

# IFSL CAF ESG Cautious Fund

## Quarterly Factsheet

### To 31 December 2023

This document is issued by LGT Wealth Management, the Sub Investment Manager of this Fund.

#### Investment objective

The aim of the Fund is to increase the value of an investment over a minimum of 5 years through a combination of capital growth – which is profit on investments held, and income received by the Fund – which is money paid out of investments, such as dividends from shares and interest from bonds. The Fund also aims to deliver, over any rolling 5 year period, an average of inflation plus 1.5% per annum.

#### Investment strategy

The Investment Manager seeks returns by investing in companies that are focused on driving and improving ESG change and are also well positioned to grow profit and overall company value.

#### Assessing ESG performance

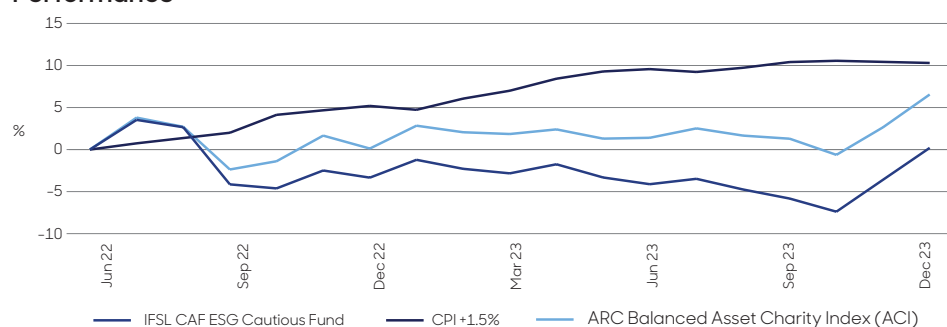
- The Fund will seek validation of its ESG credentials using an independent ESG ratings agency to assess the portfolio's overall ESG score.
- The Fund currently uses MSCI for this assessment and a "high" ESG score should be considered as AA or AAA. MSCI methodology can be found in the useful details section (page 3).

#### Responsible investing framework

Ethical screening is used to avoid investing in companies that generate more than a defined percentage of revenue from certain activities including, but not limited to:

- Tobacco, Gambling services, Armaments (military weapons, equipment and civilian firearms) – maximum of 5% of revenue.
- Pornography – maximum of 3% of revenue.
- Predatory lending, Cluster munitions and landmines – 0% of revenue.
- Coal, unconventional oil or gas extraction (eg tar sands and shale), or coal power generation – maximum of 5% of revenue.

#### Performance



The performance of the fund has been calculated using bid to bid basis, based on an Annual Management Charge (AMC) of 0.5%, gross income re-invested. The Comparative Index performance is on a Total Return basis. Source: Morningstar (Fund) and Thomson Reuters DataStream (Performance target and comparator)

#### Cumulative performance

	Quarter (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
IFSL CAF ESG Cautious Fund*	6.4	3.7	3.7	n/a	n/a
CPI +1.5% (Performance target)	-0.1	4.9	4.9	n/a	n/a
ARC Balanced Asset Charity Index (ACI) (Performance comparator)	5.2	6.4	6.4	n/a	n/a

Source: Morningstar (Fund) and Thomson Reuters DataStream (Performance target and comparator)

\*Fund performance is Gross of annual management charges.

**Past performance is not a reliable indicator of future results.** The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

\*MSCI company ratings are provided to enable comparisons with investments held elsewhere in a standardised format. We conduct our own proprietary research which may lead us to have a view different to that expressed by the MSCI score.

