

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.

Q3 REPORT



“If you think education is expensive, try ignorance.”¹

Education has always been one of WHEB’s nine investment themes. George Lucas, the filmmaker, called education ‘the single most important job of the human race’. It is central to the improvement of the human condition and as such, sits at the heart of the concept of sustainable development.

The subject of education is, however, rarely far from the centre of public debate. As the parent of a sixteen-year-old, who recently went through the trauma of not sitting her GCSEs, it certainly feels like 2020 has had more than its fair share of education-related headlines.

The UK Prime Minister turned his attention to education at the end of September. In a speech at a further education college, he highlighted the critical role that education will play in helping to re-build the UK’s economy following the COVID-19 pandemic. Boris Johnson argued that the pandemic is “massively accelerating” changes in the economy. In response the UK Government will offer a new “lifetime skills guarantee” to help adults without A-levels acquire new skills. Skills that he believes will be needed “as old types of employment fall away, and new opportunities open up with dizzying speed”.²



¹ Quote attributed to Derek Bok, President of Harvard University 1971-1991

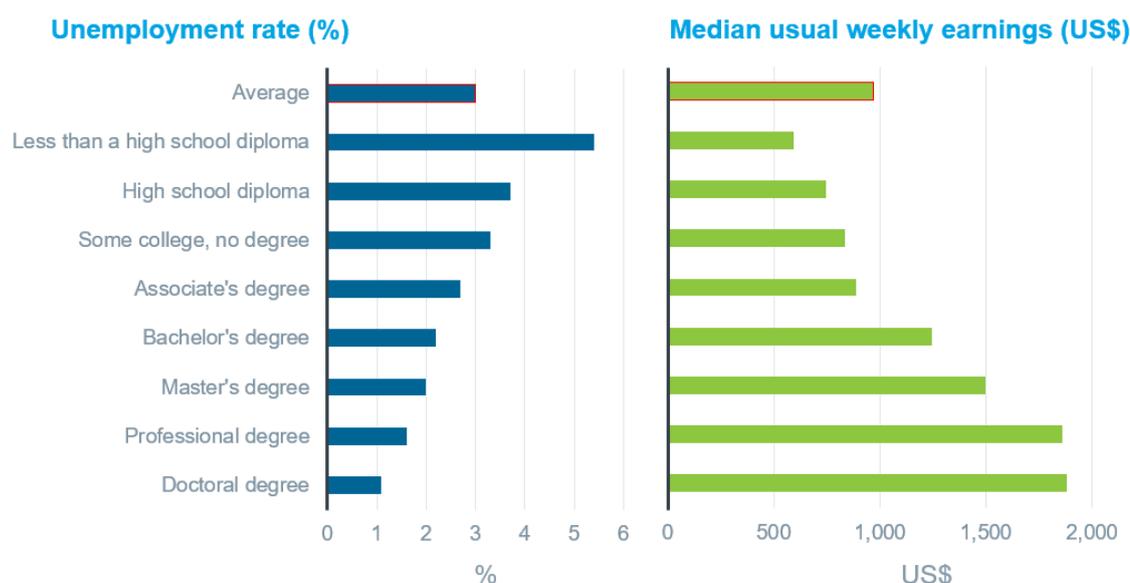
² <https://www.theguardian.com/politics/2020/sep/29/boris-johnson-announces-radical-plan-to-boost-vocational-training>

COVID-19, young people and education

As the COVID-19 pandemic has played out it has also become clear that young people, and particularly those in the 18-25 age group, have been disproportionately affected. In the UK, half of the eligible unemployed who were put on furlough were under 25-year-olds. Unemployment among 16-24-year olds is now over 13% compared with just 4% across the UK as a whole³. These statistics are broadly replicated across much of Europe and North America.

With such dismal prospects in the job market, many school-leavers are expected to enrol in higher education. Recessions tend to mean that people want more education because the alternatives of underemployment or unemployment are even worse. The UK’s Office for Budget Responsibility for example has increased its forecasts for new English-domiciled students by over 100,000 over the next three years⁴. The evidence indicates that this is a sensible strategy for these young adults. A 2019 study by the US Bureau of Labor Statistics confirmed the pattern found in previous studies. Unemployment rates are indisputably and significantly lower and median weekly earnings substantially higher at every level of higher educational attainment.

Figure 1: Unemployment rates and earnings by educational attainment⁵



Investing in education

WHEB’s Education theme has always been one of the smaller themes within the WHEB portfolio. In fact, for three years between September 2013 and November 2016 the strategy had no exposure at all to education. Up until that point, we had been invested in the UK academic publisher Pearson plc. However, we had become increasingly concerned at that time about major changes in the education market caused by the advent of digital publishing and on-line study.

While that concern turned out to be prescient, it was the same changes wrought by the impact of on-line education that drew us back into the Education theme. In November 2016 we started a

³ <https://www.timeshighereducation.com/opinion/covid-19-could-be-curse-graduates-boon-universities>

⁴ <http://obr.uk/efo/economic-and-fiscal-outlook-march-2020/>

⁵ Source: US Bureau of Labor Statistics, Current Population Survey (2019)
<https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>

position in the US tertiary education provider **Grand Canyon Education**. This private university, located in Phoenix Arizona, had built a highly successful online education business. In fact, in terms of participating students, the on-line business was more than three times as large as the campus-based student body.

In 2020 we also started a position in **Strategic Education**. We mentioned this business in last quarter's report because they have a particular focus on students who did not have the opportunity or financial means to continue their education after high-school. The majority of students are working adults who are returning to education in order to improve their career opportunities. 76% of students are female and 64% are people of colour. Strategic Education has for some time also supplied predominantly on-line education. Since the advent of the COVID-19, their entire curriculum has moved on-line.

Education and politics

In spite of the challenges generated by COVID-19, we believe that both of these businesses will emerge stronger as a consequence of the pandemic. Not just because we expect enrolment to increase, but because both have already established strong on-line education platforms; assets that are likely to be of particular importance in the months and years ahead.

Nonetheless, both stocks have underperformed quite dramatically in the past few months. Strategic Education is seeking to make a significant acquisition of an Australian private university. This has caused some investors to worry that the business may be over-extending – and overpaying – for this. We are confident that the acquisition makes strategic sense and remain supportive.

In addition, as private-sector businesses, both companies are typically seen as 'Republican' stocks as Republicans have tended to take a more supportive view of private sector involvement in education. Democrats in contrast have tended to be more sceptical about private sector education provision. Both stocks have sold-off as the prospects have improved of a Democratic victory in the US Presidential election.

On this point too, we remain sanguine. There have unquestionably been some very irresponsible and poor-quality educational qualifications. A certain 'Trump University' springs immediately to mind. This was the subject of an inquiry by the New York Attorney General's office for illegal business practices and two class-action lawsuits. In contrast though, Grand Canyon University has not increased their fees for their campus-based education for 12 years and, along with Strategic Education, have consistently achieved high scores for the quality of their education. Cohort default rates for both institutions are well below 15% and performance levels against the Gainful Employment rule are well ahead of those prescribed by the US Department of Education⁶.

COVID-19 is clearly changing the world of work very quickly. New skills derived from a good quality education are clearly ever more important. As the headline of this article makes clear, education can be expensive, but it is a lot cheaper than ignorance.

⁶ The US Government sets performance thresholds for educational establishments in order to qualify for federal funding. The 'Cohort Default Rate' is the percentage of a school's borrowers who enter repayment on certain loans during a federal fiscal year and default prior to the end of the next one to two fiscal years. The 'Gainful Employment Rule' requires schools to provide their students with an education adequate enough for them to pay their college loans back so that they will be gainfully employed after they graduate from college.

