ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REPORT

Q4-2023

www.tavistockinvestments.com

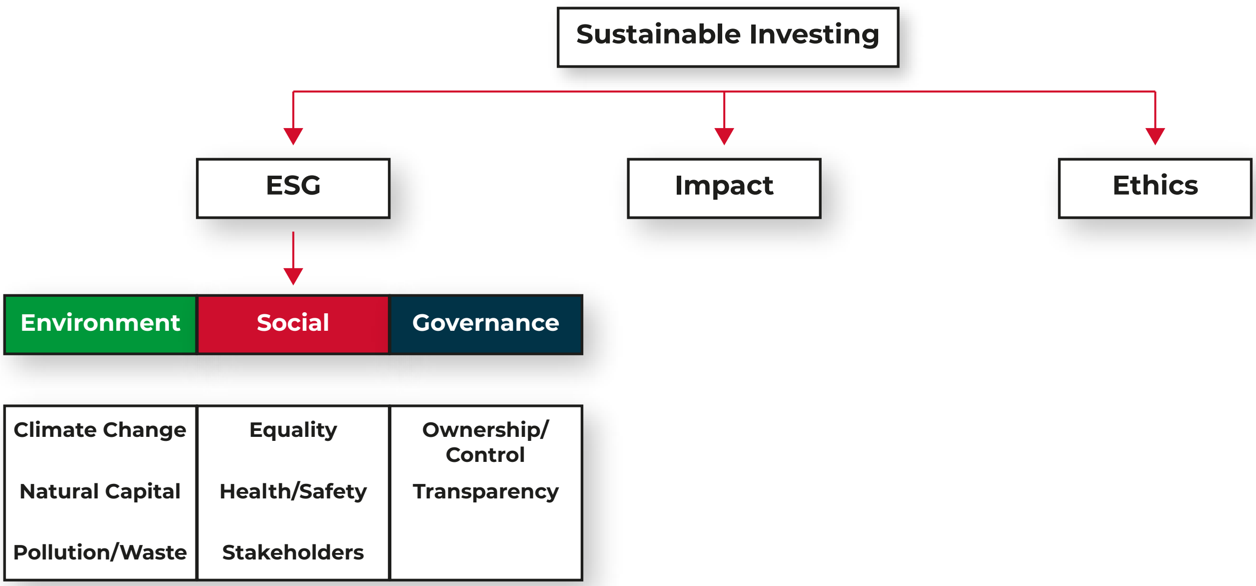
Sources: Titan Asset Management, Bloomberg, MSCI ESG Research, United Nations.
Data: 31/12/23 unless otherwise stated

CONTENTS

SUSTAINABLE INVESTING

The purpose of this section is to introduce sustainable investing and, importantly, explain our approach to sustainable investing.

In 1987 sustainable development was defined by the United Nations as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” This definition is widely recognisable because it is still taught in classrooms today, and is the theoretical foundation upon which sustainable investing builds. Our definition of sustainable investing is: a holistic approach to investing which widens the focus of investors by integrating sustainability considerations alongside the traditional focus of investors, risk-adjusted return. It comes in many shapes and sizes, but can be distilled into three primary pillars: environmental, social, governance (ESG), impact and ethics



ESG is the integration of material non-financial data into the risk management process; the reason being, integrating more material data can improve the process and so can improve risk-adjusted returns. Examples of non-financial data include: greenhouse gas emissions, employee diversity, financial reporting quality. The outcome of this integration might be to prioritise or reduce exposure to certain geographies or sectors or companies. ESG leaders (those prioritised) and laggards (those reduced) can be identified in several ways. First, by using non-financial data, perhaps a third party ESG score, to identify geographies, sectors or companies that appreciate the necessity of the transition to a more sustainability-minded planet and are adapting their strategies accordingly. We call this basket of leaders adjusters (for example, Microsoft). Second, we can use traditional analysis techniques to identify sectors or companies that are either innovating at the cutting edge of this transition or are enabling those that are doing the innovating. There are two baskets here: the innovators (for example, Tesla) and the enablers (for example, SSE).

