

# Sustainable Managed Portfolio Service

## Portfolio 1

Monthly Investment Strategy - October 2021

This document is issued by the discretionary investment management area of abrdn.

### Investments that create a more sustainable world

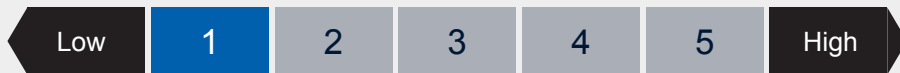
The world currently faces a daunting number of significant challenges, from climate change and pollution to poverty and inequality. COVID 19 has only intensified the focus on these issues and highlighted how important it is for us to address these as we emerge from the crisis.

We are passionate about investing for good. Finding companies that do the right thing by the environment and society make more sustainable investments. We also invest in companies whose activities make a measurable positive impact. And we use our influence as investors to drive further positive change. Our Sustainable MPS has the dual aim of having a positive effect on the world at the same time as delivering a positive financial return for our clients. We believe you can have both.

#### Key Facts

Expected Risk (volatility): 3.6 - 7.2%

Our MPS risk scale:



### Risk profile

The investment strategy for Portfolio 1 aims to maximise return over the long term, whilst targeting volatility in the region of 20-40% of global equities. It is likely to be suitable for clients who are prepared to accept a very low level of risk during the term of their investment.

This could apply to clients who are prepared to accept a moderate to significant level of volatility over their time horizon to help them achieve their goals. The investment strategy for Portfolio 1 aims to provide clients with modest or relatively stable levels of return over the longer term but clients should be prepared to accept some short-term periods of fluctuation in value.

This remains an investment management service, and there is risk involved in this portfolio. A secure cash product may be more appropriate for the most conservative clients.

### Remember, investors could get back less than they invested.

- Suitable for investors with basic investment knowledge.
- Suitable for investors wanting to preserve capital.
- Suitable for investors seeking to grow their assets and generate some income on a total return basis, over a period of at least 5 years, with easy access to their cash.
- Suitable for investors who are looking to invest in a standalone portfolio.
- Only suitable for investors who have received a recommendation from a financial adviser.

### The abrdn MPS Investment Team



#### Darren Ripton Head of Investments Discretionary, abrdn

Darren is one of our Heads of Investments in charge

of MPS, Enhanced Diversification and Target Return portfolios. He has been with the company for 13 years, during which time he has helped develop the fund selection and portfolio construction process that is used by the business. In addition to Sustainable Investing, he has special interests in Strategic Asset Allocation, Tactical Asset Allocation, Alternative Strategies, UK Equity & UK Equity Income Funds. Throughout his career he has built up over 20 years of investment experience, seven of which were spent managing discretionary mandates with ABN Amro Private Bank. He is a Chartered Member of the Chartered Institute for Securities and Investment and holds a BSc from the University of Hertfordshire.



#### Jason Day Lead Investment Manager Discretionary, abrdn

Jason originally joined the company in 2011 as a senior analyst in the fund solutions team. In 2013 he was appointed as a senior investment manager. In addition to Sustainable MPS, he is the lead investment manager on the Conventional MPS and Tailored MPS portfolios. As well as Sustainable Investing, Jason has special interests in Tactical Asset Allocation, Emerging Market Equity & Bond Funds, Asian Equity Funds, Japanese Equity Funds, European Equity Funds and Infrastructure Funds. Over the course of his career, he has built up 25 years of experience in fund selection, asset allocation and portfolio construction; including the development and management of a multi-asset class, multi-manager vehicle for Allenbridge Group plc.



## Three approaches to sustainable investing in one portfolio

To help address the world's biggest problems in a measurable and meaningful way, the portfolios incorporate three approaches to sustainable investing

1. ESG Integration
2. Exclusionary Screening
3. Impact Investing

These approaches are important to investors because they provide assurance that they are investing in well-run companies that meet ESG requirements; that they can reflect their ethical views in their investments, excluding certain sectors or companies; and that their investments are being targeted to where change is needed the most, through the United Nations' (UN) 17 Sustainable Goals framework.

### 1. ESG Integration

ESG considerations are fully embedded in all investment analysis. It is central to decision making, stock selection and ongoing engagement for every asset class.

ESG analysis provides an in-depth view of risks and opportunities companies face and how they are being managed.

For example, for the portfolio a company's energy consumption, how it disposes of waste or its carbon footprint may be reviewed. How it treats its employees, the transparency of its supply chains and the diversity of its board members are also important considerations, because these things can have a material influence on a company's success.

### 2. Exclusionary Screening

We use a 'no compromises' screen for all our investments. We don't invest in companies whose business practices or the industry they operate in pose a long term financial threat to people or the planet. This means we avoid companies that:

- Manufacture controversial weapons
- Produce tobacco
- Are in violation of the UN's Global Compact Principles regarding:
  - Human Rights
  - Labour
  - The Environment
  - Anti-corruption

### 3. Positive Impact

We actively look to invest our equity asset class allocation in companies that have a positive impact on society as well as earning a return on the investment. We seek out companies whose products or services have measurable benefits for society and/or the environment.

We use the UN's 17 SDGs as a framework to find the best companies and distil these into 8 pillars and further sub-goals.

Launched following the 2015 UN Summit in Paris, the 17 Sustainable Development Goals address the issues the UN sees as most challenging to our world. The UN Sustainable Development Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet.

The table below illustrates how we have aligned our impact pillars to the SDGs.

We combine these sustainable investing approaches with active stewardship and engagement. We are in a prime position to influence positive change in the companies in which we invest and crucially, we can use our influence to hold them to account. This is called active ownership. We engage with these companies to encourage positive behavior and exercise clients' voting rights on the issues that matter.



