



IFSL CAF ESG Fund Range: Frequently Asked Questions

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What is ESG?

Can you explain ESG?

There are many subtly different definitions of ESG, or Environmental, Society and Governance, investing available. The definition used for the IFSL CAF ESG funds is the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process.

- **Environmental** factors relate to how a company views itself with regard to environmental conservation and sustainability. Types of environmental risks and opportunities include a company's energy consumption, waste disposal, land development and carbon footprint, among others.
- **Social** factors deal with a company's relationship with its employees and vendors. Risks and opportunities can include (but aren't limited to) a company's initiatives related to employee health and well-being, and how supplier relationships align with corporate values.
- **Corporate governance** factors can include the corporate decision-making structure, independence of board members, treatment of minority shareholders, executive compensation and political contributions, among others.

These broad categories are just a starting point for an in-depth ESG risk assessment, but they reveal critical information about a company's values and practices, as well as a number of potential risks that should be identified and managed before investing.

How does ESG compare to green; impact; sustainable or responsible investments?

There are many different names and interpretations attached to investment strategies that seek to address global issues or deliver wider benefits as well as a financial return.

There are no generally accepted definitions for these approaches although they are in development with a number of organisations. At this stage we suggest that you look at the fund policies to see the approach rather than rely on a categorisation.

The IFSL CAF ESG Funds are not designed to impact on one specific outcome, for example Climate Change. Rather they look to deliver sustainable, long-term returns, as well as helping to address the challenges faced by the world today.

What is the ESG Policy for the funds?

We have included full details of the ESG Policy on our website at www.abrdn.com/ifsl-caf-esg but in summary a two-phase approach is adopted.

Firstly abrdn will screen out any investments that we believe are not acceptable to most charitable investors, for example firms that manufacture cluster munitions or landmines or derive more than 5% of revenue from tobacco.

abrdn then score the remaining universe of companies for their ESG credentials, using a combination of third party data and their own research and knowledge. They will select investments that they believe will lead to the Funds achieving a high ESG score as assessed by an independent ESG ratings agency.

These funds are ESG, do they reflect CAF's stance on sustainability?

The funds are a key part of CAF's sustainability goals. Our commitments to the charities and donors that we serve is rooted in the reason we exist: to accelerate progress in society towards a fair and sustainable future for all. That sustainable future is one in which we, as an organisation, play our role to the greatest extent possible. You can find out more about CAF's ESG-linked initiatives on our website www.cafonline.org.

The ESG policies of the funds themselves are designed to appeal to a wide charitable investor audience and to be inclusive of companies striving to make positive changes.

About the Funds

Why have you decided to launch a new fund range?

The investment market has changed considerably in recent years, with many investors now wanting their investments to contribute to creating a better world, as well as delivering a financial return. This fits with CAF's mission to make giving go further, so together we can transform more lives and communities around the world.

CAF's subsidiary company, CAF Financial Solutions Limited, provides charitable investors with the means to invest their assets for a better future. We want our investment funds to make a difference for our clients, society and the wider world – while also delivering the potential for strong risk-adjusted financial returns.

Is now a good time to launch funds where the target is linked to inflation/CPI?

The investment manager, abrdn, appreciates that CPI is currently at a high level however it is less concerned about the immediate rates and more focused on its forecast five-year CPI averages which align to the suggested minimum investment term of the funds. Abrdn has tested the portfolio against these levels and settled on what they and CFSL believes are sensible targets based on the asset allocation of the funds and potential returns these asset allocations could deliver.

The CPI+% is a target in normal market conditions and is not guaranteed. We have highlighted this in the performance target section of the prospectus for investors to understand in more detail.

Note: The FAQs will be reviewed once a month for each of the first three months after launch, then on a quarterly cycle until the first anniversary. Thereafter they will fall into annual reviews.

What is new about the funds? And what options are available?

There are three funds in the range, all with common characteristics but with different targeted returns. The investments are managed by abrdn, who will apply a common ESG policy to ensure that the investments make a difference for our clients, society and the wider world – while also delivering the potential for strong risk-adjusted financial returns.

Full details of the funds are on our website, but there is a choice to invest in one or more of the Cautious; Income and Growth and Growth funds. The level of risk taken corresponds to those target returns. They are long term investments and investors should be considering a minimum term of at least 5 years.

The new funds are available to all charitable investors with at least £1,000 to invest. There is no upper investment limit.

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Are these funds better than the old ones?

