MSCI World Total Return Net GBP

## Investment Performance<sup>4</sup>:



### Investment returns by discrete 12 Month periods

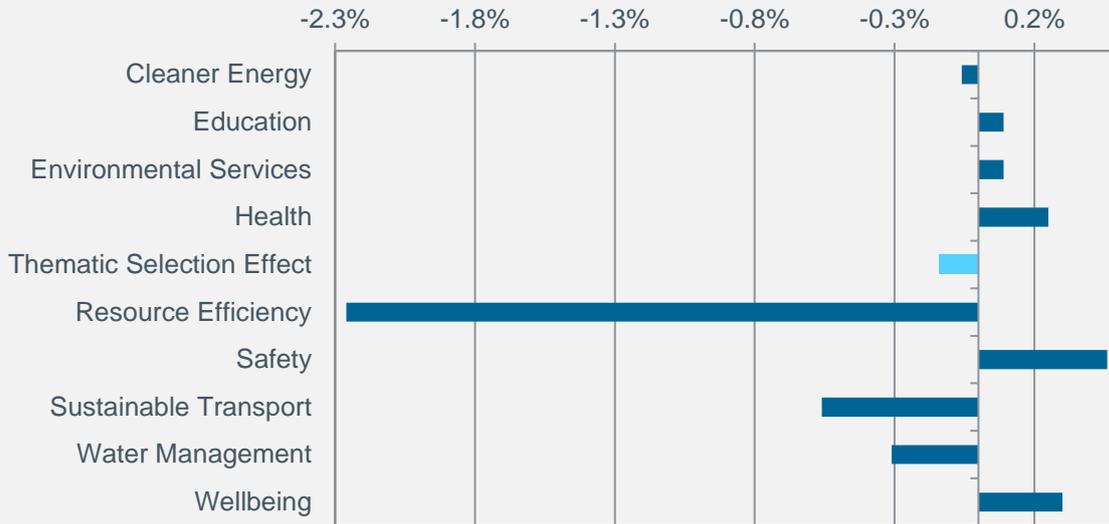
Discrete Performance	Jun 2017 – Jun 2018	Jun 2016 – Jun 2017	Jun 2015 – Jun 2016	Jun 2014 – Jun 2015	Jun 2013 – Jun 2014
<b>FP WHEB Sustainability C Acc Primary Share Class</b>	9.10%	24.12%	9.44%	13.29%	10.94%
<b>MSCI World Total Return</b>	9.30%	21.64%	14.38%	10.27%	10.04%

### Cumulative investment returns

	Fund (Primary share class) %	MSCI World (Total Return - GBP) %	IA Global (Total Return - GBP) <sup>5</sup> %
<b>3 Months</b>	7.02%	8.10%	7.86%
<b>6 Months</b>	4.74%	2.90%	2.47%
<b>12 Months</b>	9.10%	9.30%	9.12%
<b>3 Years (annualised)</b>	14.01%	14.99%	12.92%
<b>5 Years (annualised)</b>	13.24%	11.46%	11.21%
<b>Cumulative since relaunch (30 April 2012)<sup>6</sup></b>	120.15%	124.93%	98.89%