Investing in breakthroughs

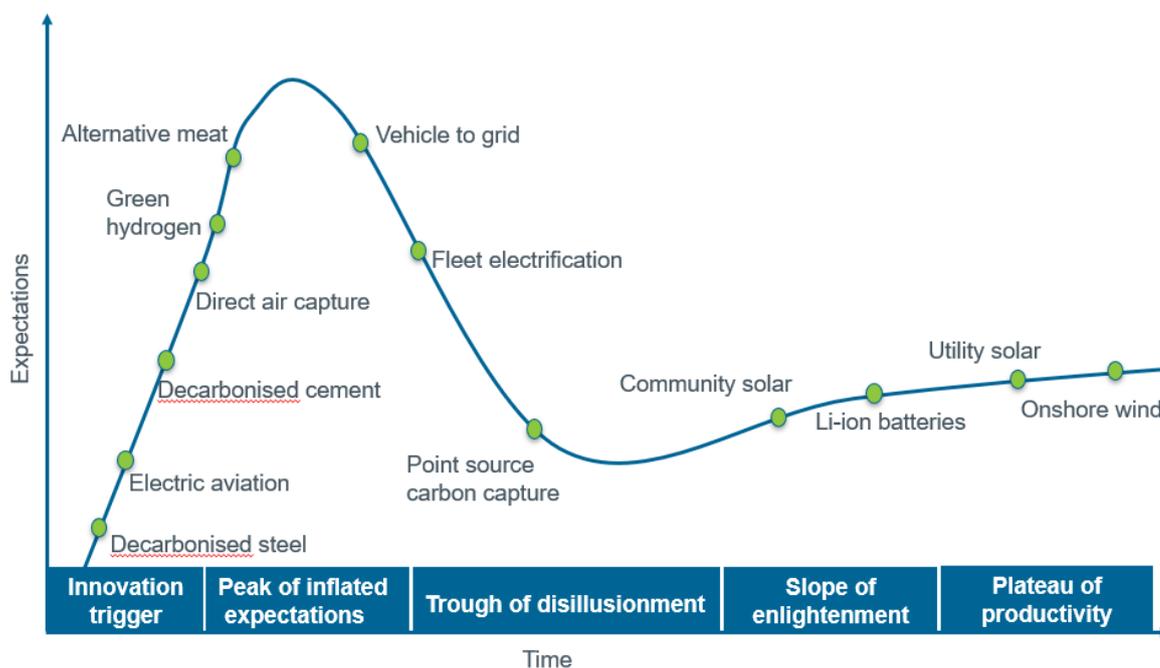
The ESG ‘stampede’

The WHEB team has a fifteen-year track record in sustainable investing. Looking back over this period, we can say that this is undoubtedly the most exciting period in this history. We say this with the scars still-fresh from fighting what was, until very recently, a lonely battle. Many of our clients have also been on this journey and are now enjoying what we’ve been calling the ‘ESG stampede’.

You can see the evidence of this stampede in the share prices of strongly thematic companies. Ty Lee commented on this in the October monthly update. He pointed to the share price performance of companies like ITM Power and Ballard Power⁷. These companies are thought to be strong beneficiaries of the growth in green hydrogen. There are similar patterns in the share price performance of other companies involved in, for example, alternative meat and plant-based protein food product. Excitement is in part driven by the much lower carbon footprint that these products offer compared to traditional meat products.

The companies behind these and other sustainability-oriented products represent extremely exciting opportunities to reduce greenhouse gas (GHG) emissions. They also represent high risk investment propositions. The majority of these businesses operate in intensely competitive markets. Most are also heavily loss-making and are likely to remain so for many years. Green hydrogen and alternative meat technologies are still at an early stage in their development. The current exuberance is, in our view, likely to evaporate as the timescales for real change become clear. The familiar ‘Gartner hype cycle’ is, we believe, still apposite in this context.

The climate-tech hype cycle⁸



⁷ https://www.whebgroup.com/is-it-time-to-jump-on-the-hydrogen-bandwagon/#_ftn1

⁸ <https://www.gartner.com/en/research/methodologies/gartner-hype-cycle> adapted by Energy Impact Partners and WHEB.

“Quality will out”

At WHEB we believe there is a better and lower risk approach to accessing some of these breakthrough developments. Our focus is in finding companies that have existing established franchises with a solid positive impact story. Companies where the core product has matured and provides a predictable return profile. These are companies that have already gone through the ‘hype cycle’.

The WHEB portfolio is characterized by companies that have strong cash-flow returns and relatively low levels of leverage (see figures 2 and 3). They are also adept at managing the environmental and social footprints of their operations and have strong governance structures. They are, in short, high quality businesses. But on top of this, and perhaps even more importantly, we seek to find businesses that have vision and ambition. These are companies that have a strong quality foundation and energetically pursue and invest in breakthrough applications alongside their core business.

Figure 2: Cash flow returns on invested capital⁹

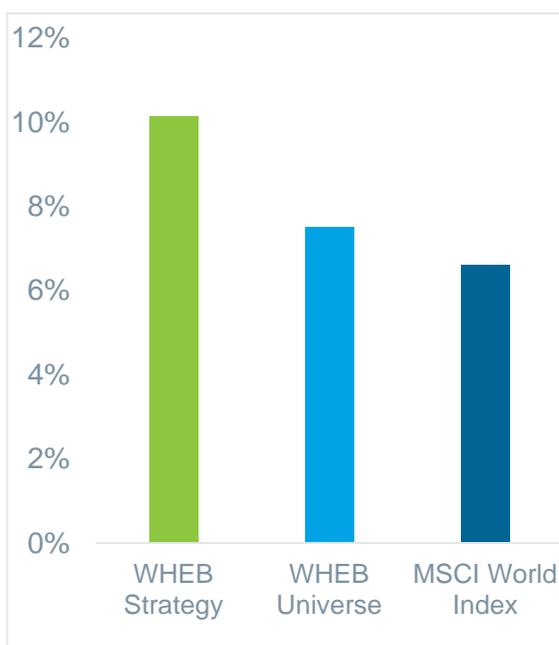
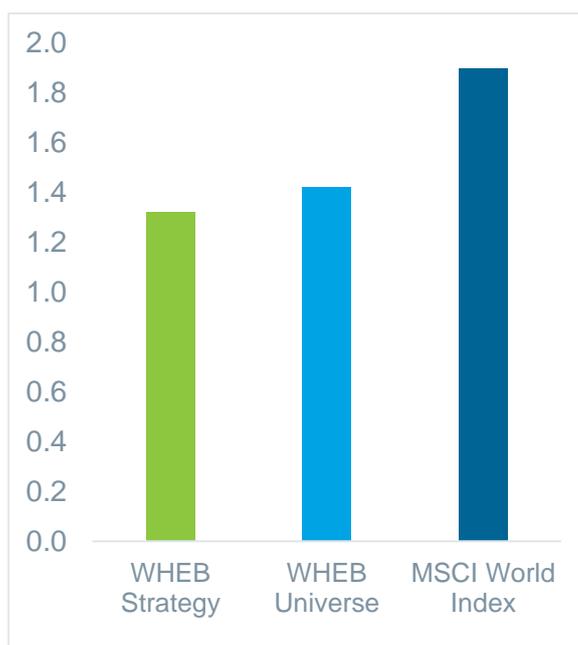