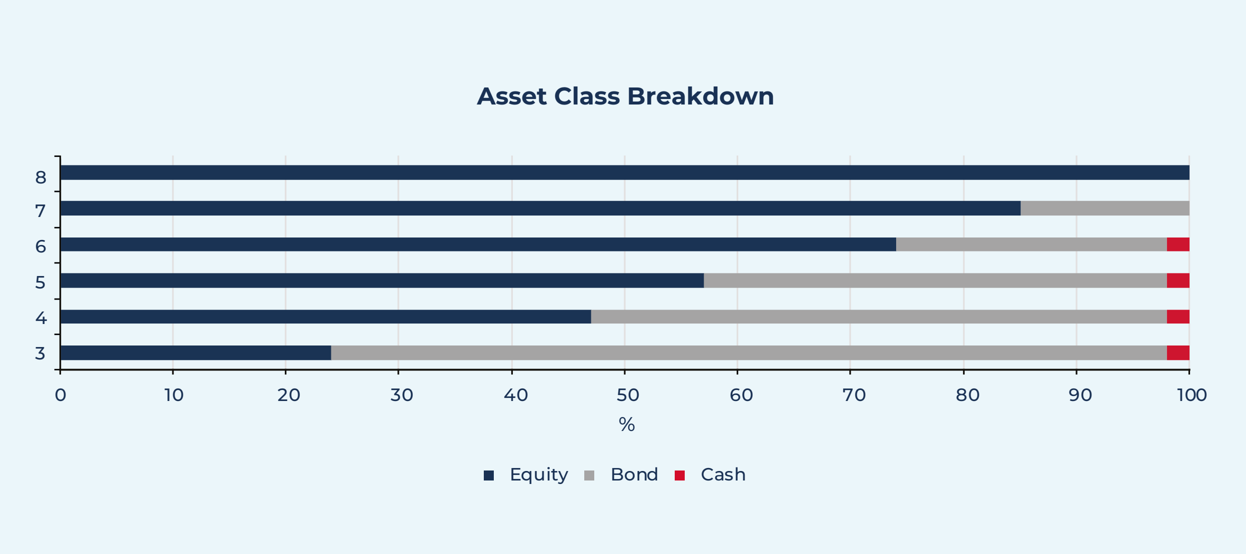
Impact is an explicit statement of sustainability targets separate to risk-adjusted return. Examples of these targets include: reducing greenhouse gas emissions in-line with the Paris Agreement, or improving gender and racial diversity at the board or company level. Consequently, investors structure their portfolios to achieve this dual mandate.

Ethics, or ethical investing, is the integration of an investor's moral or religious beliefs into the portfolio construction process. It is the oldest of the three pillars of sustainable investing, and can trace its roots back hundreds of years to Shariah, the religious law of Islam, and to religious groups that prohibited members from participating in the slave trade. A more modern interpretation might be to exclude tobacco or firearms from an investable universe.

Our approach to sustainable investing is a combination of ESG and ethics. Influenced by MSCI and the thought-leading Norges Bank Council on Ethics, we designed an investment policy to separate ESG leaders from laggards, and to exclude certain controversial sectors from our investable universe. There are three sections to the policy: a minimum ESG score, a minimum coverage ratio, and a maximum revenue threshold in any of eight controversial sectors (**see Appendix for more details**). There are substantial procedures in place to ensure daily compliance with the policy and protocols to follow if a breach to the policy is detected. These procedures and protocols have been put in place to mitigate the industry-wide problem of greenwashing. The combination of non-financial data-driven risk management with a set of ethics-based negative screens is powerful in its simplicity and, importantly, will continue to evolve to match best practice in the sustainable investing ecosystem.

PROPOSITION

To add clarity to our approach to sustainable investing, we decided to label our proposition as ESG rather than simply sustainable. The label accurately reflects the purpose of our investment policy which, as we explained, is designed primarily to separate ESG leaders from laggards. There are two idential sets of six risk progressive models (3-8) in the Tavistock ESG MPS, one with the ACUMEN label and another with the Abacus label.



Features and Benefits

Feature	Benefit
ESG Policy	The Separation of ESG leaders from laggards, and the exclusion of certain controversial sectors from the investable universe.
Active Management	The Investment Team, comprised of six highly talented professionals, constantly monitors the proposition for risks and opportunities.
Diversification	Cross-asset investment with a global mandate; the only free lunch in investing!
Currency Hedging	Control of the impact that currency fluctuations can have on the funds within the proposition.
Risk Progression	You can match your risk appetite to a find within the proposition.

COMMENTARY

The purpose of this section is to build a narrative around our approach to sustainable investing. Included in this section are monthly commentaries from Q4 2023.

October 2023

October proved difficult for the equity portion of our multi-asset class sustainable investment proposition. This can mostly be explained by the natural bias in our investable universe towards certain style factors and, specifically, to companies providing real-world sustainability solutions. For example, the MSCI Global Alternative Energy Index has fallen almost -30% over the past 3 months, compared to about -5% for the MSCI World Index. There are a few reasons for this derating. First, the COVID-19 pandemic and a general trend towards deglobalisation created supply chain issues, leading to higher input costs for some but also creating issues for others that had stockpiled raw materials only to see demand for their products and services decline. Second, the tightening of monetary policy around the world over the past few years, a consequence of the aforementioned inflation, has materially raised the cost of capital for many companies across our investable universe. Although these cyclical headwinds are cause for concern, the structural drivers of the transition to a more sustainability-minded planet remain in place. From our perspective, valuation multiples are attractive and with COP28 (the 2023 UN Climate Change Conference) around the corner, it is possible that the negative sentiment towards companies providing real-world sustainability solutions will abate soon.