Performance Attribution – Last 3 months<sup>7</sup>

Attribution by Sustainability Theme<sup>8</sup>

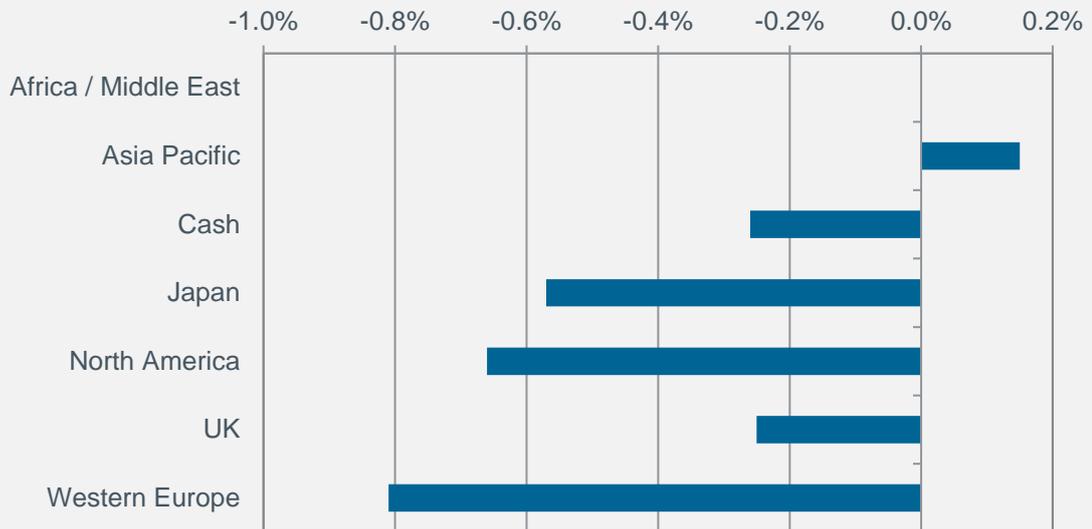


Attribution by Sector

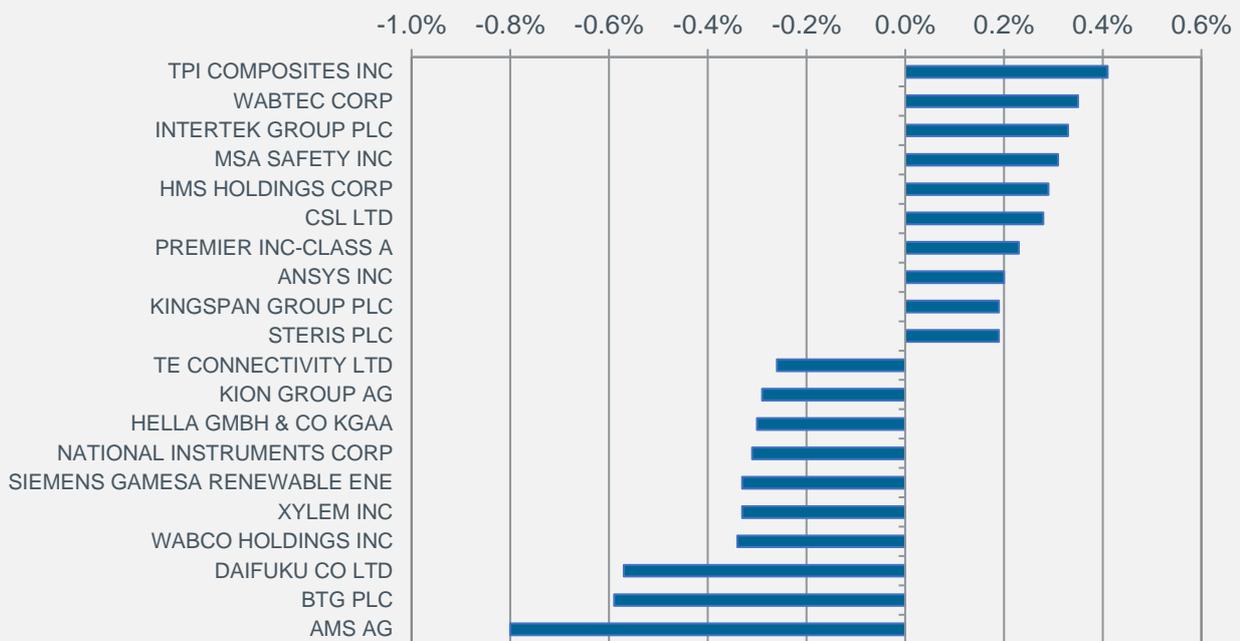


Performance Attribution – Last 3 months

Attribution by Geography

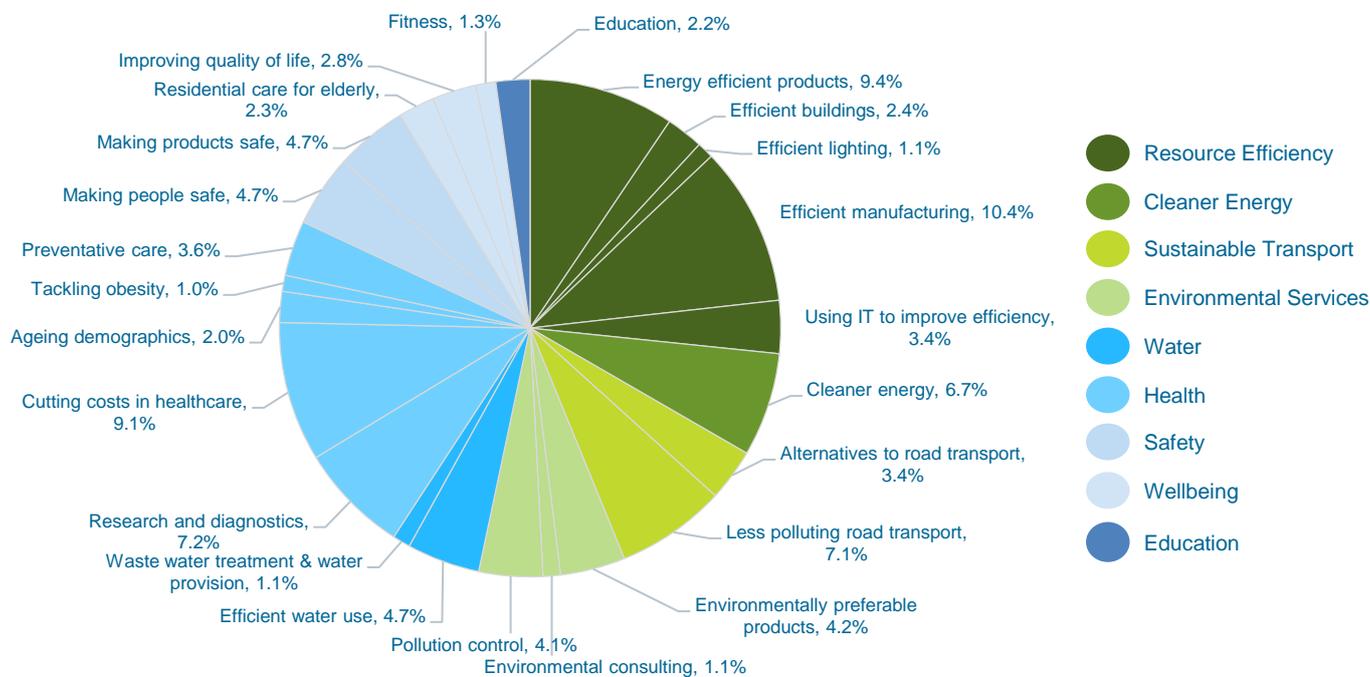


Attribution by Stock



# Portfolio analysis and positioning:

## Portfolio Exposures<sup>9</sup>



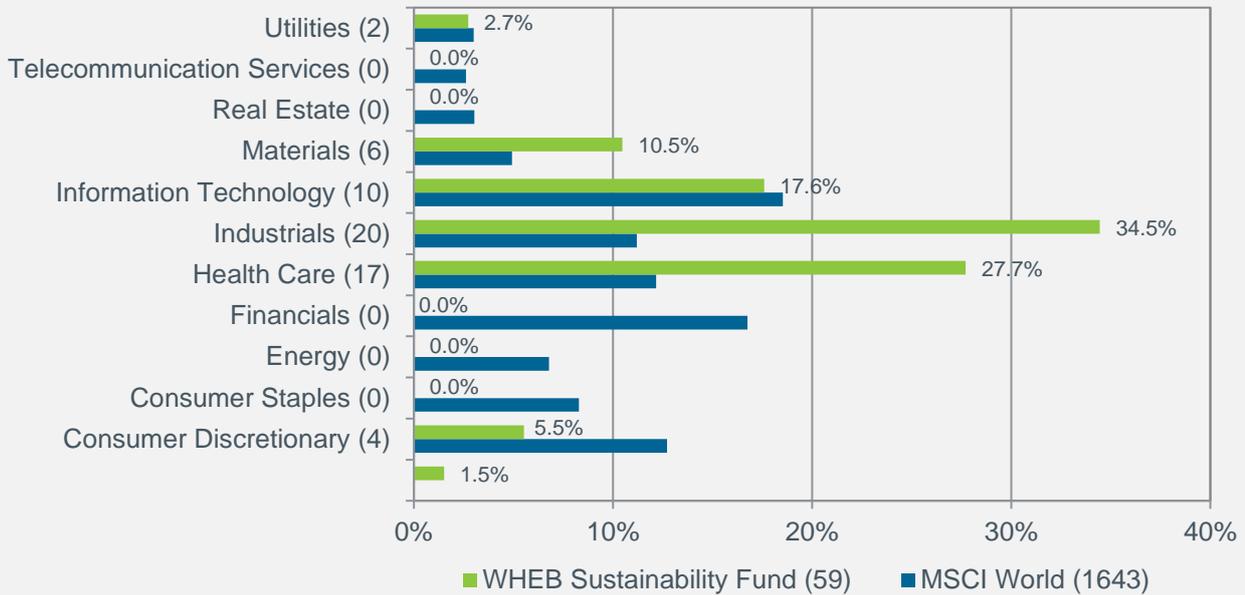
## Market Cap Exposure



### Regional Exposure



### Sector Exposure<sup>10</sup>



## Top Ten Holdings as at 30 June 2018

Stock	Theme	Description	Holding
Intertek Group	Safety	Offers quality, safety, performance and regulatory testing services to renewable energy companies in over 100 countries and is developing a greenhouse gas, environmental and health and safety consulting business.	2.42%
Danaher	Health	Exposed to several WHEB themes, but it is categorised in the Health theme because of its design and manufacture of medical products including instrumentation, software and diagnostics for new drugs and critical care.	2.39%