Figure 3: Leverage (net debt: Ebitda)¹⁰



⁹ WHEB/FactSet data as of September 2020

¹⁰ Ibid

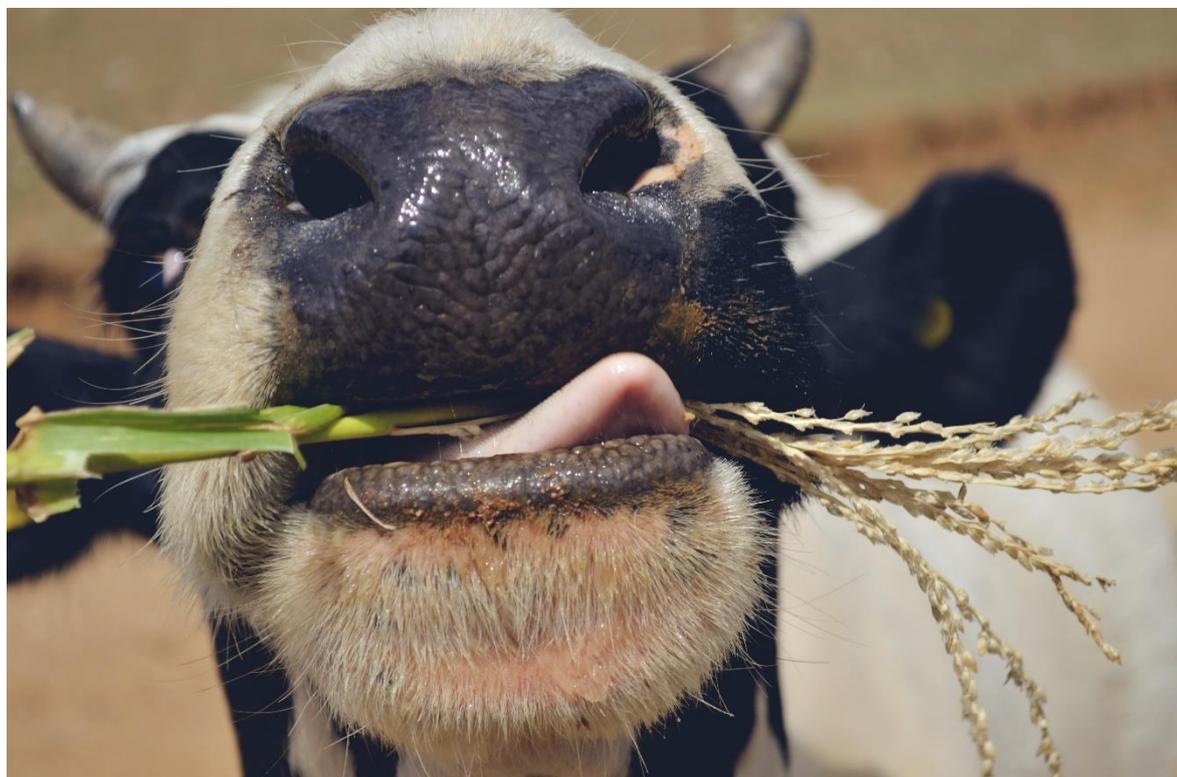
Three companies in the portfolio that exhibit many of these characteristics are listed below. Each of these has an existing franchise with a strong competitive position and established products. At the same time, they are building new high impact franchises in adjacent markets.

Renishaw and the treatment of Parkinson's Disease

Renishaw, the UK engineering champion, displays many of these characteristics. It's a world leader in industrial metrology equipment. Renishaw has a long track record in probes and gauging systems which improve quality and reduce wastage in manufacturing operations around the world. Using their knowledge in precision measurement, the company has also developed a novel system to treat sufferers of Parkinson's disease. This system is still undergoing clinical trials and involves very precise delivery of drugs into the patient's brain. With ten million sufferers today, this product has the potential to revolutionise treatment of this disease.

Tackling greenhouse gas emissions in agriculture

DSM is a Dutch specialty chemical business with a specific focus on sustainability and nutrition. Alongside their core business in human and animal nutrition, DSM is developing several breakthrough products. One of these is called Bovaer and is a feed additive for ruminants and particularly dairy cows. Livestock as a whole are responsible for 14.5% of total global greenhouse gas emissions. The vast majority of this comes from cows – specifically cows burping. Bovaer works by suppressing the enzyme that triggers methane production in a cow's rumen. It reduces enteric methane emissions by approximately 30%. It takes effect immediately and it's safely broken down in the cow's normal digestive system. Following 30 on-farm trials and more than 25 peer-reviewed studies the product is due to launch in Europe in 2021.



Industrial gas giant positioning for the hydrogen economy

Linde is one of the giants of the industrial gases industry, whose products are used to reduce pollutants or improve efficiencies in many downstream industries. The company currently produces hydrogen from natural gas which is used to desulphurise fuels to reduce air pollution.

Hydrogen is also emerging as a potential solution in decarbonising steel-making, heating in buildings and heavy goods transport. In order to play this role, the carbon emissions from hydrogen production need to be eliminated. This can be done either through capturing the carbon and storing it underground ('blue' hydrogen) or by producing hydrogen from electrolyzers which do not produce carbon dioxide emissions ('green' hydrogen).

Neither of these technologies is currently competitive but Linde is bringing its knowledge of handling hydrogen to reduce costs in its manufacture, distribution and use. It is currently involved in over one hundred projects ranging from pilot projects with electrolyzers through to the storage and distribution of hydrogen for fuel cell vehicles. The market is still tiny in comparison to the rest of Linde's business. With anticipated cost reductions, the market is expected to grow by fifty to one hundred times in the next ten years.

Engagement Activity

COVID-19 and the pharmaceutical sector

We reported last quarter on a collaborative engagement that WHEB has been supporting aimed at companies in the pharmaceutical sector. The initiative sets out actions that, as investors, we want to see from all pharmaceutical companies. In the last quarter we extended this initiative by leading an engagement with **Hikma Pharmaceuticals**, a manufacturer of generic medicines which is held in the WHEB strategy.

Our letter acknowledged the critical role that pharmaceutical companies have played in tackling COVID-19. It also urged companies to collaborate in ensuring that therapies are affordable and that the actions of the sector as a whole support other stakeholders in tackling the pandemic.

In his response to our letter, the CEO set out the company's approach.

- The company has been operating at their highest capacity possible in manufacturing priority medicines including respiratory drugs, therapies used in pain management and anaesthetics, sedatives and anti-infectives.
- Hikma supplies 11 out of the 13 most widely used injectable medicines needed to treat COVID-19 patients in Intensive Care units in hospitals.
- The company has also been coordinating with their suppliers to ensure that raw materials and components remain available to manufacturers across the industry.
- The ongoing safe operation of manufacturing facilities has remained a priority with additional levels of cleaning on top of the high levels of sterility required in these facilities.

The CEO has also written publicly about some of these issues including specifically the critical role that generic medicine manufacturers have played in responding to the pandemic¹¹. We are largely supportive of these statements. We will though continue to monitor behaviour by companies, including Hikma, to ensure that they remain aligned with the strong commitments outlined in the letter to us and in these wider published statements.

The building sector and greenhouse gas emissions

Operating buildings around the world contributes between one quarter and one third of all greenhouse gas emissions¹². Finding solutions to this massive source of emissions is clearly critical in addressing climate change.

The WHEB strategy is heavily exposed to companies that are, in our view, helping to mitigate these levels of emissions from buildings. Heating the air and water in buildings together accounts for approximately half of the total greenhouse footprint of buildings¹³. The main focus of WHEB's investments in this area is on increasing the efficiency of space and water heating. This includes investments in companies that make building insulation products such as Kingspan and Linde.

¹¹ <https://www.linkedin.com/pulse/generics-hidden-hero-fight-against-covid-19-hikma-pharmaceuticals/?published=t>

¹² https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter9.pdf

¹³ In residential buildings this is slightly more than 50% and in commercial buildings slightly less than 50% (IEA, 2013)



Beyond insulation itself, the WHEB strategy is also heavily exposed to companies that make energy efficient heating, ventilation and air conditioning (HVAC) equipment. Regulations in major markets have driven manufacturers of HVAC equipment to improve efficiency standards. Increases in global temperatures combined with greater wealth in many middle-income countries has meant, however, that HVAC unit demand has outweighed improvements in the efficiency of those units. The result is that energy demand from space heating is expected to triple between 2018 and 2050¹⁴.