November 2023

More than a year after the publication of the consultation paper and with several delays along the way, on 28/11/23 the FCA finally published the Sustainability Disclosure Requirements (SDR). Like Consumer Duty, SDR has been designed with consumer protection in mind; the purpose of this new set of regulations is to establish a foundation upon which the market for sustainability-labelled investments in the UK can grow in the future. The language used throughout the new policy statement is constructive and it looks like the FCA took on board many of the points raised throughout the consultation period. There are a few key points to note. First, a new anti-greenwashing rule will come into effect on 31/05/24 to ensure that, for authorised firms, all sustainability-related claims are fair, clear and not misleading. Second, a set of product labels was finalised. These are: Sustainability Focus, Sustainability Improvers, Sustainability Impact, Sustainability Mixed Goals. Firms will be able to use these labels from 31/07/24 as long as they concurrently publish associated consumer-facing and pre-contractual disclosures. SDR has been well received by market participants. We think it is a good example of sensible regulation, especially with regard to the implementation timeline. The section in the policy statement about international comparability is especially useful. Most importantly, regulation is now in place and hopefully the financial services industry can leverage this foundation to direct capital towards sustainability-labelled investments in a meaningful way. As the first-ever ‘global stocktake’ at COP28 (the 2023 UN Climate Change Conference) will surely illustrate, there is still a lot of work to do.

December 2023

The most recent gathering of delegates for the United Nations' annual conference on climate change, COP28, was a complicated affair. Held in the UAE, a fossil fuel giant, and hosted by Dr Sultan Al Jaber, the head of Abu Dhabi's state-owned oil company, critics pointed to obvious conflict of interests that risked stalling progress towards the decarbonization of the global economy. Indeed, leaked briefing documents showed that Al Jaber intended to use the conference to strike new fossil fuel deals. That said, Al Jaber, who is also the chairman of Abu Dhabi's state-owned renewable energy company, ended up doing a mostly good job of bringing together all sides of the energy debate, a tricky process which culminated in the 'UAE Consensus' to transition away from fossil fuels. This was the first time that fossil fuels were mentioned explicitly in this way at a COP, and signals that the work of future COPs must now focus on the operational challenges (and opportunities) of decarbonisation, not on questions over whether or not to bother. To that end, the final text called for the tripling of renewable energy capacity and the doubling of the rate of energy efficiency improvements by 2030 and included support for a range of cleaner (if not strictly renewable) energy sources like nuclear. Calls to action aside, it is important to keep in mind that the successes or failures of multilateral initiatives like this one are to a large extent determined by the domestic politics of the day. In that sense 2024 is an important year because for the first time countries with more than half the world's population will vote in national elections.

HIGH LEVEL STATISTICS

The purpose of this section is to measure how well we are managing exposure to material ESG risks and opportunities (**see Appendix for more details**).). Looking at the charts in this section, we can see that we are managing exposure to material ESG risks and opportunities well, scoring better than the market comparison (**see Appendix for more details**) in each instance.

ESG Score

The score is a simple measure of how well key medium to long-term ESG risks and opportunities are being managed and is measured on a scale of 0 to 10 (worst to best). In each instance, we (blue line) achieve a higher score than the market comparison (red line).

Source: MSCI, Titan Asset Management

Date: 31/12/23

ESG Rating

The rating corresponds to the score (above) and is measured on a scale of CCC to AAA (worst to best). All models achieve an AA rating.

MSCI ESG Rating Scale:

Rating	CCC	B	BB	BBB	A	AA	AAA
Score	0.00 - 3.15	3.15 - 4.16	4.16 - 5.17	5.17 - 6.18	6.18 - 7.19	7.19 - 8.20	8.20-10.00
	Laggard		Average			Leader	

ESG Rating: Distribution

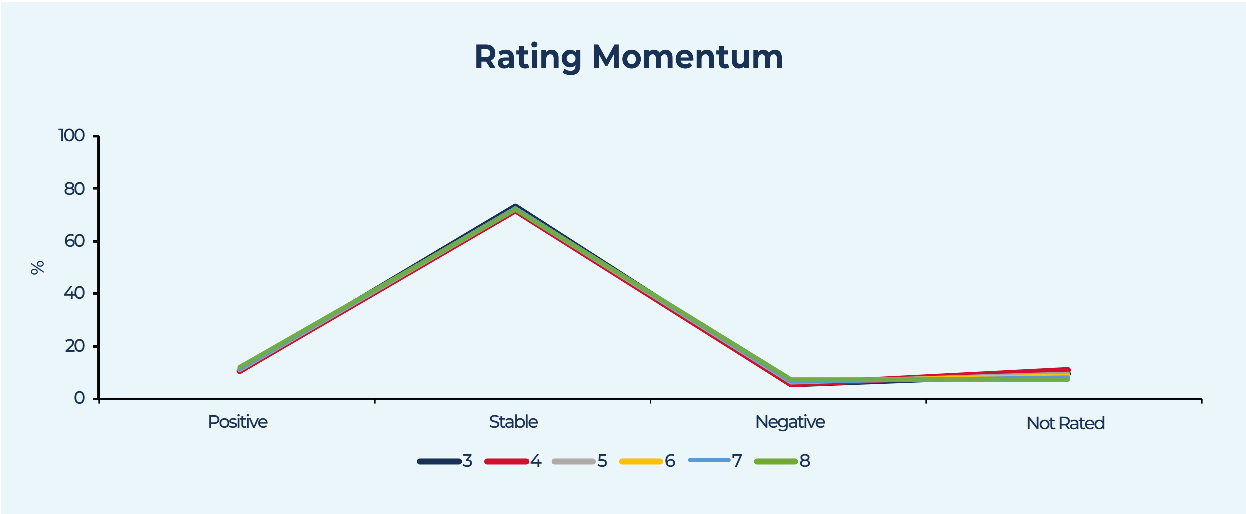
The majority of the underlying holdings across the proposition achieve an A rating or better.

