



ONWARDS AND UPWARDS

A very warm welcome to the Sustainable World Investors' Report covering the fourth quarter of 2020. Hawksmoor's Sustainable World portfolios allow investors the opportunity to align their investment objectives with supporting the United Nations Sustainable Development Goals. These Investors' Reports are sent to Sustainable World clients alongside their quarterly investment valuations, and are now also distributed to selected Financial Advisers and other intermediaries. Each quarter we highlight the sustainability credentials of a fund eligible for inclusion in Sustainable World portfolios, highlight some sustainability items in the news over the past quarter, and on this occasion conclude with a look back at performance in 2020.

We believe it remains the case that the COVID-19 crisis has accelerated changes in behaviour and attitudes towards sustainability which were already underway. Investment themes including digitalization, improving efficiency, health, well-being and safety have come to the fore, and a number of funds held in Sustainable World portfolios have harnessed these themes for many years. Linked with this, sustainable investment bucked the wider trend and enjoyed a very successful 2020, with the latest Investment Association data showing that Responsible funds under management rose by 63% year-on-year to reach £42.5bn in November 2020 - yet still account for just 3% of all funds under management in the UK.

This quarter's Fund Focus is on **Ninety One Global Environment**, a fund very recently added to our Buy list for potential inclusion in Sustainable World portfolios. This fund has a clear strategy of decarbonisation and, we believe, strong prospects.

We wish all recipients of this latest Sustainable World Investors' Report a very happy and prosperous 2021.



James Clark

Ben Luck



UN Sustainable Development Goals



Source: <https://www.un.org/sustainabledevelopment/>

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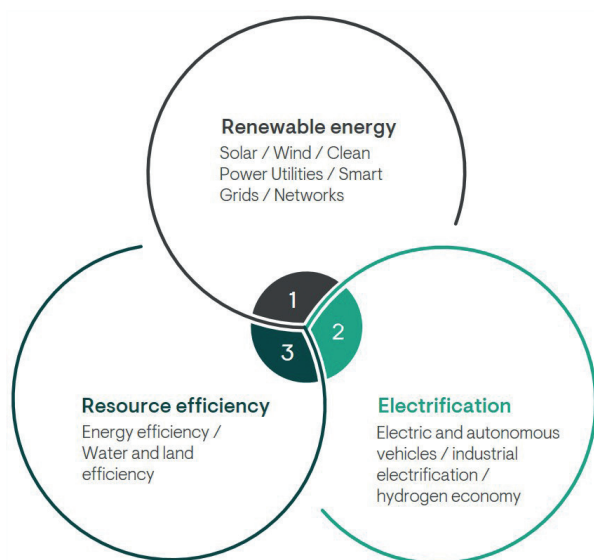
PERFORMANCE

2020 in hindsight - another strong year for sustainable investment

Ninety One Global Environment

The strategy with which Ninety One Global Environment is managed originated in September 2018 when Deirdre Cooper arrived at Investec Asset Management (as it was then called) from Ecofin, joining forces with Graeme Baker who had been at Investec since 2009. Cooper and Baker are co-managers of the Global Environment fund, supported by Ninety One's Thematic Equity team and five equity research analysts. The strategy is one of decarbonisation, with the key aspect being 'quantified carbon avoided' – in order to qualify for the team's investment universe, a company's products or services must offer a quantifiable and meaningful carbon emissions saving relative to its peers, sector average or local average. Companies must also generate at least 50% of their revenue from one or more of three structural growth themes closely associated with decarbonisation – renewable energy, electrification and resource efficiency. The managers believe that companies benefiting from these themes can compound returns at above-average rates for long periods of time. The resulting investment universe, containing around 700 companies with a combined market capitalization of around \$6tn, is highly differentiated from a broad global equity benchmark, accounting for just 7% of the MSCI All Countries World Index (for instance).