HVAC companies sit in a critical position. Their product is increasingly needed in many geographies to help adapt to climate change. But without the highest efficiencies (and a largely decarbonised electricity grid) they will also contribute to accelerating climate change.

Over the past few months, we have engaged with HVAC companies bilaterally as well as through broader investor coalitions to encourage a more aggressive approach to HVAC efficiency. The WHEB strategy has holdings in **Lennox International** and **Daikin Industries**. Both companies have sector leading products in terms of efficiency. Working with the research group the CDP, we have been analysing the extent to which these companies are themselves aggressively targeting further improvements.

As we have reported previously, following collaborative engagement by investors, Daikin have set themselves a target to have net zero carbon emissions by 2050. This target includes emissions from their products. Lennox, while developing the highest efficiency products in the US market, has not yet set out a stretch target on greenhouse gas emission reductions. We have had several exchanges in 2020 with them on this subject and we continue to encourage the company to set out a longer-term strategy around greenhouse gas emission reduction.

¹⁴ IEA (2018)

Engaging policymakers on climate change

While the impact of COVID-19 has dominated the headlines, the pace of regulatory action on climate change remains unabated. Working through the Institutional Investors Group on Climate Change (IIGCC) WHEB has been energetically responding to several government and industry initiatives:

The Paris-aligned Investor Initiative – Net Zero investment framework

High on this list has been work done by the IIGCC to develop a net zero investment framework for pension funds and asset managers. While this work is not expected to result in any specific public policy changes, we believe the framework will become a central feature in assessing and reporting fund-level net zero carbon emission commitments. WHEB has sat on the technical committee developing this framework which is expected to be finalised later in 2020.

Building back better

WHEB has been a signatory to several letters aimed at global, European and UK policy makers asking for more aggressive action on climate change. Alongside other investor networks around the world we wrote to G20 Finance Ministers and Central Bank Governors setting out recommendations for a sustainable economic recovery.

WHEB was also a signatory to a letter to the EU Heads of State underlining the need for “an accelerated transition to a net zero emissions economy, in line with the Green Deal and the Paris Agreement”. Given the unprecedented opportunity to reinvigorate the European economy with a stronger emphasis on sustainability, we also co-signed a letter alongside a variety of large and small European businesses making similar points and emphasising the need to increase the EU’s greenhouse gas emissions reduction target to at least 55% by 2030¹⁵. We were very pleased to see that the EU Commission has subsequently also endorsed this target¹⁶.

At UK level too, WHEB has been a participant in several events aimed at guiding policy development on sustainable finance. This has included participating as a panellist at an UKSIF event aimed at collating input for the FCA and responding to an FCA consultation on climate-related disclosures by listed issuers.

¹⁵ <https://www.corporateleadersgroup.com/reports-evidence-and-insights/pdfs/business-and-investor-ceo-letter-on-eu-2030-ghg.pdf/view>

¹⁶ https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1599

The European Union and Sustainable Finance

The European Union continues to develop a range of policy initiatives to underpin the role that the financial sector plays in supporting the shift to a zero-carbon economy. WHEB has been involved with a group of leading think-tanks, non-governmental organisations and businesses to feed into these policy initiatives.



While we've been broadly supportive of the European framework, we have suggested areas that, in our view, need to be further refined. This includes the EU's taxonomy for sustainable activities, which we have addressed in previous quarterly reports, and the Sustainable Finance Disclosure Regulation (SFDR). The SFDR sets new sustainability disclosure rules for asset managers including 32 mandatory reporting indicators on underlying investments. Many – perhaps even most – of these indicators are not widely reported by companies. In our view, many of them are not even relevant to many companies. The Commission announced in early October that it would delay the implementation of these rules.

Performance commentary

The COVID-19 pandemic continued to cause turmoil across the globe during the third quarter of 2020. Adding to this upheaval, the run up to the US election created more uncertainty. However ongoing government stimulus measures, progress on potential vaccines and a strong technology sector generally kept the markets moving upwards.

Against a backdrop of so much uncertainty, the MSCI World Index (in GBP) gained 3.15% in the third quarter. WHEB's Sustainability strategy also fared well in the period, outpacing the benchmark with a return of 7.68%¹⁷. Several holdings reported positive second quarter results in July, delivering ahead of market expectations and bolstering performance.

The Resource Efficiency theme was the strongest positive contributor for the period followed closely by Health. The Education theme was the biggest negative contributor.

Resource Efficiency kept up its recent good performance. In the short term, the theme benefitted from business confidence slowly returning as the depths of the pandemic pass. Many of the stocks in the theme are industrial companies which are sensitive to this. More importantly, our companies also support more efficient and resilient manufacturing. The pandemic has hugely increased interest in their products.

In the third quarter, the two leading contributors in the theme were **Renishaw** and **KION**, both beneficiaries of this change. Renishaw is a UK company selling precision measuring and calibration equipment with a variety of resource-saving applications. The company marginally upgraded its sales guidance in a trading update. Even this small move alleviated investors' concern, as some of its key end markets such as automotive and aerospace have been hit hard during the pandemic.

KION is a market leader in the electric forklift trucks and warehouse automation. Its products help optimise processes within factories, warehouses and distribution centres. The latest quarterly order intake for the warehouse automation division was at a record high. More and more companies are using KION to reduce their footprint and improve their resilience.

Our Health theme also added to the positive performance with **Varian**, **Danaher** and **Steris** leading the way. Varian was the main positive contributor in the theme. It is the world's leading supplier of radiotherapy equipment, and has further expanded its mission to many other areas in the fight against cancer. During the quarter, Varian agreed to be acquired by healthcare conglomerate Siemens Healthineers, in an all-cash transaction. The offer price represented a premium of 24% to the close price prior to the announcement.

Danaher and Steris also made strong positive contributions with both companies well positioned to help alleviate the COVID-19 crisis.

The weak spot this quarter was the underperformance of the Education theme. Both of our holdings in the theme, **Grand Canyon Education** and **Strategic Education**, are US higher education providers. This sector is typically seen as very politically exposed and has been under pressure ahead of the US presidential election.

We are happy to hold both companies despite this political noise. They are making a meaningful positive social impact. They help to address a serious skills gap problem through providing high quality accessible online education. They also both focus on underserved populations. We still

¹⁷ Return for the C Accumulation primary share class in GBP for 3 months ending 30 Sept 2020

believe that COVID-19 will accelerate online education and career-oriented education over the long term.

COVID-19 continues to dominate the stock market as it has all other aspects of life throughout 2020. Companies that outperformed this quarter mostly operate in sectors which have seen continuing demand growth during the pandemic. This once again validated our conviction that several sustainability trends have been accelerated by this pandemic. WHEB's strategy is well placed to benefit from these enhanced trends.

But the year is not over yet. The USA enters the fourth quarter bracing for election results, whilst the UK staggers toward the end of the Brexit transition period. As the winter months set in, the challenges of COVID-19 are returning with new force. It feels likely that there will be more twists yet in 2020.

Portfolio activity

We sold one position in the quarter.

Recent sales

We sold oncology specialist **Varian**, after it was bid for by Siemens Healthineers in August. The bid was 42% above the volume-weighted average closing price for the preceding 30 days, so a healthy premium, but we were sad to see it leave the portfolio. We had held it for nearly seven years.

The Varian we first invested in was technology-led, a global leader in radiotherapy and imaging but with a relatively narrow focus. Over time the focus shifted to the challenge of cancer itself, and providing an integrated range of solutions. So the imaging business was spun off, and software became a much more important part of the offering. Varian became a leader in proton therapy, and invested in other specialism such as interventional oncology. Perhaps the most impactful move of all was the development of low-cost solutions for emerging economies, taking cancer care to some of the world's poorest regions. Hopefully this journey will continue under its new owners.

