

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

MAY 2021



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MONTH IN FOCUS

The Close Sustainable Balanced Portfolio Fund returned +0.56% in May. This compared favourably with the Investment Association 40%-85% Shares sector, which fell -0.13% over the month. The year-to-end of May return for the Fund stands at +3.07%.

SUSTAINABLE NEWS IN MAY

Court orders Royal Dutch Shell to cut carbon emissions by 45% by 2030

An unprecedented ruling by a court in The Hague has found Royal Dutch Shell's sustainability policy to be insufficiently 'concrete'. The ruling may effectively force the company to speed up its green transition. Prior to the ruling, Shell's target was to achieve net zero emissions by 2050, but the court ruling leaves the company 'obliged' to reduce the carbon dioxide emissions of its activities by 45% by 2030 compared to 2019 levels.

Shell expects to appeal the decision and released a statement saying that "the court ruling has not changed the fact that Shell is more determined than ever to play its part and lead in this global challenge".

It is interesting to note that Shell had aligned itself to 13 of the 17 UN Sustainable Development Goals, as well as subscribing to the targets of the Paris Agreement. However, the court ruling implies that such commitments far out into the future may be insufficient in light of today's unsustainable activities.

This is a view we took when designing the investment process for Fund – company environmental, social and governance (ESG) ratings reflect how well a company is performing with respect to ESG factors today, rather than what they say they will do in the future. To be considered for inclusion in the Fund, companies must be achieving the required standards today.

ExxonMobil loses proxy fight with (tiny) activist investor

ExxonMobil's lost proxy fight has pushed climate change up its agenda, against the wishes of management. (A proxy fight occurs when a group of shareholders in a company attempt to join together to effect change in a particular area of corporate governance within the company). In this instance, activist investor Engine No. 1 (a Hedge Fund which had only a 0.02% stake in ExxonMobil and no history of activism in oil & gas) managed to gain two seats on Exxon's board, both of whom are climate-friendly directors pushing a low-carbon strategy similar to the company's European counterparts.

STOCK OF THE MONTH: HOYA

- Japanese optical products manufacturer Hoya Corporation saw its share price rise +15% in May.
- Hoya operates two main segments: 1) Life Care which produces eyeglass lenses and contact lenses for retail sale, endoscopes and intraocular lenses, and 2) Information Technology comprising of semiconductor mask blanks, HDD glass substrates, and imaging-related products.
- The Information Technology segment is the driver of growth and profitability, as Hoya commands very high market shares of niche products. In the company's Q4 '21 results announcement on 30th April, it was announced that EUV (extreme ultraviolet) mask blank sales growth had accelerated to 80% year-on-year from the typical 40-50% range.
- There was, however, likely to be an element of 'catch-up' of the share price in May on the back of strong earnings results, as Hoya had lagged EUV and hard disk drive peers on a year-to-date basis.

IMPORTANT INFORMATION

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