The managers aim to outperform this index gross of fees over 5+ years. They look for companies that are leaders in their sub-sectors, in search of structural growth, sustainable returns and competitive advantages. The team must meet with management before investing in a company, and do so 4 times a year on average. The portfolio contains 20-40 holdings in primarily large and medium-sized companies, well-diversified across Europe, the US and China. Given the decarbonisation strategy, impact reporting is very important to the managers, with the fund's annual impact report providing full portfolio disclosure, quantified carbon avoided, engagement activity and targets. The strategy has performed very strongly since inception in September 2018, as has the UK-domiciled Global Environment fund since launch in December 2019. We believe this is a good compliment to broader sustainable global equity funds.



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Previously Investec
Asset Management

Source: Ninety One Asset Management

The current pace of investment falls way short of meeting the 1.5°C scenario	Our strategy invests in companies with quantifiable carbon avoided that contribute to sustainable decarbonisation	Companies are selected for structural growth, sustainable returns and competitive advantages
A high conviction, benchmark agnostic portfolio offering negligible overlap with core equity approaches and a complementary return profile	Sustainability attribution provided – detailed company level impact measurement and reporting	

The strategy combines impact with financial returns, provides a diversifier to traditional exposures and helps with the journey to decarbonisation



Deirdre Cooper and Graeme Baker, Fund Managers

Within the Hawksmoor Research team's daily internal email we highlight sustainability items in the news along with developments in the sustainable investment universe. Here we present a select number of snippets from the fourth quarter of 2020.

29th October: A month after Xi Jinping announced that China will target net zero carbon emissions by 2060 and ensure that its greenhouse gas emissions peak within the next decade, both Japan and South Korea have announced that their timeframe for the same goal is 2050. New Japanese Prime Minister Yoshihide Suga indicated that his government would rethink its reliance on coal. The world's third-largest economy is the fifth-biggest emitter of carbon dioxide, with coal providing almost one-third of the country's power generation. Under its current energy plan, coal, oil and gas would still account for 56% of power generation in 2030, with renewables at just 22-24%. Across the Sea of Japan, South Korean President Moon Jae-in declared that the country will achieve net zero carbon emissions by 2050. This goal is linked with and supported by South Korea's Green New Deal, announced in July as part of a Covid-19 stimulus package, which earmarked \$62bn worth of support for the likes of renewable energy generation and distribution, electric vehicle manufacturing and charging, recycling infrastructure and hydrogen power. It is hoped that the Green New Deal will create 320,000 'green collar' jobs in just two years. Critics highlight that coal still plays a big role in South Korean power generation (as per Japan), at around 40%, and that the government has only committed to stopping this by 2040. (Source: www.edie.net as at 28/10/2020)