Q3 REPORT

FP WHEB Sustainability Fund Quarterly Datapack

July – September 2020
WHEB Asset Management Quarterly Report



WHEB

FP WHEB Sustainability Fund: 30 September 2020

Fund size	£496m	IMA Sector	Global
Holdings	49	Expected number of holdings	40 – 60
Average holding period ¹	6.5 years ¹	Expected holding period	4 – 7 years
Active Share vs Benchmark ²	97.5%	Index benchmark ³	MSCI World Total Return Net GBP

Investment Performance⁴:

Performance since fund relaunch (30 April 2012)



Investment returns by discrete 12-month periods

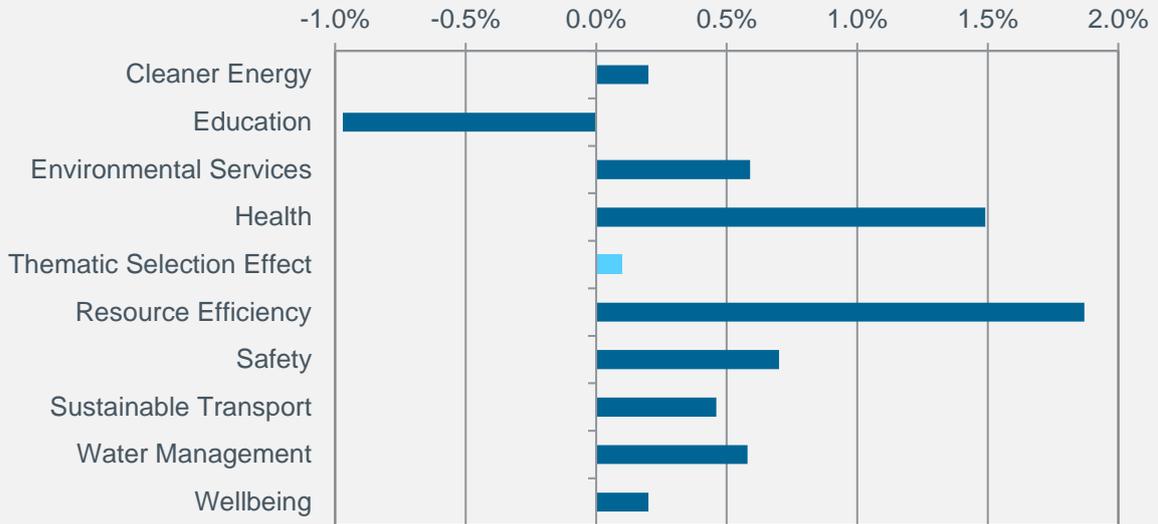
	Sep 2019 – Sep 2020	Sep 2018 – Sep 2019	Sep 2017 – Sep 2018	Sep 2016 – Sep 2017	Sep 2015 – Sep 2016
FP WHEB Sustainability C Acc Primary share class	15.07%	1.87%	11.55%	14.87%	31.25%
MSCI World total return	5.24%	7.76%	14.44%	14.41%	29.85%
IA Global ⁵ sector average total return	7.19%	5.98%	11.63%	14.92%	26.15%

Cumulative investment returns

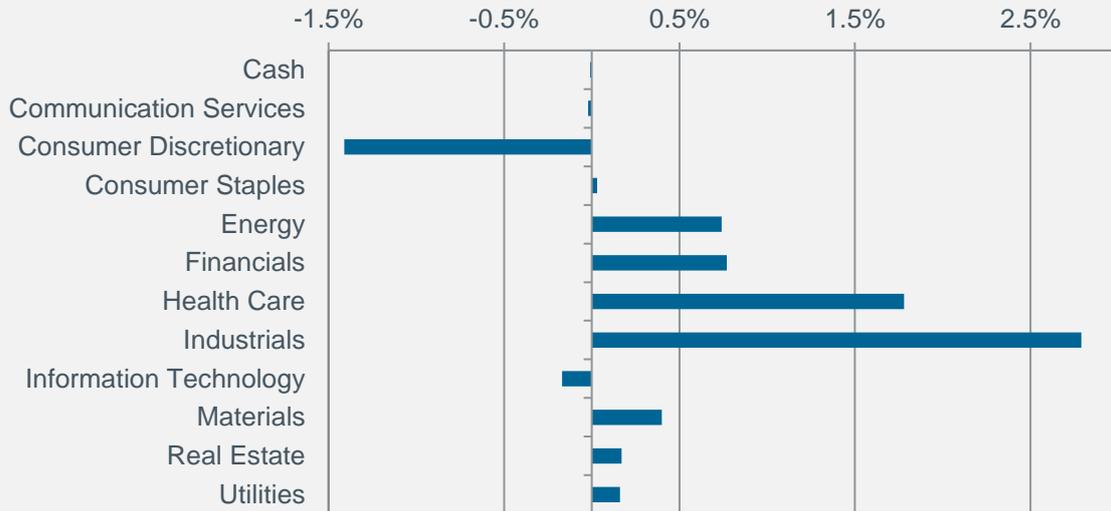
	Fund (Primary share class) %	MSCI World (Total return - GBP) %	IA Global sector average (Total return - GBP) ⁵ %
3 Months	7.68%	3.15%	4.19%
6 Months	30.52%	23.56%	24.31%
12 Months	15.07%	5.24%	7.19%
3 Years (annualised)	9.35%	9.08%	8.23%
5 Years (annualised)	14.54%	14.03%	12.94%
Cumulative since relaunch (30 April 2012) ⁶	166.62%	171.11%	134.70%