Source: MSCI, Titan Asset Management

Date: 31/12/23

ESG Rating: Momentum Distribution

Momentum is split into the following categories: negative, stable, positive (worst to best). The rating will have positive momentum if it has increased since the last rating assessment by MSCI, vice versa for negative momentum. A rating with positive momentum indicates that this underlying holding is improving its management of key medium- to long-term ESG risks and opportunities. Almost all of the underlying holdings across the proposition have either stable or positive momentum.



Source: MSCI, Titan Asset Management

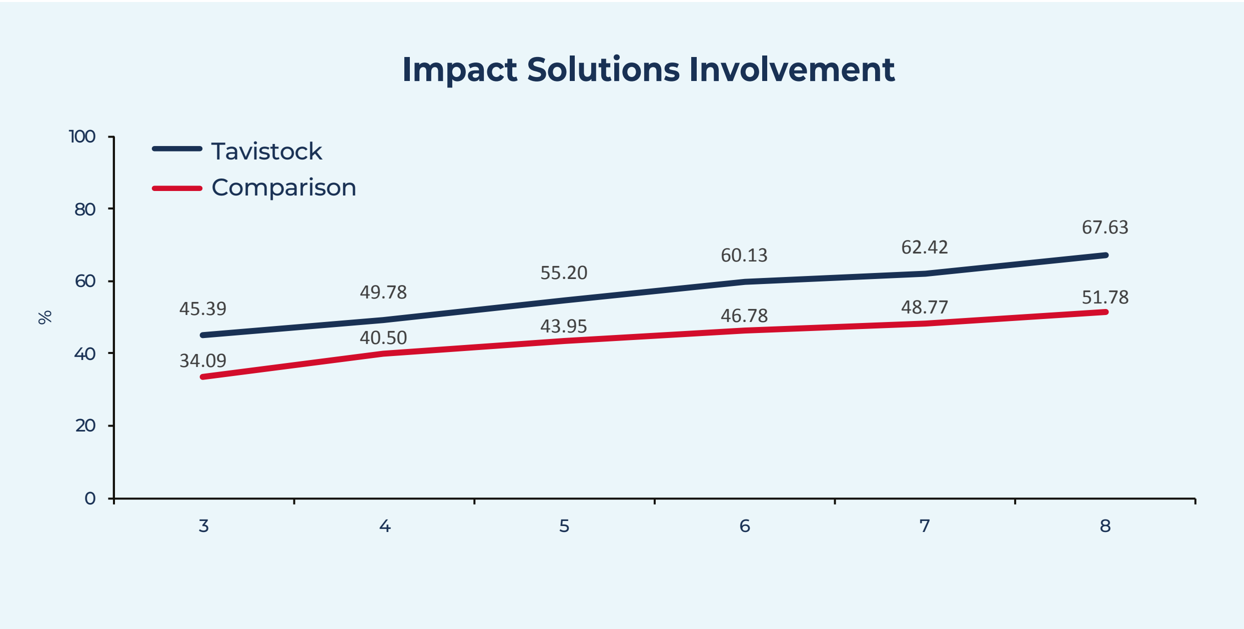
Date: 31/12/23

IMPACT STATISTICS

The purpose of this section is to measure and explore the positive impact achieved by the proposition, excluding sovereign exposure. As we explained earlier in the report, impact can be measured across a range of sustainability solutions, like alternative energy or affordable real estate. Although our proposition does not follow a dual mandate (risk / return plus impact), it is still possible to determine whether or not our investments are achieving any positive impact. Looking at the charts in this section, we can see that the proposition achieves a considerable positive impact.

