

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

DECEMBER 2020



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MONTH IN FOCUS

The Close Sustainable Balanced Portfolio Fund returned 1.06% over the month of December, taking the return since inception (02/11/2020) to the end of the year to 4.40%. The fund lagged the IA 40-85% shares sector over December. However the fund is, of course, still very much in its infancy and the work continues to manage the new inflows into the strategy. As the fund grows, we will continue to complete / top up our planned purchases as well as new investment ideas, and gradually switch out of the collectives we have had to use in the fixed income space into direct credit holdings.

THANKS FROM THE TEAM

The fund turned two months old in early January, and it is very pleasing to report that we have already hit the £5m AUM mark. We would like to say a massive thank you to everybody who has contributed to the fund achieving this impressive figure so early on. This gives us confidence that clients like the message they hear through the strategy, and we look forward to the next milestone of £10m. Happy New Year to all, and thanks again!

TRADING ACTIVITY

Buys

eBay (US, MSCI ESG rating 'A'): The company's MSCI ESG rating was upgraded from 'BBB' to 'A' in December 2020, driven by eBay's strong business ethics and practices. eBay provides exposure to the high growth e-commerce industry, which is experiencing a structural boost from Covid-led lockdowns, at an attractive valuation.

Sandvik (Europe, MSCI ESG rating 'AA'): Sandvik is a newly-researched idea. The company is a Swedish high-technology engineering group, with operations split between machining solutions and mining equipment. Sandvik has above-market exposure to the electrification metals (copper, zinc, nickel and lead), where electric-vehicle-led demand is driving volumes of 4-5% per year – double the level of the wider market. Sandvik is also the market leader in the electrification of underground

mining equipment, which is replacing diesel-powered machinery.

Hoya (Japan, MSCI ESG rating 'A'): Global technology and med-tech company, Hoya Corporation, saw its MSCI ESG rating upgraded from 'BBB' to 'A' in November 2020, driven by the company's strong governance practices (the 'G' in ESG). The board has an independent majority, alongside fully independent audit and pay committees. Hoya is experiencing strong demand for its mask blanks – a key component in semi-conductor design. The vast majority of demand originates from the R&D stage, so it has been relatively unaffected by end-market weakness due to Covid-19.

Anglo American (UK, MSCI ESG rating 'A'): Anglo American's MSCI ESG rating was upgraded from 'BBB' to 'A' in December 2020. Anglo scores above its peer group across ESG factors: operational efficiency initiatives to address carbon emissions, as well as a commitment to protect high conservation area (E); engaging with communities to assess impact prior to setting up operations (S); and policies to mitigate the risks of potential unethical dealings and corruption (G).

Sells

Alphabet (US, MSCI ESG rating 'BBB'): Alphabet's MSCI ESG rating was downgraded from 'AA' to 'BBB' in November 2020. This was based on anti-trust concerns, including the US Department of Justice's lawsuit filed against the company in October relating to a potential monopoly on search services and advertising. While we have a policy of 90 days to divest once a security becomes ineligible to hold in the Sustainable Balanced Fund, Alphabet was a sub 1% position which allowed for a quick disposal.

IMPORTANT INFORMATION

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CBAM6121