Xylem	Water Management	A designer, manufacturer, equipment and service provider for water and wastewater applications which address water collection, distribution, and use to its return to the environment.	2.37%
Thermo Fisher	Health	A leading provider of analytical instruments, equipment, reagents and consumables, software and services for research, analysis, discovery and diagnostics in healthcare industries.	2.36%
WabCo	Safety	Manufactures advanced braking systems to improve the safety of commercial vehicles. It is also developing a variety of sensors and electronic components for more automated and efficient logistic services.	2.36%
Praxair	Environmental Services	Supplies a variety of gases to manufacturing, petrochemical and electronics industries and also to the healthcare sector. These are used in a variety of applications to make manufacturing processes more efficient and to reduce harmful emissions.	2.33%
Agilent Tech	Health	A provider of bio-analytical measurement solutions to the life sciences, chemical analysis and healthcare industries as well as pollutant monitoring equipment for food and human body contaminant measurement.	2.30%
Orpea	Well-Being	A leading operator of nursing homes for the elderly, post-acute and psychiatric clinics in France which is expanding its operations across Europe. It has adopted a quality-based strategy to care which helps it maintain high standards.	2.30%
Ecolab	Water Management	A global provider of hygiene products to restaurants, hotels and hospitals with an emphasis on energy and water efficiency	2.28%
CVS Health	Health	The company engages in pharmacy benefit management services; mail order, retail and specialty pharmacy; disease management programs; and retail clinics.	2.27%

## Fund Characteristics

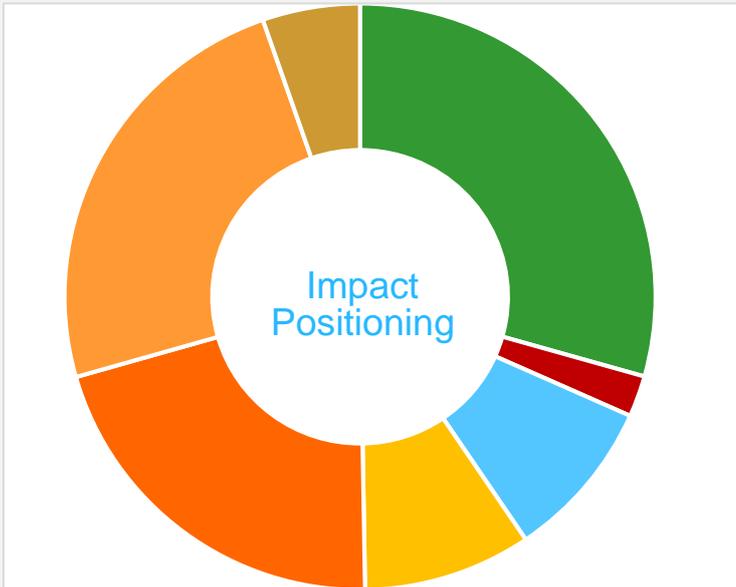
	WHEB	MSCI		WHEB
Forward Price/Earnings (PE)	16.90x	14.49x	Beta (predicted)	0.97
FY2 Earnings Growth	12.63%	11.19%	Tracking Error (predicted)	3.62%
Price/Earnings Growth (PEG)	1.34x	1.30x	Tracking Error (ex-post)	8.21%
3-year Volatility <sup>11</sup>	11.97%	10.44%		