Impact Solutions Involvement

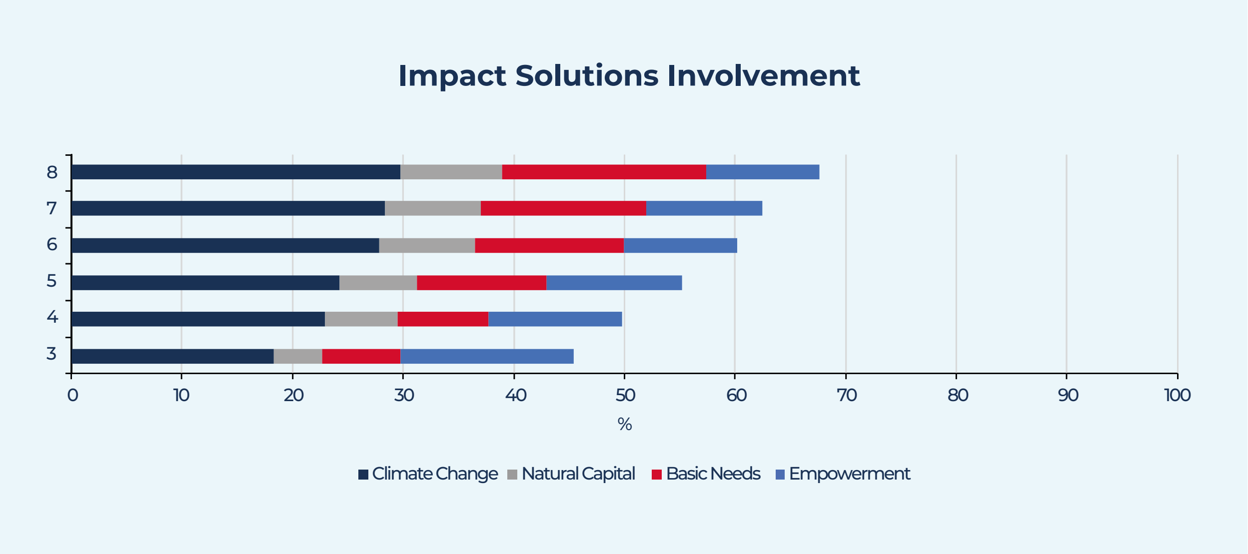
The aggregated figure represents the full market value exposure to a range of impact solutions, which we can map from Theme (e.g. alternative energy) to Category (e.g. climate change) to UN SDG (e.g. climate action) (**see Appendix for more details)**. If we compare the blue line, our proposition, to the red line, the market comparison, we see that our proposition achieves more from an impact POV.



Source: MSCI, Titan Asset Management

Date: 31/12/23

Looking at the stacked bar chart, we can see that the proposition has the most exposure to companies providing climate change solutions.



Source: MSCI, Titan Asset Management

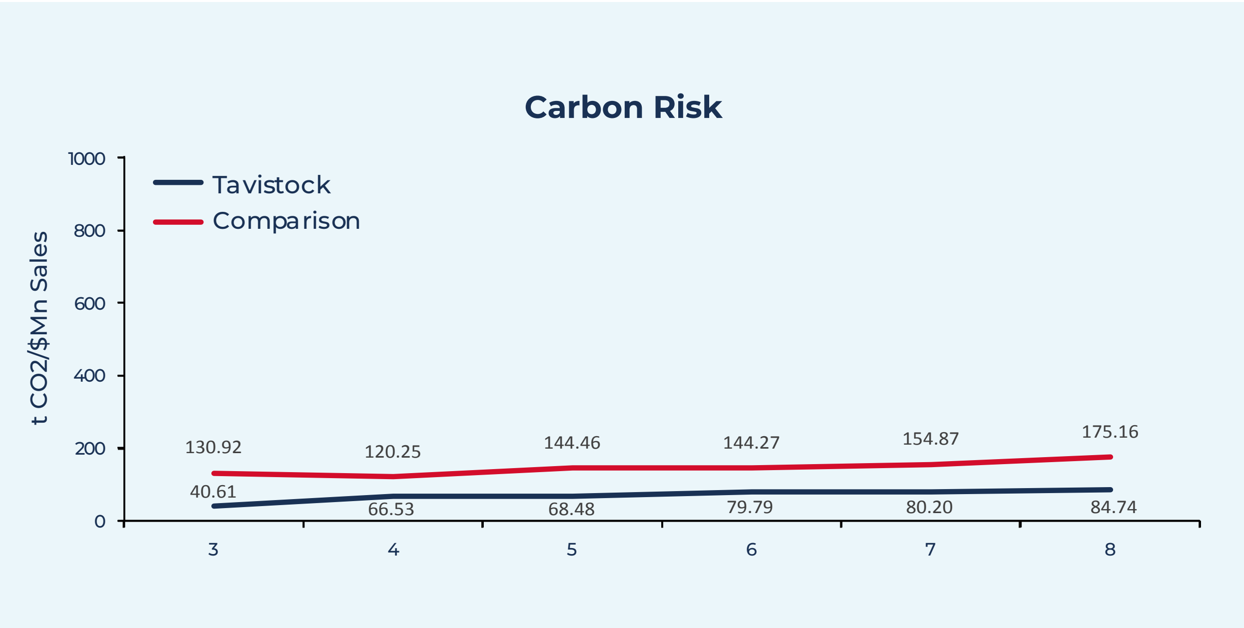
Date: 31/12/23

RISK STATISTICS

The purpose of this section is to measure and explore the material ESG risk of the proposition, excluding sovereign exposure. Looking at the charts in this section, we can see that the proposition is far less exposed to material ESG risk than the market comparison.

Carbon Risk

Companies which emit lots of carbon dioxide (CO2) are more exposed to carbon-related market and regulatory risks that arise due to climate change. We approximate carbon risk by measuring the carbon intensity of each fund in the proposition, which is the direct plus indirect CO2 emissions of the underlying holdings, divided by sales. Comparing the blue line with the red line, we can see that the carbon risk of the proposition is significantly less than that of the market comparison (the lower the intensity, the better).