CFSL and abrdn believe that the new range is better suited to the needs of most charitable investors than the current range. That being said, this will depend upon your / your organisations individual needs and requirements and you will need to make up your own mind about the suitability of all the available options.

What is the difference between the current IFSL CAF Funds and new IFSL CAF ESG funds?

The differences are detailed below, for more information please download the full product brochure at www.abrdn.com/ifsl-caf-esg

	Current funds	New funds
Environmental, Social and Governance investment policy (ESG)	No ESG policy is applied	ESG is a key component of the fund management
Management style	Multi-manager. The fund invests in the funds of other managers. This can increase diversification, but also increase costs.	Direct investment into stocks and shares, although some specialist funds will be used where they add value. This reduces costs whilst increasing the transparency of the investments held.
Asset classes	Each fund invests in a single type of asset, e.g. UK Equity only.	'The multi-asset funds house a blend of assets to deliver its objectives. This means that you do not need to combine single asset funds to diversification and reduce risk.'
Costs	Depending on the fund(s) held the Ongoing Cost of the Fund are between 0.86% and 1.42% Note: Based on A class shares	Depending on the fund(s) held the Ongoing Cost of the Fund will be between 0.53% and 0.81% Note: Estimate figures
Yield	The current yields vary from fund to fund, but none has a target yield level.	The funds have estimated yields of ESG Cautious 1.5% -2.5% p/a ESG Inc & Growth 3.0% - 4.0 % p/a ESG Growth 1.5% -2.5% p/a
Overall returns	Each fund aims to outperform it's own market benchmark, except Alternative Strategies which is targeted to exceed UK inflation.	Each fund is targeted to exceed an inflation-linked target over any rolling five year period.
Distributions	Paid Quarterly March, June, September and December	Paid Half-yearly June and December
Suggested minimum investment term	5 years plus	5 years plus

What is happening to the existing funds?

We will be making further announcements about the existing funds in the next couple of months. We are expecting a significant shift of investor assets from the existing to the new funds, so will need to consider the viability of the existing range and their capacity to deliver Value for Money. This is more likely to affect the smaller funds – the Alternative Strategy and International Equity Funds – in the near term, but any significant moves could affect the whole range.

Will the changes affect the CAF MPS Service?

If you are an MPS investor then your Portfolio Manager at abrdn will be in touch with you to talk about the new funds and to discuss your options.

If your CAF Charitable Trust invests through MPS then your Private Client Manager and the Portfolio Manager at abrdn will be in touch with you to talk about the new funds and to discuss your options.

In light of the IFSL CAF ESG Fund launch we are taking the opportunity to revisit the CAF Managed Port-folio Service. The service will not be available to new customers from 16.05.22 and will be replaced by the abrdn Discretionary Fund Management Service.

This service is available from £500k for Charities and £1m for CAF Charitable Trusts.

What is the proposed MSCI badging/rating?

The funds seek to be an ESG Leader as assessed by MSCI, an independent ESG rating agency. ESG Leader will be defined by MSCI's methodology which provides seven ratings from AAA-CCC. AAA and AA qualify as ESG Leader and the funds are targeting this rating.

Will the ESG policy affect performance?

Over the longer term we anticipate that performance will benefit from a robust ESG policy due to businesses aligning their focus on both profits and the creation a better and more sustainable world.

Recent studies have shown that ESG investing does not detract from the potential for good financial returns, although this is dependent on the quality of the investment manager. abrdn has had ESG investment at the heart of its investment processes since 1978, so it has considerable experience in the field and can demonstrate the good long-term performance of its strategies.

What are the charges?

What is the minimum and maximum investment for the ESG funds?

- £1k min subscription for each ESG Fund
- There is no maximum investment

How much do the funds cost?

- IFSL CAF ESG Cautious <0.81%>
- IFSL CAF ESG Income and Growth <0.59%>
- IFSL CAF ESG Growth <0.61%>

Why do the charges vary?

The charges are made up of two elements, the annual management charge, or AMC, and then other charges relating to the cost of the investments themselves. Together these add up to the Ongoing Charge for the Funds, or OCF. The OCF is the most widely recognised measure of the total cost of the fund to the investor.

What are the costs of the existing funds for comparison?

Ongoing Cost of the Fund;		Ongoing Cost of the Fund;	
UK Equity	1.29%	ESG Cautious	0.81%
Fixed Interest	0.86%	ESG Income & Growth	0.59%
International Equity	0.92%	ESG Growth	0.61%
Alternative Strategy	1.42%		
Note: Based on A class shares		Note: Estimate figures	

How to invest

How do I invest as a charity?