## Trading Activity

### Significant Portfolio Changes

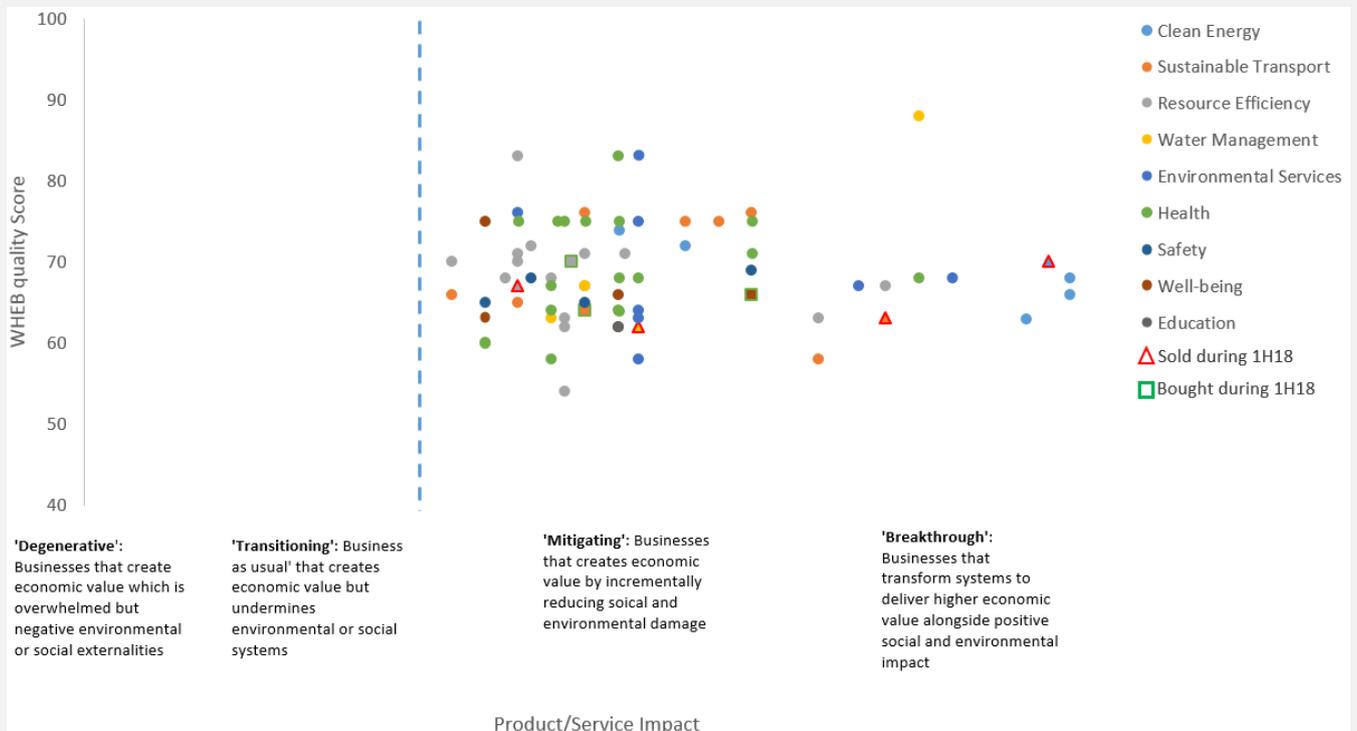
Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Aptiv	Purchase	Sustainable Transport	Market leader in automotive advanced safety and connectivity.
Tivity Health	Purchase	Health	Leading fitness programme provider for the elderly in the US.
Shimano	Sale	Sustainable Transport	Threats from shared bikes and increasing competition.
Hannon Armstrong	Sale	Cleaner Energy	Increasing interest rate environment puts pressure on the stock price.
Murata	Sale	Resource Efficiency	Delivered disappointing profitability over the last year.