Performance Attribution – Last 3 months⁷

Attribution by Sustainability Theme⁸

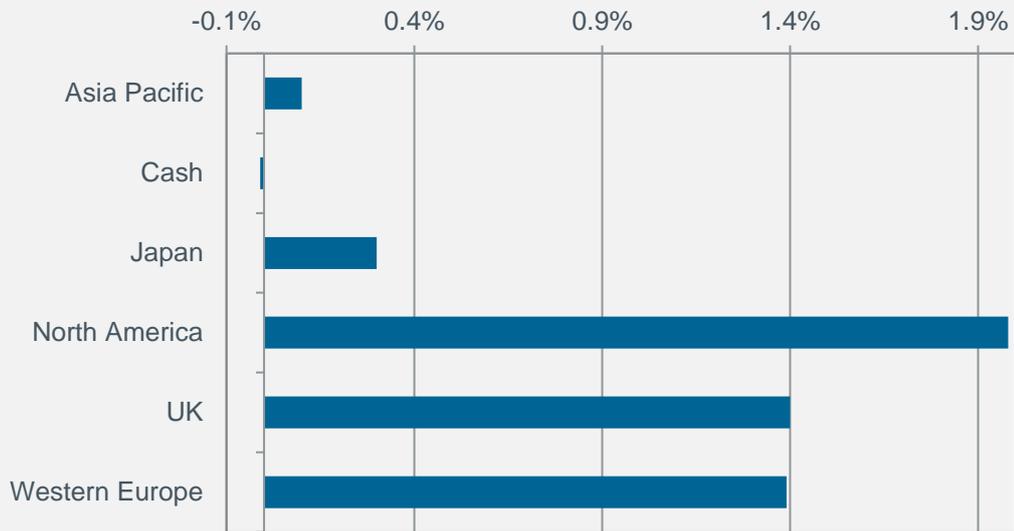


Attribution by Sector

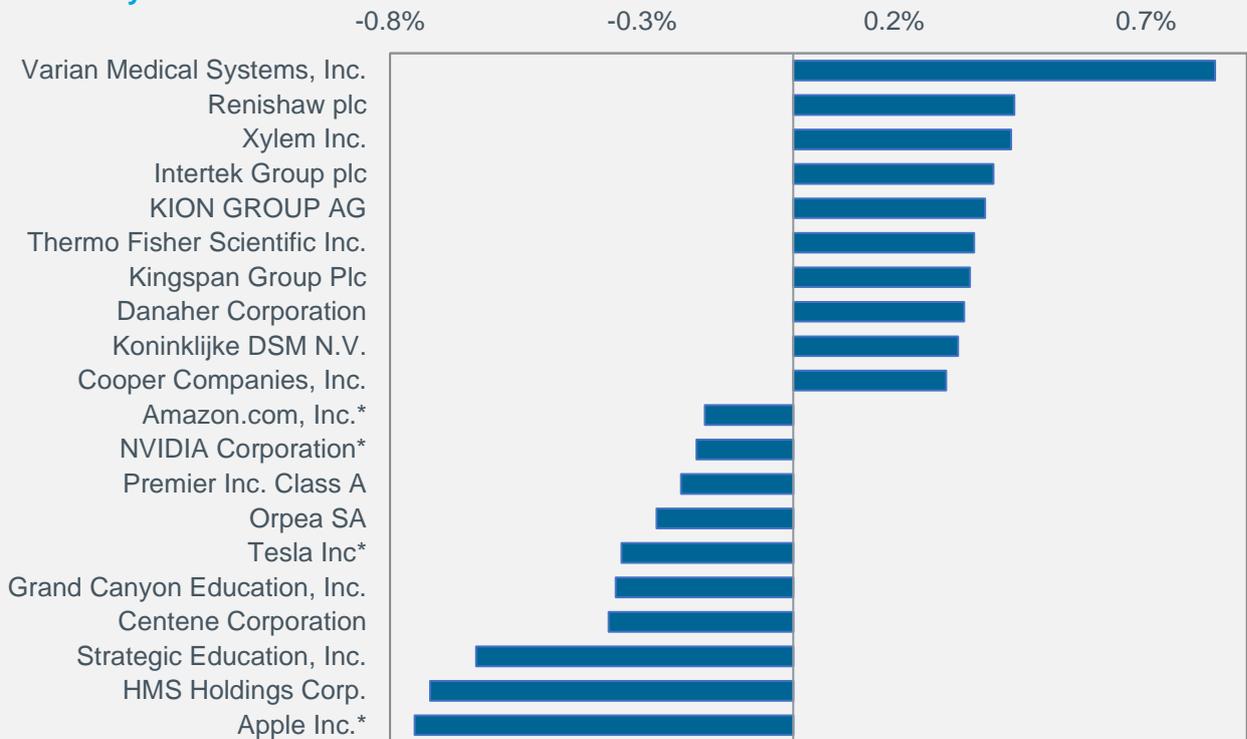


Performance Attribution – Last 3 months

Attribution by Geography



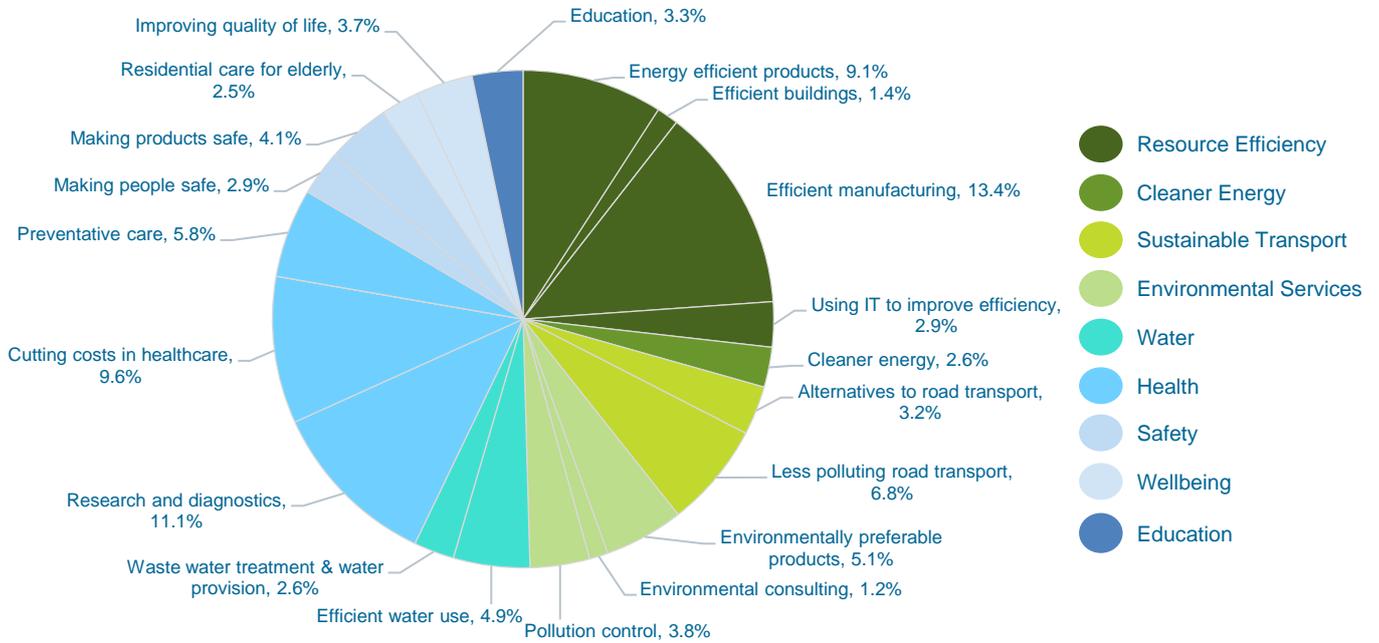
Attribution by stock



*Negative attribution results from index outperformance from stocks which do not qualify for WHEB's investment universe

Portfolio analysis and positioning:

