



CIRCLE OF LIFE

A very warm welcome to the first quarterly *Sustainable World Investors' Report* of 2020. Hawksmoor's Sustainable World portfolios allow investors the opportunity to align their investment objectives with supporting the United Nations Sustainable Development Goals (SDGs). Alongside your investment valuations, each quarter we use these Investors' Reports to showcase the sustainability credentials of the funds within your portfolio and highlight important wider trends.

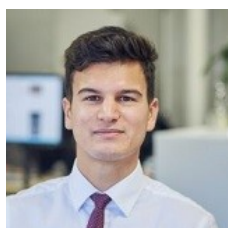
We were very pleased to be shortlisted in the Best Sustainable Wealth Management/Discretionary Fund Management Group category at the Investment Week Sustainable & ESG Investment Awards 2019, held in London last November.

This quarter we highlight the investment approach adopted by **Liontrust Sustainable Future Global Growth**, a fund we use in a number of our investment mandates. We also run through some of the more noteworthy developments with regards to progress on environmental and sustainability issues globally, and conclude with an illustration of the strong performance of Hawksmoor Sustainable World portfolios.

Elsewhere, this quarter we conducted due diligence on three thematic global equity funds for potential inclusion within Sustainable World portfolios. **BlackRock Circular Economy**, **Schroder Global Energy Transition** and **Fidelity Sustainable Water & Waste** present interesting investment opportunities within their respective themes, and we expect to see further thematic fund launches as 2020 progresses.



James Clark



Ben Luck

“A question for every company, every financial institution, every asset manager, pension fund or insurer - what's your plan?”

Former Bank of England governor Mark Carney on climate change, December 2019



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Liontrust Sustainable Future Global Growth: a top-performing global equity fund



SUSTAINABILITY IN THE NEWS

From recycled paint to vegan burgers, an update on sustainability progress



PERFORMANCE

A look at the illustrative performance of Hawksmoor Sustainable World portfolios

Liontrust Sustainable Future Global Growth

The highly regarded Sustainable Future range of funds has been part of Liontrust's stable since the former Alliance Trust Investments (and preceding that, Aviva Sustainability) team moved over in April 2017. Simon Clements and Peter Michaelis have been the lead managers of this fund since 2010 and 2001 respectively. The Liontrust Sustainable Future range of funds focus on 3 broad themes – 'more efficient', 'healthier and with higher quality of life' and 'safer and more resilient' – with a total of 20 sub-themes (see below). Companies held in the portfolio often fit into more than one sub-theme. A very comprehensive negative screening process covers 15 categories (including deforestation, genetic engineering and ozone-depleting substances), whilst a standout feature is a 'sustainability matrix'. At this stage the team scores each company being researched for its product sustainability (from A to E, best to worst) and management quality (from 1 to 5, best to worst), with a minimum standard below which the team cannot invest.

Liontrust Sustainable Future Global Growth is a growth-orientated global equity fund with a concentrated portfolio which tends to have a low level of turnover. Its managers invest across the market capitalisation spectrum from very large companies down to small companies. They minimise one element of risk by maintaining the fund's geographic weightings at similar levels to those of its benchmark index. Performance has been very strong – the fund is currently ranked in the top quartile of its Investment Association Global sector over each of 1, 3 and 5 years, and in 2019 delivered a total return of 29.5%.



LIONTRUST

Source: Liontrust Asset Management

Simon Clements CFA, Investment Manager Global Equities

Within the Hawksmoor Research team's daily internal email we have a 'Sustainability Snippet', highlighting sustainability items in the news along with developments in the sustainable investment universe.

Here we present a small number of snippets from the fourth quarter of 2019.



4th October. Dulux Trade has partnered with waste management firm Veolia to launch a new range made from 35% recycled paint. Veolia collect leftover paint from the tins that the public take to their UK recycling centres – which receive 55 million litres of leftover paint each year, according to Dulux's estimates – which is then refined and filtered before being combined with new Dulux paint. 'Dulux Trade Evolve' matt emulsion has been developed and tested over 5 years and is now on sale. Each litre of Evolve also has a carbon footprint that is 10% lower than traditional paint. "How many of us have old tins of paint just taking up space in our sheds or cupboards? Now we have a solution where residents can bring us their paint and we can give it a new lease of life with Dulux Trade Evolve. We will continue to look for solutions to close the loop on products that otherwise were going to waste", said Veolia UK and Ireland's executive vice president Gavin Graveson.