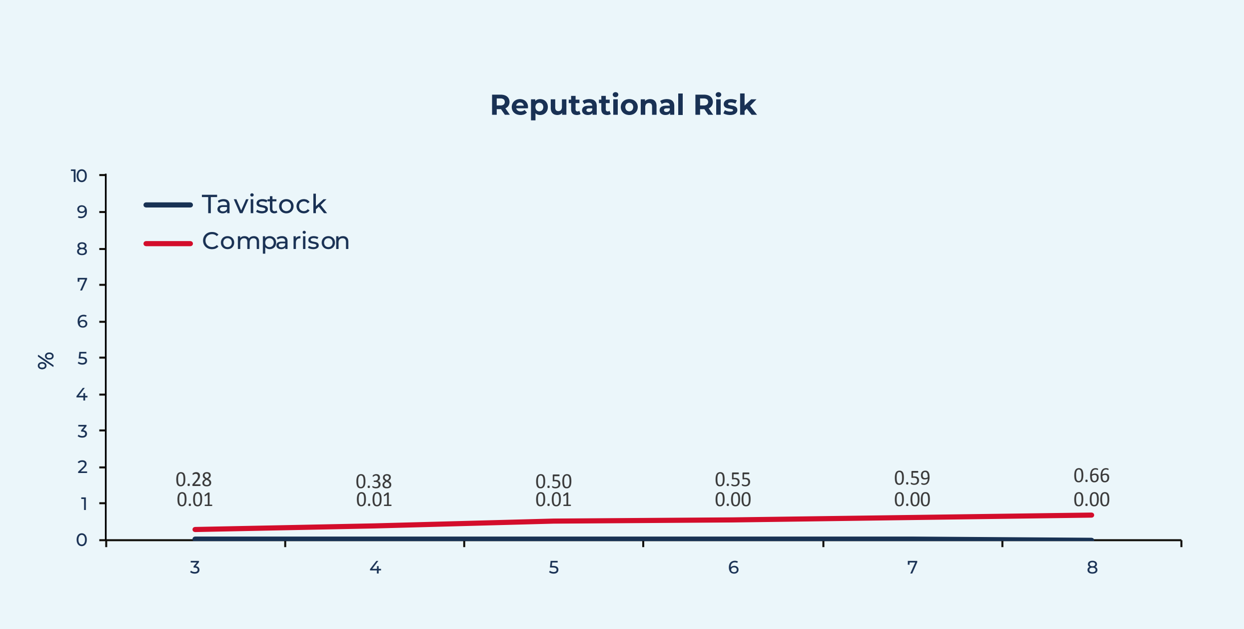


Source: MSCI, Titan Asset Management

Date: 31/12/23

Reputational Risk

Reputational risk measures exposure to companies that have caused or been involved in significant ESG controversies. There are 28 types of controversy; examples include operational waste, human rights abuse, and bribery (**see Appendix for more details**). The proposition has almost no exposure to companies involved in ESG controversies, unlike the market comparison, which on average has about 0.75% exposure (the lower the risk, the better).

