

ESG FACTORS IN COURTIERS FUNDS

Multi-Asset Funds, Equity Funds
and Bond Fund

COURTIERS

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Overview

ESG is not a fixed regulatory standard, rather it is a set of non-financial factors. These ESG factors are considered at both security and fund level in all the Courtiers Funds.

“E” is the consideration of environmental factors. This includes, but is not limited to; climate change, pollution and waste management.

“S” is the consideration of social factors. This includes, but is not limited to; health and safety human rights and animal welfare.

“G” is the consideration of governance factors. This includes, but is not limited to; how companies are run, corruption potential and executive compensation.

There is no consensus within the industry in relation to the integration, or monitoring, of ESG Factors. The Investment Team has however aligned the integration of ESG factors with the Courtiers Multi-Asset Funds’ approach of risk mitigation; aiming to minimise exposure to ESG Risk within the Funds. For example, deceptive selling techniques could break trust with customers which in turn could cause reputational damage. This would be considered an ESG risk.

This document should be read in conjunction with the Courtiers Investment Process. The consideration of ESG Factors applies to the Multi-Asset Funds, Equity Funds and Bond Fund.

Security Level

ESG Factors are considered in conjunction with the existing investment processes for the Courtiers Funds.

Subsequent to the security selection process, based on the Quantitative Equity Selection Model (QESM) output, ESG Factors are considered at analyst level. This relates to stage five of the QESM, an overview of which is detailed within the Equity Funds Investment Process.

The sector analyst will evaluate ESG factors on both a quantitative and qualitative level. There are currently no standardised methodologies within the investment industry in relation to the presentation of sustainability data. Some providers will opt to use performance-based metrics whilst others will use risk-based metrics. Use of these metrics is at the discretion of the fund provider and can be difficult to compare between data providers.

Quantitative Assessment

The quantitative ESG data is sourced from a third party which provides risk-based analysis. This looks at a variety of company indicators inclusive of product involvement, carbon intensity, as well as company controversies. A numerical output is provided for each of these indicators.

In the first instance, the Courtiers analyst will primarily focus on the ESG Risk score of a company and will review how much ESG Risk a company is managing compared to how much they could manage.

The ESG data also ranks companies within an industry. This highlights if a company is an industry leader or whether a company is lagging.

Qualitative Assessment

Following the quantitative output, the sector analyst will examine the company in more detail. Company controversies will be reviewed in conjunction with recent news highlighting areas that could give rise to ESG risk.

Past company behaviour will be evaluated in comparison to current actions that a business is taking in relation to the management of ESG risk. Prospective actions will also be considered. This, in conjunction with the numerical output, will allow the analyst to complete a gap analysis of the ESG Risks relevant to the business.

A company's own ESG policies and reports will also be included within this review. Where no data is available from a third party provider, internal company policies will form the main basis of the analyst's review.

Engagement

The analyst will consider areas of engagement with the Investment Team. The level of engagement will depend on the nature of the issue raised.

The Investment Team will actively engage in the execution of proxy voting. This may be completed in conjunction with proxy research provided by a third party.

Management engagement will be considered where deemed appropriate. The Investment Team would not look to obtain a position on a company board.

Summary of Security Level Review

There are no specific exclusions from the Courtiers Multi-Asset Funds, Equity Funds and Bond Fund. The analyst will endeavour to reduce exposure to ESG Risk; provided this aligns with the relevant fund objectives.

On the condition that a company is looking to be proactive with regard to their management of ESG factors a position will not be rejected from inclusion within the funds.

The Investment Team accepts that not all holdings will be attributed a rating by a third party provider. In this instance the sector analyst will be responsible for compiling all relevant ESG data within their analysis.

Fund Level

All of the Courtiers Funds are monitored in terms of their Sustainability Ratings. These ratings are provided by an independent third party provider. The Sustainability Rating takes account of all the underlying holdings within the funds, providing an overall score for the fund. The fund rating is subject to change dependent on the cumulative score of the underlying holdings.

For the Equity Funds this will purely look at the weighted ESG scores of the underlying securities. For the Multi-Asset Funds this will take account of all the assets within the funds apart from index positions which are not currently attributed with a rating.

The funds do not invest in alignment with a sustainable mandate. Whilst the Investment Team monitors the Sustainability Ratings, the funds are not constrained by these. The fund objectives are detailed within the relevant prospectus.

Monitoring

The ratings attributed to the funds and the underlying equity positions are monitored by the Investment Team on a monthly basis. Where there is a change to an overall fund score this will be investigated.

If there is a change to the ESG score of an individual security this will be allocated to the relevant sector analyst to review. The analyst will provide an updated summary as to why there has been a change to the ESG score. The analyst will use both quantitative and qualitative aspects within their summary review. If there has been a detrimental decline in the ESG score of the security a full review will be completed.

If, at the full review, there has been, or it appears there will be a serious decline in the ESG rating of the security the decision may be taken to reject the holding from the fund. This decision will be taken in conjunction with the other factors considered by the QESM. If the decision is made to retain the position within the fund, despite a decline in ESG score, the analyst will clearly document this.

Evolution

The Investment Team appreciates that the methodology behind ESG ratings are not comparable between data providers within the industry. New third party providers will be considered and reviewed as and when this is deemed appropriate.

The process of considering ESG factors in the Courtiers Funds will also look to evolve in conjunction with regulatory changes.

Important Information

The value of your investments and any income you take from them may fall as well as rise and is not guaranteed. You might get back less than you invest. Please remember that past performance is not a reliable indicator of future returns. The investments are intended as long-term investments. Further details of the risks associated with investing in Courtiers Funds can be found in the Key Investor Information Document or Prospectus, copies of which are available on request or at www.courtiers.co.uk.

Disclaimer

This communication is for information purposes only; it should not be relied upon in making an investment. The views expressed by individuals and the business are based on market conditions at the date of issue and subject to change without notice. Reference to any investment does not constitute advice or a recommendation to buy or sell securities. Should you need advice or if you are interested in any of Courtiers Asset Management Limited's range of funds please seek advice from a financial adviser.

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