### Impact Positioning: Supporting the UN Sustainable Development Goals<sup>12</sup>



- 29% in health & well-being
- 2% in education
- 9% in clean water & sanitation
- 9% in affordable & clean energy
- 21% in industry, innovation & infrastructure
- 24% in sustainable cities & communities
- 5% in responsible consumption & production

### Measuring the impact of products and services for portfolio changes during 1H 2018<sup>13</sup>



## Engagement and voting activity

### Voting Record: Q2 2018

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 April – 30 June 2018. Full details of how we voted on each of the individual votes are detailed in Appendix 1 (<http://www.whebgroup.com/investment-strategies/listed-equity/fund-governance/engagement-andvoting-records/>).

Meetings	No. of meetings	%
# votable meetings	42	N/A
# meetings at which votes were cast	41	98%
# meetings at which we voted against management or abstained	37	88%

Resolutions	No. of resolutions	%
# votes cast with management	338	71%
# votes cast against mgmt. or abstained (see list in appendix)	109	32%
# resolutions where votes were withheld	28	6%

### Company Engagement Activity

Company	Topic	Comment	Outcome
Norma Group SE	Reporting of 'impact' metrics	Teleconference	Company has agreed to roll-out impact measurement across portfolio
	Reporting to CDP	Letter	Company has agreed to review their involvement
	Director independence, ESG incentives	Letter	Company has acknowledged receipt of letter
Smurfit Kappa Group plc.	Timber sourcing	Teleconference	Confirmation that company sources >99% of timber from sustainably certified sources
	Governance – lack of gender diversity	Letter	No response as of 9 <sup>th</sup> June
IPG Photonics Corporation	Reporting of 'impact' metrics	Email	Company published impact metrics
Kion Group AG	Reporting to CDP	Teleconference	Company has agreed to participate in 2018
	Director terms and independence and executive remuneration	Teleconference	Company noted our concerns but takes a different approach
Stantec Inc.	Health and Safety Reporting	Email	Company confirmed Health and Safety performance
Lenzing AG	Reporting of 'impact' metrics	Teleconference	Company reported impact metrics
	Director independence, shareholder rights	Letter	No response as of 9 <sup>th</sup> June
Varian Medical Systems Inc.	Reporting of 'impact' metrics	Email	Company reported impact metrics
Fresenius SE	ESG and impact disclosure	Email	Company produced first ESG data and agreed to develop impact reporting metrics
China Longyuan Power Group Corp.	ESG disclosure	Email	Company has produced first ESG data
HMS Holdings Corp.	Reporting of 'impact' metrics	Email	Company is considering reporting impact metrics
Royal DSM NV	Reporting of 'impact' metrics	Teleconference	Company agreed to develop impact reporting metrics

