

Close SRI

Socially responsible investment service

Our socially responsible portfolios aim to maximise long-term profits by investing in global businesses with concern and respect for wider social, environmental and economic issues.

What is Close SRI?

Close SRI seeks to deliver better risk adjusted returns than the broader market by investing in sustainable businesses that recognise the importance of environmental, social and governance factors to all stakeholders.

The client experience is enhanced not just through the creation of a portfolio of sustainable and safe businesses, but through the translation of the portfolio impact in meaningful and identifiable ways.

The investments are made through a combination of direct shares and third party funds, and are reviewed and approved by a dedicated SRI oversight team.

Active management, institutional discipline and a collegial culture are core to our investment proposition. As a firm, we are focused on high levels of client service.

What is our investment philosophy?

The guiding principle of our approach to SRI is to maximise long-term returns with concern for wider social, environmental and economic issues, within pre-agreed risk constraints.

Research shows that Environmental, Social and Governance (ESG) metrics are strong indicators of future share price performance and volatility, and that analysing this data may present opportunities to deliver returns in excess of the benchmark.

The starting point for the Close SRI portfolios is the United Nations

Sustainable Development Goals, which promote prosperity and sustainability. Many companies have taken ownership of these goals, and are growing their profits in alignment with them.

Close SRI translates these goals into profitable investment opportunities. We believe that companies that endorse these values will outperform the broader market and with lower levels of volatility because, in today's world, a company's moral behaviour is integral to its share price performance.

What is our approach?

There are three building blocks in the construction of our SRI portfolios:

- 1. Ethical → Sustainability.** We avoid businesses that do not align with the UN global goals. We believe such businesses are less sustainable in the long-run.
- 2. ESG → Safety.** We screen for companies which embed Environmental, Social and Governance factors into their corporate culture. Our ESG analysis is about how a business conducts itself and manages risks with stakeholders.
- 3. Impact → Growth.** We identify companies which are advancing the UN global goals. This leads to investment in exciting, high-growth trends based on innovation return opportunities.

What is the investment process?

The key building blocks for our diversified, actively managed SRI portfolios include:

- A long-term strategic asset allocation framework aligned to a client's agreed risk profile (with the assistance of Moody's Analytics).
- Shorter-term tactical asset allocation ranges for each asset class to reflect the current market landscape, allowing scope for added value from active management.
- An ethical review to monitor the operational activities of companies.
- Rigorous stock and fund selection based on valuation and ESG analysis.
- Identification of Impact investments, relating to companies' positive contributions to the UN global goals.

Ethical screen

Our definition of ethical involves a focus on sustainable businesses that are aligned with the UN global goals. We do not mechanically screen companies based on industry exposure, but take a more thoughtful approach. We assess companies' operational exposure, looking to see if they are in an industry that is in structural decline, and avoid investing in those that require significant investment to compete in a world demanding sustainable profits. Operations that would typically be avoided on this basis include armaments, tobacco, alcohol and gambling, none of which advance or benefit from the UN global goals.

ESG analysis

This progresses from looking at what a company does and goes deeper, analysing whether environmental, social and governance factors are

incorporated into the company's DNA. ESG analysis looks at how a business conducts itself - evidence shows that businesses that operate in line with these concerns are safer investments.

Our analyst team considers ESG factors in the analysis of all companies as a key risk metric. Companies in our SRI portfolios must either show an improving ESG trend or rank highly relative to their global sector peers to be considered.

To ensure our process is truly robust, we partner with an external provider, MSCI ESG, which gives us comprehensive commentary on ESG issues and impact analysis.

Impact investments

We define Impact investments as those which have a positive social, health, economic or environmental impact and the ability to deliver a positive financial return. We believe that companies need to innovate to be sustainable. Impact investments are typically growth companies which are innovating to find solutions to global problems, as identified by the UN global goals.

We have developed a proprietary Impact measurement model. This measures Impact at a stock and portfolio level and we can share this with clients in meaningful and identifiable ways.



Typical investor

Close SRI portfolios are suitable for individuals, families, trusts and charities: anyone who seeks to align their investments with their moral preferences without sacrificing returns. The service is available for clients with a minimum investment of £100,000.

Service

Aligning a client's investment strategy with their ethical, social and environmental concerns is becoming increasingly important. We have a range of client literature explaining how and why investments are included within our SRI portfolios. We also provide clear and transparent reports which are available in hard copy and through our secure online client portal.

Investment strategies

Income Plus Portfolio

To provide a steady income stream with some capital growth through investment in bonds, shares, both UK and international, and income-focused alternative type assets which help spread risk. This is suited to investors with an income objective.

Conservative Portfolio

To deliver moderate capital growth with some income through investment in bonds, shares, both UK and international, and alternative type assets which help spread risk. This is suited to lower-risk investors.

Balanced Portfolio

To grow the capital value with some income through investment in stocks and shares, both UK and international, with some exposure to alternative type assets to spread risk. This is suited to medium-risk investors.

Growth Portfolio

To grow the capital value mainly through investment in stocks and shares, both UK and international, with some exposure to alternative type assets to spread risk. This is suited to higher-risk investors.

Important information and risks

No investment, or investment strategy is without risks. The value of investments and the income from them can go down as well as up. Investors may get back less than the full amount originally invested.

Although still diversified, SRI uses a narrower pool of assets than an unconstrained investment portfolio. If you are unsure about any information contained within this document, or the suitability of this investment to meet your needs, you should speak to your financial adviser.

This document is provided by Close Asset Management Limited for information purposes only, does not constitute financial advice and should not be relied upon for the purposes of any investment decisions.

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