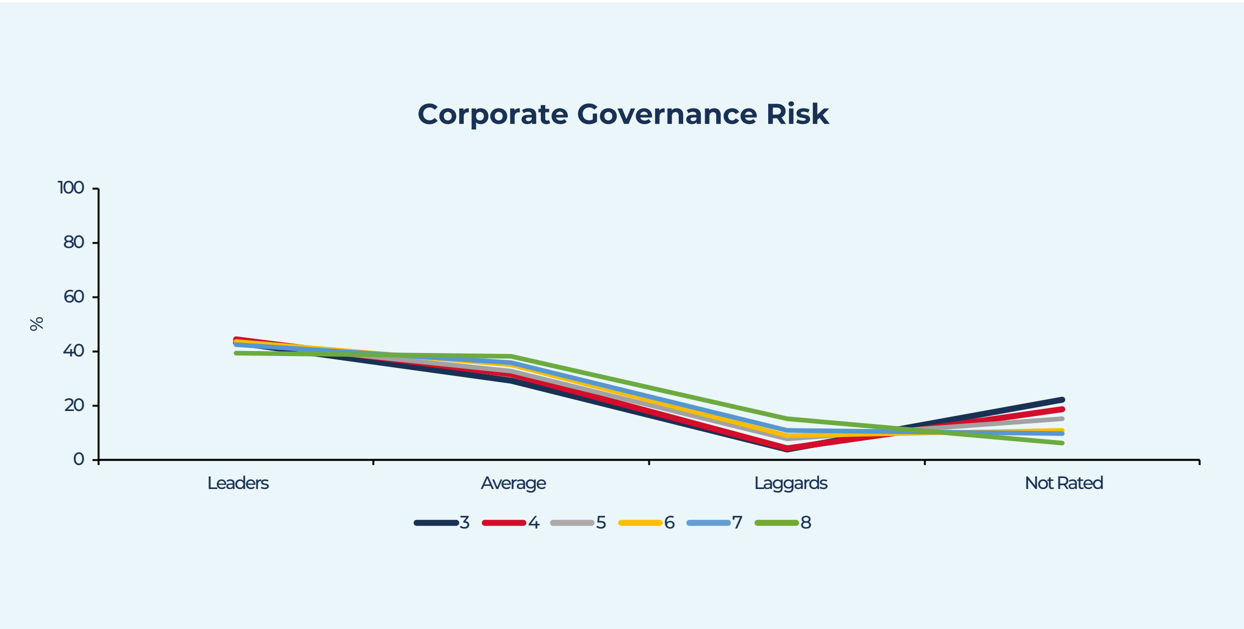


Source: MSCI, Titan Asset Management

Date: 31/12/23

Corporate Governance Risk

Corporate governance risk is split into the following categories: laggards, average, leaders (worst to best). Almost all of the underlying holdings across the proposition are classified as average or leaders.

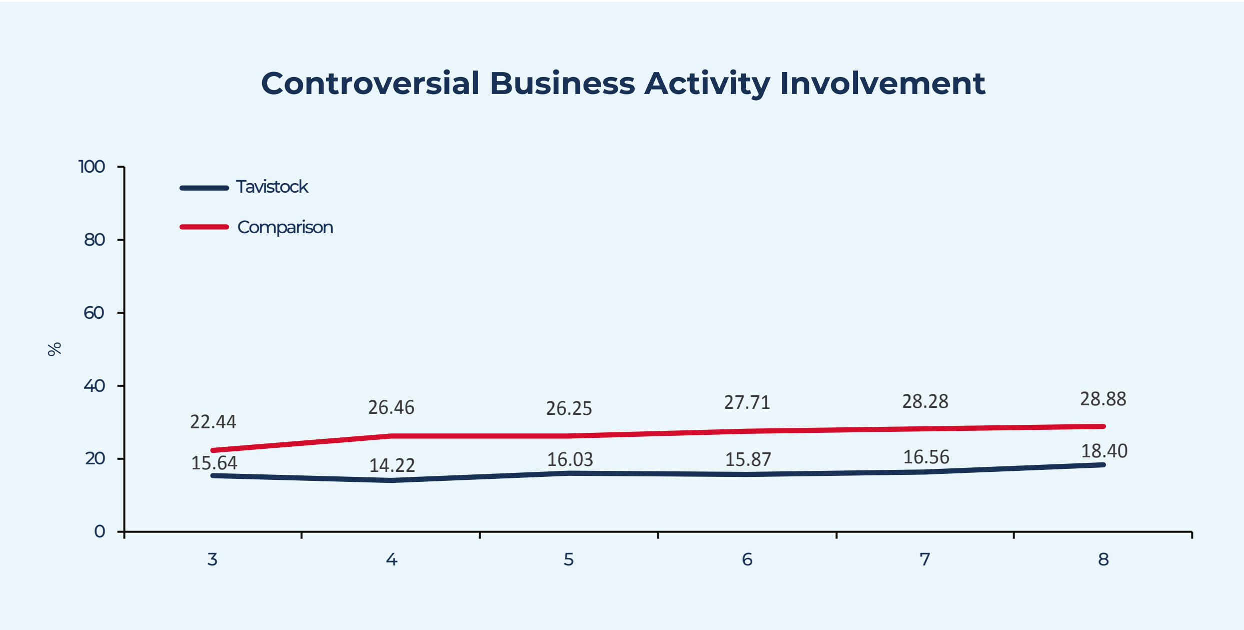


Source: MSCI, Titan Asset Management

Date: 31/12/23

Controversial Business Activity Involvement

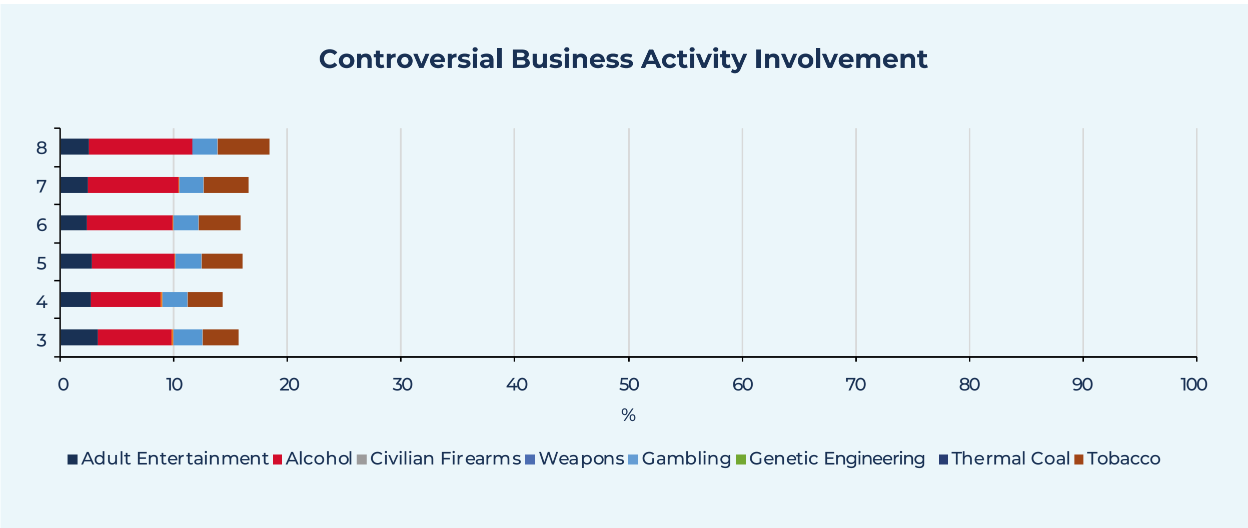
The aggregated figure represents the full market value exposure to a range of controversial business activities: adult entertainment, alcohol, civilian firearms, weapons, gambling, genetic engineering, thermal coal, tobacco. If we compare the blue line, our proposition, to the red line, the market comparison, we see that the proposition is less exposed to a range of controversial business activities than the market comparison (the lower the figure, the better).