Full details of the funds are on our and you can find the Fund prospectus and Key Investor Information Document there. You should read these and ensure you fully understand the investment you are making before proceeding. We are here to help with any questions that you may have.

New investors: The website also has an application form. You will need to download and complete this and return it to IFSL at the address on the form. You will need to provide details of your trustees, signatories and proof of charitable status.

Existing investors: The website will include a switching form. If you submit this before the fund is launched and priced on or around 13th June 2022 then the dealers at IFSL will place a deal and create your new shareholding at the next 12.00 noon dealing point. If this is the case you will receive the equivalent number of £1 shares for the amount switched from your previous holding. If the fund has launched and is pricing, then you will receive a share allocation based on the prevailing price, e.g.

Pre-launch: Existing value = £ 6500, and the price of each share is £1. So on switch you would receive 6500 shares in the new fund.

Post launch: Existing value = £ 6500, but the price of each share is now £1.25. You would receive £6,500 / £1.25 = 5200 shares.

How do I invest as a Charitable Trust?

Full details of the funds are available on our website at www.abrdrn.com/ifsl-caf-esg.

These details include the Fund prospectus and Key Investor Information Document. You should read these and ensure you fully understand the fund you think may suit your giving journey before asking CAF to consider an investment for your CAF Charitable Trust.

New investors: If you would like us to consider an investment, then please let your Private Client Manager know in writing. We are here to help with any questions that you may have.

Existing investors in the current IFSL CAF Fund range: You do not need to do anything; if you agree with our proposed switch then this will happen on or around 13th June. If you would prefer us to consider another fund in the new range, please let your Private Client Manager know by 10th June.

Can you give me advice on what's best for my CAF Charitable Trust/organisation?

No. Neither CAF, CFSL nor abrdrn Discretionary can provide you with financial advice or recommendations as to the suitability of any fund; the abrdrn Discretionary Fund Management service or individual transaction.

We always recommend that you seek independent financial advice. Please visit www.unbiased.co.uk to search for expert independent financial advice.

What will I receive for my investment?

You will receive shares in your chosen fund or funds. Before the fund is live you will receive one share issued for each £1 invested, e.g. £ 5,000 buys 5000 shares. The value of the shares will then fluctuate depending on the value of the underlying assets.

If the fund goes live ahead of the planned switch date then you would receive the number of shares dictated by the price on the day of the switch, e.g. if the share price is £1.25, your £5,000 would buy 4000 shares.

The value of the shares in either case is still £5,000 on the day of the switch.

What will I receive if I am switching from an existing holding in an IFSL CAF Fund?

You will receive shares in the new fund in exchange for your existing shares. The new shares will be issued in £1 denominations, so for example;

- You hold 5000 shares in an existing IFSL CAF fund worth £6,500 on the date of switching
- IFSL will switch £6,500 into the new fund which will give you 6500 £1 shares
- Your monetary value is the same, but you have more shares in the new fund
- The value of the new shares will then fluctuate depending on the value of the underlying assets just as the existing ones would.



IFSL

Fund Services

Capital is at risk.

The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest.

Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds.

The Funds have an ESG focus which may limit or exclude the Fund's exposure to companies, industries, or sectors as part of the Investment Manager's responsible investment selection process. This may impact the Fund's investment performance compared to other funds and may differ from an investor's own view of responsible ESG selection.

CAF Financial Solutions Limited (CFSL) is authorised and regulated by the Financial Conduct Authority under registration number 189450. CFSL Registered office is 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA.
Registered in England and Wales under number 2771873.

CFSL is a subsidiary of Charities Aid Foundation (registered charity number 268369).

Investment Fund Services Limited (IFSL) is the Authorised Corporate Director (ACD) for the IFSL CAF Investment Funds. IFSL is registered in England No 06110770 and is authorised and regulated by the Financial Conduct Authority.
Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

abrdn Capital Limited, registered in Scotland (SC317950) at 1 George Street, Edinburgh EH2 2LL.
abrdn Capital is authorised and regulated by the Financial Conduct Authority

Note: abrdn group uses different legal entities to meet different client and customer needs

The CFSL team is available to discuss any questions you may have on 03000 123 444.
Telephone calls may be monitored or recorded for security/training purposes.
Lines are open Monday to Friday 9am – 5pm (excluding English bank holidays).