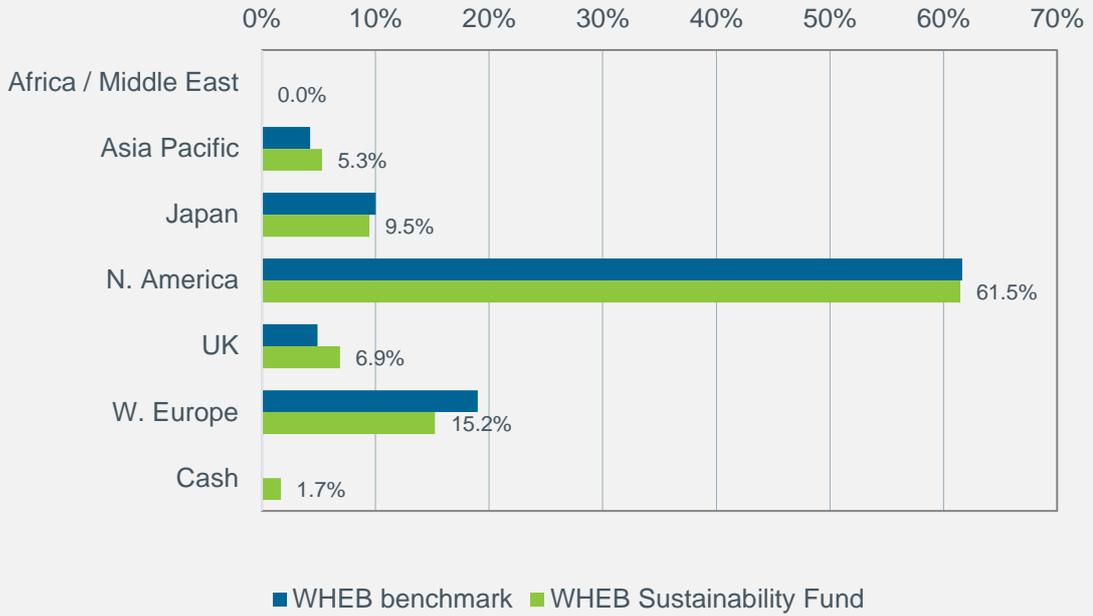
Portfolio Exposures⁹



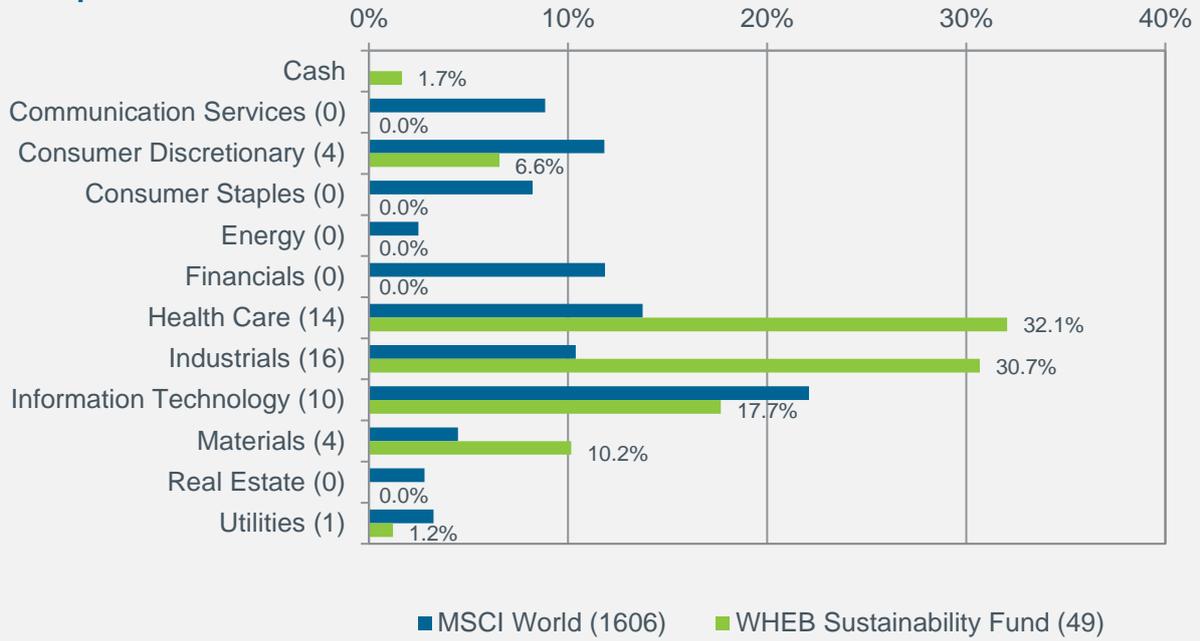
Market Cap Exposure



Regional Exposure¹⁰



Sector Exposure¹¹



Top Ten Holdings as of 30 September 2020

Stock	Theme	Description	Holding
Daifuku	Resource Efficiency	Daifuku makes material handling systems such as storage systems, conveyors and automatic sorters. These products help to reduce energy and resource use in manufacturing and enable warehouse automation.	3.09%
Keyence	Resource Efficiency	Keyence manufactures sensors and measuring instruments for factory automation. These components help achieve efficiency, energy savings, reduced wastage and quality management.	3.04%
Steris	Health	Steris provides sterilisation and anti-microbial treatment services to hospitals, medical device manufacturers, pharmaceutical and biotechnology businesses as well as for food safety and industrial markets.	2.93%
Ansys	Resource Efficiency	Sells simulation software for product design and optimisation. The software improves quality and safety in products like fuel efficient cars and planes, wind turbines, medical technology and consumer goods.	2.88%
Royal DSM	Environmental services	DSM is a science based company that is active in the fields of health, nutrition and materials. The company provides innovative solutions to improve the efficiency of global food supply chains and help minimise environmental impacts.	2.88%
Icon	Health	A clinical research business providing global outsourced development services to the pharmaceutical, biotechnology and medical device industries. Its aim is to accelerate the development of drugs and devices that save lives and improve quality of life.	2.85%
MSA Safety	Safety	Global provider of safety products including self-contained respirators, gas masks and detectors, helmets and thermal imaging cameras. Markets include fire-fighting, industrial, construction and the consumer sector.	2.84%
Intertek Group	Safety	Offers quality, safety, performance and regulatory testing services to renewable energy companies in over 100 countries and is developing greenhouse gas, environmental and health and safety consulting businesses.	2.82%
CSL Ltd	Health	Provides human blood plasma-derived products to treat bleeding disorders, infections and autoimmune diseases. CSL also manufactures vaccines and related products, including for flu and cervical cancer.	2.75%
Roper Technologies	Resource Efficiency	Manufactures industrial controls, fluid handling and analytical instrumentation products. These products increase efficiency and safety in areas such as medical diagnostics, semiconductor production and water management.	2.73%

Fund Characteristics

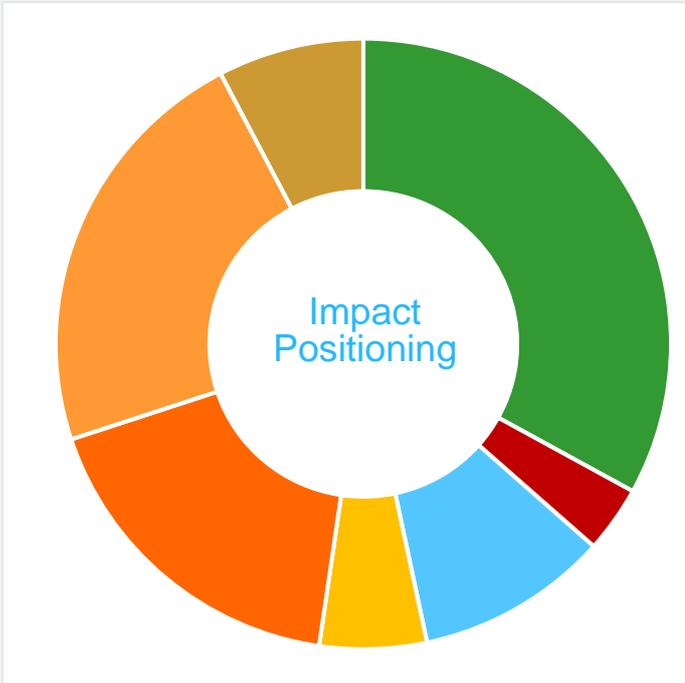
	WHEB	MSCI World (Total Return – GBP)		WHEB
FY1 Price/Earnings (PE) ¹²	26.53x	29.08x	Beta (predicted)	0.94
FY2 Earnings Growth ¹²	22.78%	23.85%	1-year Tracking Error (predicted)	5.72%
FY1 PE/FY2 Earnings Growth (PEG)	1.16x	1.22x	5-year Tracking Error (ex-post)	7.24%
3-year Volatility ¹³	16.60%	13.86%		