Source: MSCI, Titan Asset Management

Date: 31/12/23

Looking at the stacked bar chart, we can see that the proposition has the most exposure to companies with a tie to the production and distribution of alcohol; exposure to alcohol per fund is, on average, 5%.



Source: MSCI, Titan Asset Management

Date: 31/12/23

APPENDIX

The investment policy for the proposition is as follows:

Policy

All the underlying **investments** must:

- Be classified by Morningstar as a Sustainable Investment
- Have no exposure to companies in violation of the UN Global Compact

The **portfolio** must achieve a minimum aggregated MSCI ESG Rating of AA, which corresponds to a classification of Leader.

- If there is a breach detected, there is a 125-day monitoring period where the investment responsible for the breach cannot be increased
- Cash is not subject to the policy
- The policy is subject to change

The market comparisons used are as follows:

The market comparisons used throughout this report reflect the asset class allocation of each fund based on the underlying investment exposure of the asset portfolio to fixed income (investment grade and sub-investment grade securities) and equity (developed and emerging market) securities at the date of data. This information is for illustrative purposes only to provide an indicative comparison between a fund and a non-ESG market equivalent.

The full names for all MSCI ESG metrics used are as follows:

- ESG Score = MSCI ESG Quality Score
- ESG Rating = MSCI ESG Rating
- ESG Rating: Distribution = MSCI ESG Rating Distribution
- ESG Rating: Momentum Distribution = MSCI ESG Rating Momentum Distribution
- Impact Solutions Involvement = MSCI ESG Sustainable Impact Solutions Involvement
- Carbon Risk = MSCI ESG Carbon Risk
- Reputational Risk = MSCI ESG Reputational Risk
- Corporate Governance Risk = MSCI ESG Governance Risk Distribution
- Controversial Business Activity Involvement = MSCI ESG Business Involvement Screening Research Involvement

The MSCI ESG Key Issue Hierarchy is as follows:

3 Pillars	10 Themes	35 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint Climate Change Vulnerability	Financing Environmental Impact
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behaviour	Business Ethics Tax Transparency	

For more information please visit **ESG Investing - MSCI**

The MSCI Sustainable Impact Solutions Involvement framework was designed to identify companies that derive revenue from products or services with a positive impact on the society and the environment. The solutions can be mapped from theme (e.g. alternative energy) to category (e.g. climate change) to UN SDG (e.g. climate action).

Theme	Category	UN Sustainable Development Goals
Alternative Energy Energy Efficiency Green Building	Climate Change	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY
Sustainable Water Pollution Prevention Sustainable Agriculture	Natural Capital	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 14 LIFE BELOW WATER 15 LIFE ON LAND
Nutrition Major Disease Treatment Sanitation Affordable Real Estate	Basic Needs	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 11 SUSTAINABLE CITIES AND COMMUNITIES
SME Finance Education Connectivity	Empowerment	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES

For more information please visit **ESG Investing - MSCI**

The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The SDGs are integrated; they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

Although the SDGs were not designed to be used by investors, we believe that mapping our proposition to the SDGs, using MSCI ESG data, is a useful way to determine whether or not our investments are achieving any positive impact.

SUSTAINABLE DEVELOPMENT GOALS

For more information please visit **Home | Sustainable Development (un.org)**
The MSCI ESG Controversy KPIs are as follows:

MSCI ESG Controversies Coverage - Stakeholder 'Pillars' and 'Indicators'				
Environment	**Human rights & community**	**Labor rights & supply chain**	**Customers**	**Governance**
Biodiversity & land use	Impact on local communities	Labor management relations	Product safety & quality	Bribery & fraud
Toxic emissions & waste	Human rights concerns	Health & safety	Anticompetitive practices	Governance structures
Energy & climate change	Civil liberties	Collective bargaining & unions	Customer relations	Controversial investments
Water stress	Other	Discrimination & workforce diversity	Privacy & data security	Other
Operational waste (Non-hazardous)		Child labor	Marketing & advertising	
Supply chain management		Supply chain labor standards	Other	
Other		Other		

For more information please visit **ESG Investing - MSCI**