Littelfuse Inc.	Director Independence, CEO remuneration, ESG reporting	Meeting	Company is planning to review its approach to ESG disclosure
Centene Corporation	Director independence, CEO remuneration, Auditor independence	Letter	No response as of 9 <sup>th</sup> June
TPI Composites Inc.	Director terms and independence, auditor independence, CEO remuneration	Letter	Company has acknowledged response with teleconference scheduled
Xylem Inc.	CEO remuneration	Letter	No response as of 9 <sup>th</sup> June
Johnson Controls International plc	Director 'overboarding', auditor independence, CEO remuneration	Letter	No response as of 9 <sup>th</sup> June
Acuity Brands Inc.	ESG disclosure	Letter	Company has not yet produced any updated ESG disclosures following shareholder resolution
China Everbright International Ltd.	Reporting to CDP	Teleconference	Company is submitting a response to CDP in 2018
	Director overboarding and independence, gender diversity, shareholder rights	Letter	No response as of 9 <sup>th</sup> June
MSA Safety Inc.	Director independence, CEO remuneration	Letter	Company disagrees with our view of independence and clarified CEO remuneration
Dassault Systèmes SA	CEO severance package, remuneration, director independence, shareholder rights	Letter	No response as of 9 <sup>th</sup> June
Orpea SA	Classified board, auditor independence	Letter	No response as of 9 <sup>th</sup> June
ams AG	Independent auditor, classified board	Letter	No response as of 9 <sup>th</sup> June
Cerner Corporation	Director independence, auditor independence	Letter	No response as of 9 <sup>th</sup> June
Ansys Inc.	Classified board, auditor independence, CEO remuneration	Letter	No response as of 9 <sup>th</sup> June
Horiba Ltd.	Director independence and gender diversity	Letter	No response as of 9 <sup>th</sup> June
J.B. Hunt Transport Services Inc.	Director independence, auditor independence, CEO remuneration	Letter	No response as of 9 <sup>th</sup> June

## Footnotes and important risk warnings

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Fund Partners Limited (formerly IFDS Managers Limited) is the Authorised Corporate Director of the Fund and is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 469278 and has its registered office at Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset, BH21 7SB.

The state of the origin of the Fund is England and Wales. The Representative in Switzerland is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the Paying Agent is Bank Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zurich. The relevant documents such as the prospectus, the key investor information document (KIIDs), the Articles of Association as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

## Notes to data tables

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<sup>1</sup> The average holding period is derived from the fund turnover at the last reporting date (six months to 28 February 2018, Source: Apex Fund Services). The figure is annualised and adjusted so as not to double count buys and sells. It is then inverted so that, for example, 50% turnover would equate to a two-year average holding period.

<sup>2</sup> Active Share refers to the % overlap between the Fund and MSCI World Index weightings. Data as at 30 June 2018, source: Bloomberg.

<sup>3</sup> The MSCI World Index is quoted at month end with net dividends reinvested and without the deduction of any expenses (in contrast to the portfolio). The MSCI World Index is unmanaged and cannot be invested in directly.

<sup>4</sup> Performance data for the FP WHEB Sustainability Fund Primary Share Class comprises the A share class since inception of the fund on 8 June 2009, and the C share class since its launch on 11 Sept 2012. Prices are last quoted prices for each day i.e. MSCI World quoted after market close in North America; FP WHEB Sustainability quoted at midday in UK. Prices shown net of Ongoing Charge Figure (OCF): A share class OCF as at 28.02.2018 1.68%, C Share Class OCF 1.03%. **Past performance is not a reliable guide to future performance. Your capital is at risk.**

<sup>5</sup> IA Global refers to the fund weighted average performance of the UK Investment Association Global equity sector peer group. Source FE Analytics.

<sup>6</sup> The FP WHEB Sustainability Fund was originally launched on 8 Jun 2009. Effective re-launch as at 30 April 2012 after the portfolio was transitioned to a new investment process by a new investment team.

<sup>7</sup> Performance attribution is calculated with reference to the MSCI World Index, and based on the Fund's valuation at the market close. Depending on timing differences between midday pricing of the Fund's unit price and the market close, the total attribution may therefore deviate from the quarterly performance quoted in the investment performance section of the report.

<sup>8</sup> The "Thematic Selection Effect" is calculated as the attribution from not having any holding in stocks which are constituents of the MSCI World Index but are not in WHEB's investable universe.

<sup>9</sup> Source: Bloomberg, data as of 30 June 2018. Numbers may not add up to 100% due to rounding.

<sup>10</sup> The figures in brackets relate to the number of companies included in the fund or the index.

<sup>11</sup> Volatility Data as at 30 June 2018, source: Bloomberg.

<sup>12</sup> A number of stocks have been reclassified in 2018 and as a result the numbers are not directly comparable with the data from the previous quarter.

<sup>13</sup> For description of impact mapping methodologies please see WHEB's impact reports, available at <http://www.whebgroup.com/news/newsletter/> The SDG mapping methodology is described in the 2016 impact report, and the impact positioning graph is described in most detail in the 2014 impact report.