## MSCI ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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Rated as at 31/12/2023\*

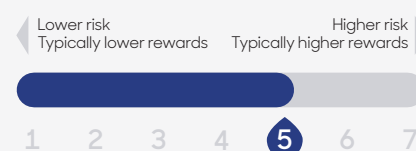
#### Key facts

Fund Manager(s)	Ben Ward
Fund Manager start date	13 Jun 2022
Fund launch date	13 Jun 2022
Fund size	£28.0m
Number of holdings	123
Performance target	CPI +1.5%
Performance comparator	ARC Balanced Asset Index (ACI)
Annual Management Charge	0.50%
Ongoing Charges Figure*	0.81%
Valuation point	12 noon (UK)
Base currency	GBP
SEDOL	
Cautious Acc	BPSLVQ2
Cautious Inc	BPSLVX9
ISIN	
Cautious Acc	GB00BPSLVQ29
Cautious Inc	GB00BPSLVX95

\*OCF as at 31/12/2023.

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

#### Risk and reward profile

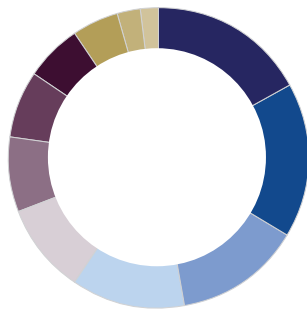


This indicator reflects the volatility of the fund's share price over the last five years. See Key Investor Information Document (KIID) for details.

Securities within the portfolio are not all denominated in sterling.

The investment manager seeks to hedge currency risk for fixed income, but does not generally hedge non-sterling equity exposure.

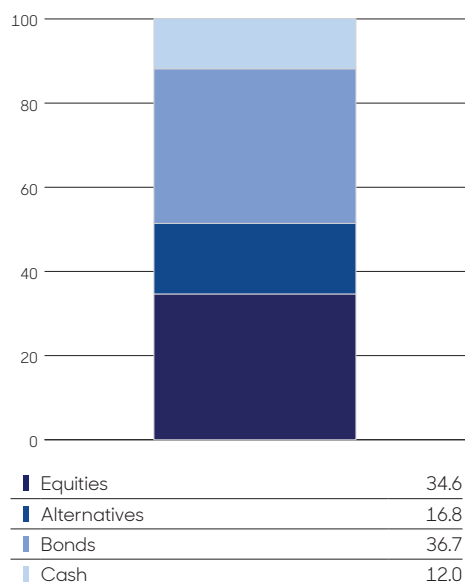
## Equity breakdown – industry (%)



Technology	5.9
Industrials	5.7
Consumer Discretionary	4.7
Health Care	4.3
Real Estate	3.3
Utilities	2.8
Consumer Staples	2.5
Financials	2.1
Telecommunications	1.7
Basic Materials	0.9
Energy	0.6

As at 31/12/2023

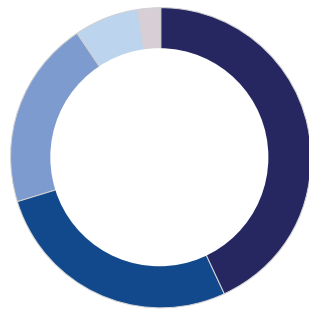
## Asset class breakdown (%)



As at 31/12/2023

Definitions: Cash and Other – may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

## Equity breakdown – region (%)



North America	14.9
Europe ex UK	9.5
UK	7.0
Pacific ex. Japan	2.4
Other	0.8

As at 31/12/2023

## Asset class ranges

Asset class	Range (%)
Equities	10–40
Bonds	20–50
Alternatives	10–40

As at 31/12/2023

## Top ten holdings

Stocks	Fund (%)
Govt. of United Kingdom 1.0% 22-apr-2024	4.1
Govt. of The United States Of America 2.75% 31-aug-2025	2.5
Govt. of United Kingdom 0.625% 31-jul-2035	2.2
Govt. of United Kingdom 0.25% 31-jul-2031	2.2
Govt. of The United States Of America 2.0% 15-nov-2041	1.9
Govt. of The United States Of America 1.125% 15-jan-2033	1.89
Greencoat UK Wind Plc	1.4
Renewables Infrastructure Group Limited	1.3
International Public Partnerships Ltd	1.3
BBGI Global Infrastructure S.A.	1.3
<b>Assets in top ten holdings</b>	<b>20.2</b>