13th November. Formula 1 is now targeting net-zero emissions by 2030. Following a 12-month collaboration between motorsport's governing body (the FIA), F1 teams and race promoters, a new sustainability strategy has both short and medium-term elements. Organisers and race promoters have committed to using 100% renewable energy and ensuring that all logistics activities (which currently account for 45% of F1's annual carbon footprint) are ultra-efficient. Race promoters will divert 100% of event waste from landfill by 2025. The big one, of course, is cars' engines – F1 has committed to "accelerate progress and develop technologies that reduce and eliminate carbon emissions from the current internal combustion engine (ICE)". The current hybrid power unit, which has been in use since 2014, could be improved.



19th November. After numerous trials in Sweden, Burger King has begun offering a meat-free version of its iconic Whopper burger across 25 European markets. The plant-based burger called 'Rebel Whopper' is made using a mix of soy protein, wheat, herbs, spices and vegetable oil; and contains 408 calories compared to 460 for its meat-based counterpart. The vegan patties are made by The Vegetarian Butcher, a Unilever-owned Dutch brand, and the fast good giant will explore the possibility of adding other products to its offering. It is worth noting, however, that the Rebel Whopper is ironically not suitable for vegans or vegetarians as it is currently cooked on the same grills as Burger King's meat-based offerings.

31st December. Figures from National Grid have shown that in 2019 the UK generated more power from clean energy sources than from fossil fuels for the first time since the industrial revolution. Wind, solar, nuclear and hydro combined to generate 48.5% of the UK's power, surpassing the 43% generated by fossil fuels, with the remaining 8.5% generated by biomass and waste sources. In 2019 the UK recorded its longest ever spell without burning any coal (18 days), and by this summer only 3 coal-fired power plants will remain in use.



31st December. The Met Office has reported that the last decade was the second-hottest in the UK over the past 100 years. 2019 was (provisionally) the eleventh-warmest year on record, with the top 10 all having occurred since 2002. Eight new high-temperature records were set during the last decade, with four of these occurring in 2019 – including the UK's highest-ever recorded summer temperature (38.7 degrees in Cambridge on 25th July) and winter temperature (21.2 degrees in London on 26th February), and the mildest February minimum temperature (13.9 degrees in the Scottish Highlands on the 23rd).

Hawksmoor Sustainable World Moderate Balanced performance since launch (01/03/2017)



Source: Hawksmoor Research, as at 31st December 2019

The above chart shows the performance of an *illustrative* Hawksmoor Sustainable World portfolio at a Moderate risk level with a Balanced investment objective. This portfolio represents internal guidance for our Investment Managers when constructing Sustainable World portfolios. From inception at the start of March 2017 until the end of December 2019 this illustrative portfolio provided a total return of 20.7%, set against a return of 10.5% from its ARC Sterling Balanced Asset PCI comparator. Focusing on 2019, this illustrative portfolio provided a total return of 16.8%, against 11.3% from the same ARC comparator.

The funds held within Hawksmoor Sustainable World portfolios are broadly performing strongly. In 2019 our best-performing Fixed Income funds were **Rathbone Ethical Bond** (up 12.4%) and **Liontrust Sustainable Future Corporate Bond** (up 11.8%). **Royal London Ethical Bond** (up 10.2%) continued its very consistent performance record, having outperformed its benchmark in 10 of the last 11 calendar years. Within UK Equities, **Liontrust Sustainable Future UK Growth** (up 30.2%), **Royal London Sustainable Leaders Trust** (up 29.5%) and **Henderson UK Responsible Income** (up 28.6%) led the way. Such strong returns were also generated within Global Equities, where **Henderson Global Sustainable Equity** (up 32.6%), **Liontrust Sustainable Future Global Growth** (up 29.5%), **BMO Responsible Global Equity** (up 29.4%) and two further fund selections were top-quartile performers within their fund sector. Within Alternative Assets, renewable energy infrastructure trusts enjoyed a superb year.

Chart methodology: Performance is quoted on a total return basis, gross of an Annual Management Charge and based on an internal illustrative portfolio of funds typical of those bought for clients within the Hawksmoor Sustainable World Portfolio Service since launch in March 2017.

IMPORTANT INFORMATION

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