This factsheet does not provide individually tailored advice. It has been prepared without regard to individual financial circumstances and objectives of persons who receive it. We recommend that investors seek the advice of a financial adviser. The appropriateness of a particular portfolio will depend on an investor's individual circumstances and objectives.

Investors should remember that the value of investments and the income from them can go down as well as up and that past performance is not a guarantee of future returns.



| UN global goals  | Pillars                                  | Sub-themes  |
|--|--|---|
| 9. Industry, innovation and infrastructure<br>11. Sustainable cities and communities<br>12. Responsible consumption and production | Circular economy                         | Resource efficiency<br>Material recovery and reuse                                |
| 7. Affordable and clean energy<br>13. Climate action   | Sustainable energy                       | Access to energy<br>Clean energy<br>Energy efficiency                             |
| 14. Life below water<br>15. Life on land   | Food & agriculture                       | Access to nutrition<br>Food quality<br>Sustainable agriculture                    |
| 6. Clean water and sanitation<br>14. Life below water  | Water & sanitation                       | Access to water & hygiene<br>Clean water<br>Water efficiency                      |
| 1. No poverty<br>2. Zero hunger<br>3. Good health and well-being   | Health & social care                     | Access to healthcare & social care<br>Enhanced healthcare<br>Drug development     |
| 1. No poverty<br>8. Decent work and economic growth<br>10. Reduced inequalities  | Financial inclusion                      | Access to financial services  |
| 9. Industry, innovation and infrastructure<br>11. Sustainable cities and communities   | Sustainable real estate & infrastructure | Affordable housing<br>Eco-building  |
| 4. Quality education<br>5. Gender equality<br>8. Decent work and economic growth   | Education & employment                   | Access to education and skills development<br>Quality employment and job creation |

## Investment process

The portfolio uses in-house funds and share classes. Utilising internal solutions from Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA) and fund selection results in a consistent, transparent approach and ensures the underlying funds reflect our robust definition of and criteria behind sustainable investing. Further utilising our in-depth research and due diligence enables better informed investment decisions.

**Strategic Asset Allocation:** In the initial stages of the investment process, our Discretionary Investment Team combines independent strategic asset allocation input from Moody's Analytics with tactical insights from our Multi-Asset Investing and ESG teams.

**Tactical asset allocation:** The asset allocation process that forms a framework for the Investment Team to select funds is already embedded within other MPS solutions. We can tactically tilt the long-term asset mix to take advantage of shorter-term investment opportunities.

**Fund selection and portfolio construction:**

The fund selection process uses an agile, blended approach. We choose the right funds to fill the asset classes and meet our sustainable investment mandate, and optimally blend those funds. We utilise mainly in-house funds in order to ensure transparency and consistency of approach. We can also pass cost savings onto our investors by accessing the best possible prices for these funds.

**Rebalancing and review:** We aim to ensure the portfolios continue to deliver the appropriate risk and return outcomes for investors. To achieve this, we regularly rebalance each portfolio and undertake portfolio reviews. We quickly replace any fund that is no longer suitable.



## Sustainable Portfolio 1 breakdown

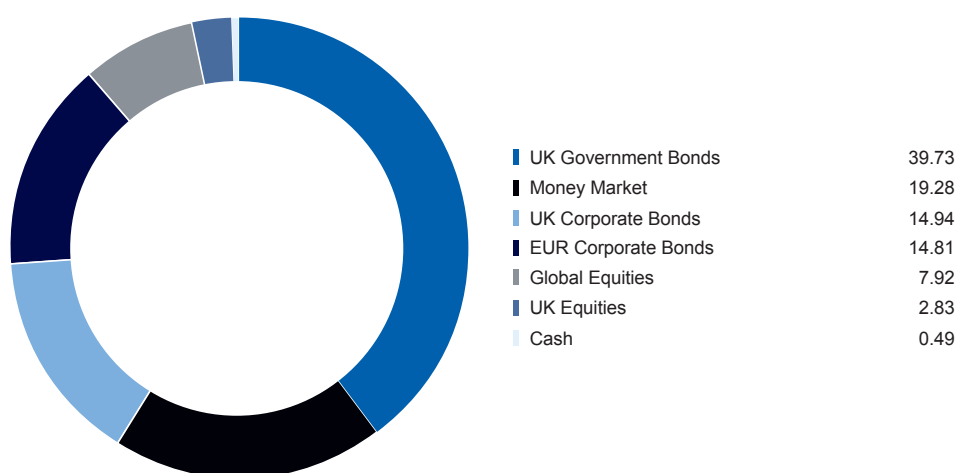
| Holding                                      | Weights (%)* | Holding                                | Weights (%)*  |
|--|--------------|--|---------------|
| Aberdeen Liquidity Fund                      | 19.28        | ASI UK Ethical Corp Bond Fund          | 14.94         |
| SLI Global Equity Impact Fund                | 7.92         | Vanguard UK Government Bond Index Fund | 39.73         |
| ASI UK Ethical Equity Fund                   | 0.57         | GBP Cash                               | 0.49          |
| ASI UK Responsible Equity Fund               | 2.26         | <b>Total</b>                           | <b>100.00</b> |
| SLI Euro Corp Bd Sustainable and Responsible | 14.81        |  |               |

Please note that the Portfolio and Asset class breakdowns shown on this page are based on abrdn MPS, Discretionary hosted on the abrdn WRAP platform. The data is correct as at 31/10/2021.

\*The data is rounded to 2dp and small variances to totals may occur.

Source: abrdn

## Sustainable Portfolio 1 asset class breakdown (%)



As at 31 October 2021

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