Trading Activity

Significant Portfolio Changes

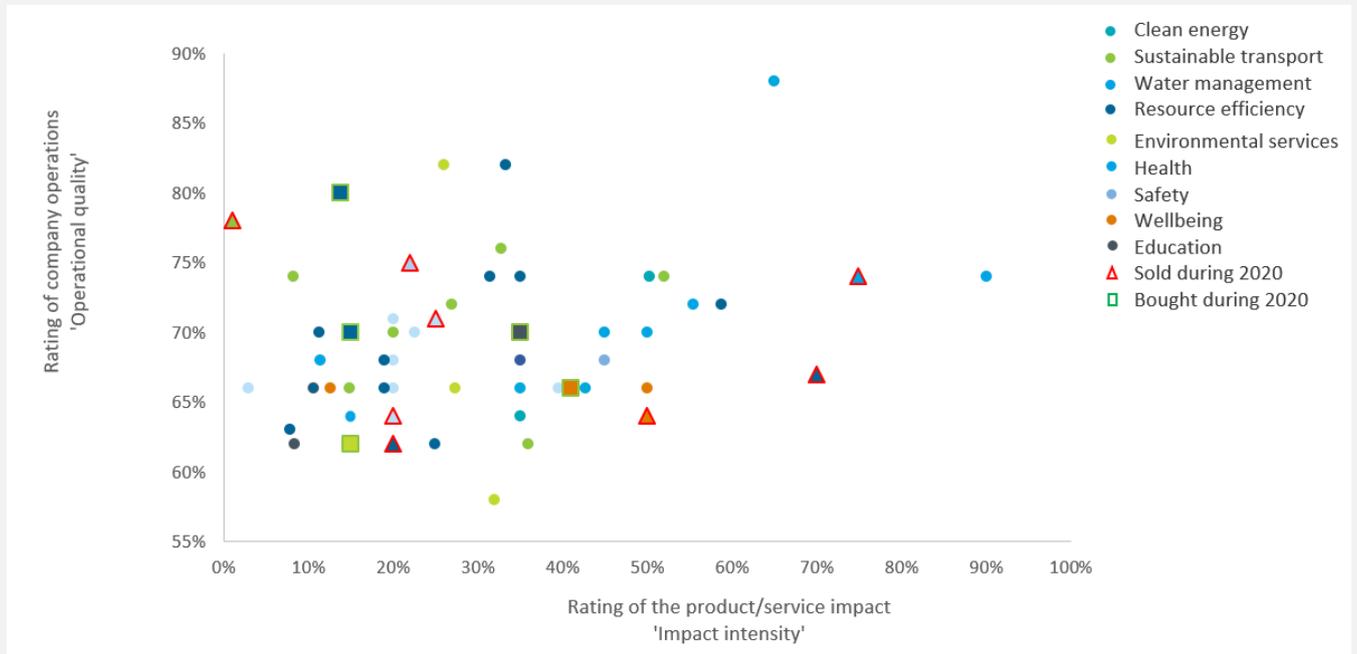
Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Varian Medical Systems	Sale	Health	The company was bid for by Siemens Healthineers

Impact Positioning: Supporting the UN Sustainable Development Goals¹⁴



- 33% in health & well-being
- 4% in education
- 10% in clean water & sanitation
- 6% in affordable & clean energy
- 18% in industry, innovation & infrastructure
- 22% in sustainable cities & communities
- 8% in responsible consumption & production

Impact map of FP WHEB Sustainability Fund portfolio following changes in 3Q20¹⁵



Engagement and voting activity

Voting Record: Q3 2020

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 July – 30 September 2020. Full details of how we voted on each of the individual votes are detailed on our website:

<http://www.whegroup.com/investment-strategy/fund-governance/engagement-and-voting-records/>

Meetings	No. of meetings	%
# votable meetings	10	
# meetings at which votes were cast	10	100
# meetings at which we voted against management or abstained	7	70

Resolutions	No. of resolutions	%
# votes cast with management	70	72%
# votes cast against mgmt. or abstained (see list in appendix)	27	28%
# resolutions where votes were withheld	0	0%

Company Engagement Activity

Company	Topic	Comment	Outcome
Smurfit Kappa Group	Sustainability training	Email	Company asked for advice on sustainability training opportunities for executives.
Intertek plc	Greenhouse gas reduction targets	Conference call	The company acknowledges the need to set more demanding targets but would not set a timeline to do this.
AO Smith Corp.	Position on heat-pump technology	Email	Company agrees that heat pumps are a solution to decarbonising heat in the US. More regulatory support is needed to accelerate the market.
AO Smith Corp.	Director independence, Auditor independence, CEO remuneration	Conference call	Company disagrees with our interpretation of independence but is looking into linking sustainability with CEO remuneration.
Premier Inc.	Board responsibility for sustainability	Email	Company is supportive and is trying to balance need for diversity with key skillsets for next board appointments.
Hikma Pharmaceuticals plc	Collaborative letter setting our principles for managing COVID-19 impacts	Letter	Company responded setting out their approach to demand for drugs being used to treat COVID-19.
China Water Affairs Group	Director independence, share equity issuance, greenhouse gas reduction targets	Letter	Company will take our comments into account when considering the next Director appointment. Company confirmed that their facilities now secure >10% from solar power and stated that they will look into setting a GHG reduction target.
HELLA GmbH	Greenhouse gas reduction targets	Email	GHG reduction target release has been delayed until the end of the year.

Footnotes and important risk warnings

General: This report (“Report”) is issued by WHEB Asset Management LLP (“WHEB Asset Management”). It is intended for information purposes only and does not constitute or form part of any offer or invitation to buy or sell any security including any shares in the FP WHEB Sustainability Fund, including in the United States. It should not be relied upon to make an investment decision in relation to Shares in the FP WHEB Sustainability Fund or otherwise; any such investment decision should be made only on the basis of the Fund scheme documents and appropriate professional advice. This Report does not constitute advice of any kind, investment research or a research recommendation, is in summary form and is subject to change without notice.

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FundRock Partners Limited (formerly Fund Partners 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 Second Floor (East), 52-54 Gracechurch Street, London EC3V 0EH.

The state of the origin of the Fund is England and Wales. The Representative in Switzerland is ACOLIN Fund Services AG, Leutschenbachstrasse 50, 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

¹ The average holding period is calculated by the investment manager in accordance with the requirements of the UCITS V directive and derived from fund turnover over the last 12 months as of the end of the reporting month, less all subscriptions and redemptions. This figure is adjusted so as not to double count buys and sells. It is then inverted so that, for example, 50% turnover would equate to a 2-year average holding period. The average holding period reported prior to 30th April 2019 was provided by the fund accountant, Apex Services.

² Active Share refers to the % overlap between the Fund and MSCI World Index weightings. Data as at 30 September 2020. Source: Bloomberg.

³ 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.

⁴ 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): Effective A share class OCF as at 31.12.2019 1.71%, C Share Class OCF 1.06%. Effective from 2nd January 2020, we have introduced a single, fixed rate “Management Fee” which includes all of the costs and charges that were previously in the ongoing charges figure (or “OCF”) of the Fund. As a result, various costs and charges associated with services to the Fund such as depository and custody, transfer agency, legal, audit and fund accounting charges are now paid out of the single, fixed rate Management Fee. For further information see: <http://www.whebgroupp.com/fp-wheb-sustainability-fund-moves-to-a-single-fee/> **Past performance is not a reliable guide to future performance. Your capital is at risk.**

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

⁶ 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.

⁷ 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.

⁸ 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.

⁹ Source: Bloomberg, data as of 30 September 2020. Numbers may not add up to 100% due to rounding.

¹⁰ The WHEB Benchmark for regional exposure is calculated as an average of The MSCI World Index, The MSCI World Mid-Cap Index and The WHEB Universe.

¹¹ The figures in brackets relate to the number of companies included in the fund or the index.

¹² Earnings growth data source: Factset forecast estimates. FY1 is the forecast estimate for the next year, FY2 is the forecast estimate for the following year.

¹³ Volatility data as at 30 September 2020, source: Bloomberg.

¹⁴ For descriptions of impact mapping methodologies please see WHEB’s impact reports, available at <https://impact.whebgroupp.com/methodology/> The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at <https://impact.whebgroupp.com/methodology/>, and the impact positioning graph is described in detail in the 2019 impact report.

¹⁵ *ibid.*