As at 31/12/2023

CAF Financial Solutions Limited (CFSL) is a subsidiary of the Charities Aid Foundation. Investment Fund Services Limited (IFSL) is the Authorised Corporate Director (ACD) for the IFSL CAF Investment Fund. This fund range is promoted by CFSL and LGT Wealth Management are appointed as Sub Investment Manager. Find out more about CAF Financial Solutions Limited (CFSL) full range by visiting [www.cafonline.org/charityinvestments](http://www.cafonline.org/charityinvestments)



For a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – [cafonline.org/charityinvestments](http://cafonline.org/charityinvestments)

## Key Risks

(a) The value of investments and the income from them can fall and investors may get back less than the amount invested.

(b) The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

(c) The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

(d) The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

(e) The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

(f) The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

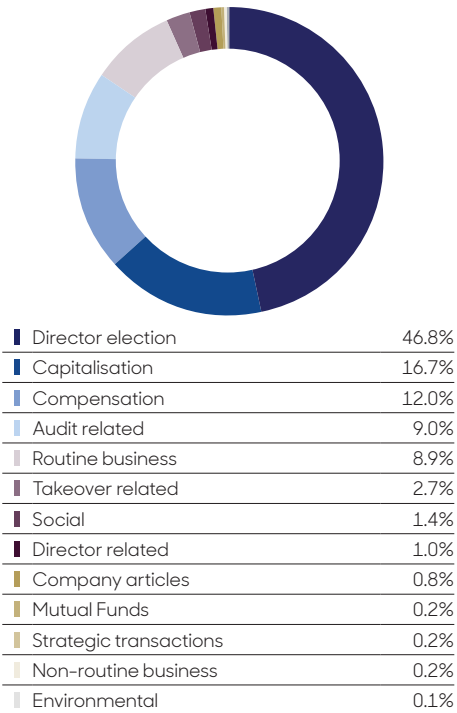
(g) The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

Voting

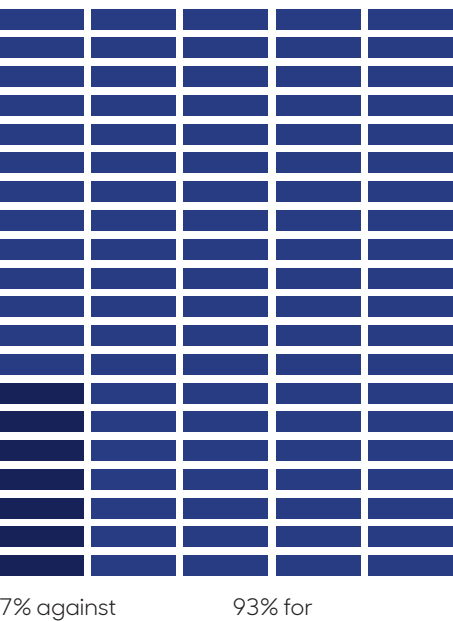
LGT Wealth Management believes that better corporate behaviour will provide better returns over the longer term. We aim to enhance and preserve the value of our clients' investments through active and engaged ownership of their assets. We consider a broad range of factors that might affect the success of a given company.

We vote on all shareholdings, seeking to represent our clients' best interests in the decisions we make on their behalves. Because we believe that strong business ethics and governance will generate positive outcomes, we encourage best-practice standards in our investee companies.