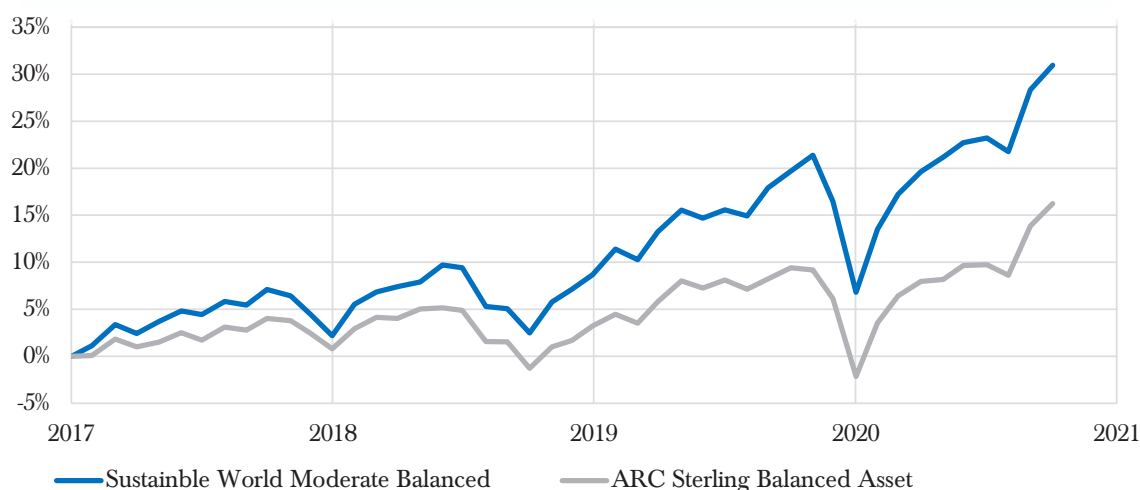


20th November: CDP, formerly the Carbon Disclosure Project, has released its Cities A List 2020, highlighting the cities around the world which are tackling climate change most effectively and leading on environmental action. There are not a set number of cities on the list each year – in fact the cohort is down from 105 cities last year to 88 this year, which could be a disappointing indicator in its own right – and they are not ranked in any order. The 88 cities chosen have climate adaptation plans in place, and CDP has analysed their emissions data and climate-related vulnerabilities. The Cities A List 2020 has strong clusters in Europe and North America, but plenty beyond these regions including Auckland and Melbourne, Seoul and Quezon (in the Philippines), Cape Town, Moscow, Buenos Aires and San Jose (in Costa Rica). Closer to home, four UK cities made the cut – Newcastle, Bristol, Bournemouth (all city councils) and London (the Greater London Authority). Newcastle is targeting net zero emissions by 2030, big improvements to public transport and reducing energy use in homes by 30%. Bristol has the same 2030 net zero target and has already cut its direct carbon emissions by 71% (between 2005 and 2020), resulting in the lowest carbon footprint of any UK city. (Source: www.cdp.net as at 20/11/2020)

14th December: Unilever will put its climate transition action plan to a shareholder vote next May. At first this may not sound or seem remarkable, but Unilever will become the world's largest company to have put such a vote to shareholders. A number of elements of the consumer goods giant's climate transition action plan are already well known - targeting net zero emissions from its own operations by 2030, halving the environmental impact of products also by 2030, and reaching net zero emissions from sourcing to point of sale by 2039 - but the complete package will be unveiled in Q1 2021 before the company's AGM on 5th May. It will be a non-binding advisory vote, henceforth every three years on any material changes proposed or made to the climate transition action plan, with annual reporting on progress commencing in 2022. 'Unilever believes that the economy-wide shift to net-zero emissions will require a greater and deeper level of engagement between companies and their investors about their climate transition plans', a statement read. We welcome Unilever's initiative in this development and expect to see more companies sharing their climate-related plans for shareholder approval. (Source: www.theguardian.com as at 14/12/2020)



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



Source: Hawksmoor Research, as at 31st December 2020

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 2020 this illustrative portfolio has provided a total return of 32.0%, against a return of 16.2% from its ARC Sterling Balanced Asset PCI comparator. Focusing on 2020, this illustrative portfolio provided a total return of 9.4%, against 4.8% from the same ARC comparator.

The funds held within Hawksmoor Sustainable World portfolios are broadly performing strongly. In 2020 our Global Equities fund selections were our strongest performers (as was the case in 2019), led by **Baillie Gifford Positive Change** (up 80.1%) where incredible performance was driven by Tesla and companies benefitting from digitalization. **Vontobel Clean Technology** (up 35.5%), **Janus Henderson Global Sustainable Equity** (up 33.0%) and **Liontrust Sustainable Future Global Growth** (up 32.3%) were also standout performers. UK Equities funds didn't fare so well, although five of our six current selections outperformed their fund sector averages, led by **Liontrust Sustainable Future UK Growth** (up 5.3%) and **Royal London Sustainable Leaders Trust** (up 3.3%). Within Fixed Income, our fund selections delivered very respectable returns of between 4.5% and 8.9%, led by **Rathbone Ethical Bond** (up 8.9%). Within Alternative Assets, **Civitas Social Housing** (up 19.6%) was notably strong.

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

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority (www.fca.org.uk) with its registered office at 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS.

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