Management resolutions by type (%)



Voting alignment with management



Market Commentary

- After three quarters of mixed returns in equity and bond markets, both asset classes posted strong rallies over the final three months of the year. The market viewed recent inflation data and central bank communication as a signal that rates have peaked and may now need to be cut in 2024 to avoid recession.
- This was an about turn from a few months ago, when strong growth led to the very real possibility of further rate hikes. Resilient growth in the third quarter aided by a relatively loose fiscal policy meant the US economy shrugged off the Fed's tightening, with GDP growing at an above trend pace of 5.2%\* annualized over the third quarter. Economic resilience led to concerns mounting over booming deficits and worries that interest rates would remain higher for longer, which sent ten-year Treasury yields surging to 5%\* in October for the first time since 2007.
- However, as price pressures abated over the fourth quarter, the possibility of more rate hikes faded. Softer economic data, muted price pressures and a weaker labour market boosted confidence that the hiking cycle may well and truly be over. Investors also began rapidly pricing in rate cuts for 2024. The Fed's last meeting showed a dovish pivot with median projection that interest rates will be around 4.5%\* by year-end 2024, down from current levels of 5.25%. However, following the Treasury market rally in recent weeks, investors now expect an even sharper drop in interest rates, forecasting policy rates at around 4%\* at the end of 2024. Ten-year Treasury yields retreated to below 4%\* as a result, cementing a remarkable 1% drop in less than two months.
- Experience has taught us that companies that have strong balance sheets and can create value by generating cash flow exceeding their operational requirements tend to generate stronger and more sustainable returns.
- They are also usually better positioned to reinvest in their businesses and distribute earnings to shareholders. We believe these types of companies merit long-term positions in portfolios regardless of shorter-term sentiment.

\*Source: Bloomberg

Collaborative Engagement Initiatives



Case study - Nature Action 100

Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

With more than half of the world's GDP reliant on nature and its services, depleting natural capital creates significant operational, regulatory, litigation, and reputational risk for investors and businesses alike, and negative economic repercussions globally. The initiative engages companies in eight key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Launched in September of 2023, Nature Action brings together 190 investor participants representing \$23.6 trillion in assets under management or advice.

Investors part of the Nature Action initiative aim to drive greater corporate ambition and action in the following sectors:

- Biotechnology and pharmaceuticals
- Chemicals
- Household and personal goods
- Consumer goods retail
- Food
- Food and Beverage
- Forestry and Paper
- Mining and Metals

LGT has joined two investor teams to push for greater ambition around nature action at companies within the pharmaceutical sector and food and beverage.

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The period of extreme volatility experienced in bond markets and the heightened correlation between bonds, equities and alternative assets since the fund was launched in June 2022 owing to rapid interest rate rises in response to heightened inflation, has impacted SRRIs across the marketplace. In all cases, an increase in the SRI was due to higher market volatility and not because of any changes in the fund's investment objective or policy. The SRRIs are constantly reviewed and may be lower or higher in future.

## Useful details

Issued by LGT Wealth Management as the Appointed Sub Investment Manager

Existing investor enquiries line:  
0808 178 9321

New charity investors line:  
03000 123 222  
[www.cafonline.org/charityinvestments](http://www.cafonline.org/charityinvestments)

CAF Charitable Trusts information line:  
03000 123 028  
[www.cafonline.org/trustinvestments](http://www.cafonline.org/trustinvestments)

LGT Wealth Management  
+44 (0)20 3207 8000  
[LGT.Charities@LGT.com](mailto:LGT.Charities@LGT.com)

Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

## Important information

### THIS REPORT IS FOR USE BY CHARITABLE CLIENTS OF THE IFSL CAF ESG CAUTIOUS FUND.

This Fund is an authorised Investment Company with Variable Capital. The Authorised Corporate Director is Investment Fund Services Limited (IFSL), registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Issued by the appointed Sub Investment Manager, LGT Wealth Management. Further product information, including full details of charges and risks, is set out in the prospectus which is available from [www.ifslfunds.com/sponsor-literature/CAF/](http://www.ifslfunds.com/sponsor-literature/CAF/). 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 under number 2771873. CFSL is a subsidiary of Charities Aid Foundation (registered charity number 268369).

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