



KING & SHAXSON ASSET MANAGEMENT

BRIGHTER WORLD MPS

Targeting sustainable companies for the future

This document provides an overview of King & Shaxson's newly launched Brighter World MPS. A range of lower cost model portfolios targeting sustainable companies.



ABOUT KING & SHAXSON



King & Shaxson is a long-established City name with a history that dates back to the mid-nineteenth century. King & Shaxson Asset Management (KSAM) has offered an ethical and sustainable portfolio management service through bespoke mandates and model portfolios since 2002. It remains the sole focus of KSAM.



King & Shaxson are owned by PhillipCapital, a privately owned, financially strong and developing Singaporean financial services company with major interests in Singapore, Hong Kong and other regions of the Far East. The Group has \$63bn in assets under administration (£10 billion in London) and \$4bn in assets under management.



The foundations of KSAM were built in 2002 on the back of CEO Wayne Bishop's desire to have his personal values reflected in his portfolio. Since then, we have been supporting financial advisers in building long-term relationships with their clients through the successful understanding of investing for positive change. King & Shaxson services both professional and retail clients, including banks, building societies, local authorities, fund managers, financial advisers and their clients.

A NATURAL EVOLUTION

K&S first started managing bespoke ethical portfolios, predominantly for faith based investors wanting to avoid sin sectors, such as tobacco or defence

K&S launched a range of low cost MPS providing exposure to a broader universe of sustainable companies and future themes whilst being cost aware

2002

2010

2023

K&S launched their range of actively managed ethical MPS, which overtime have grown from more avoidance based to being aligned with sustainably focussed companies

DRIVING DOWN INVESTMENT COSTS

Until recently, offering a lower cost largely passive based range of portfolios has not been an option given the lack of investment solutions with a credible screen in place. We have been wary of the implications given our credibility and genuine sustainable focus.

However, we understand the need for a product to accommodate the more cost-conscious investors, whilst still adhering to a negative and positive screen.

The expansion of Exchange Traded Funds (ETFs) has disrupted the investment industry, and alongside Index Funds, there has been an acceleration in the number of viable investment options, including a notable acceleration in thematic ETFs, targeting investment areas such as Water & Waste and Clean Energy.

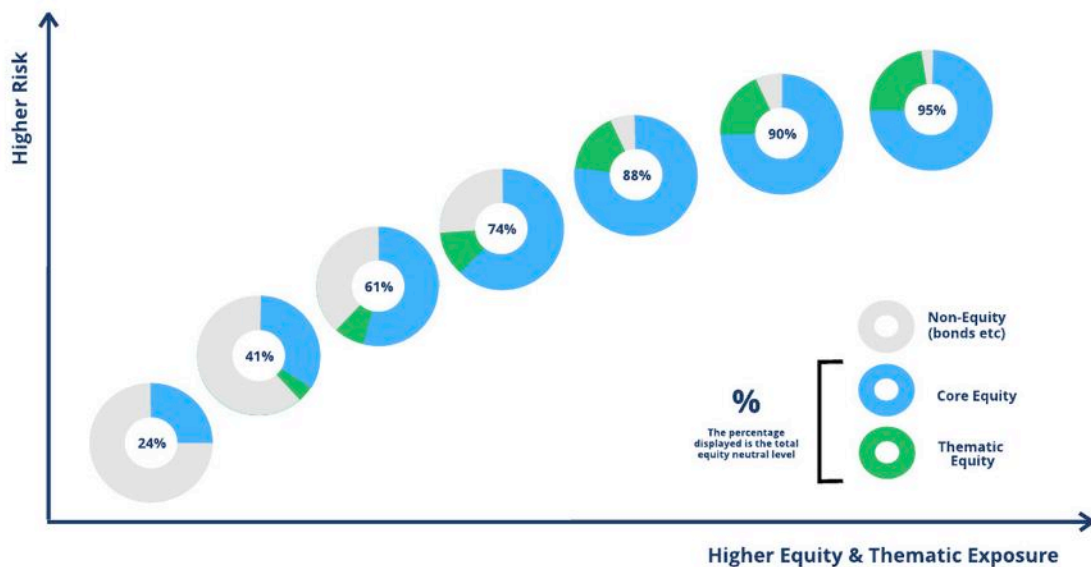
As a result, we feel we are in a position to provide an alternative lower-cost passive blend solution to our adviser audience, targeting sustainable companies and positive investment themes but at a more competitive overall cost compared to our existing ethical model portfolios. As seen through the Brighter World MPS Risk 5 indicative guide below (correct at the time of production):

Charges (correct as at Q1 24)	
Management Fee	0.20%
Portfolios OCF range	0.17% to 0.30%
Transaction Costs range	0.04% to 0.06%

The cheaper solution provides exposure to a broader universe, which does bring an element of compromise for investors who require a more stringent screen. Contact us to find out more.

A RANGE OF RISK BASED PORTFOLIOS

We have created a range of risk-based model portfolios, predominantly exposed to lower-cost passive investments. We have blended the core passive equity exposure with thematic/active ETFs which provide exposure to solutions-based companies, targeting forward-looking themes such as clean energy or water & waste. At one end of the range there is a defensive profile where capital protection and lower returns are to be expected, up to a higher level of risk with an almost 100% equity portfolio. We have designed each portfolio in line with leading industry risk profiling methodology.



BOND ALLOCATION

Our strategic asset allocation includes exposure to money markets, government debt, corporate and high-yield bonds. We have maintained the positive focus of the asset class through allocations to labeled bonds, predominantly green bonds, but also social and sustainable bonds.

Tactical changes to portfolios will reflect different views on economic conditions, with changes in credit quality and duration taking place.

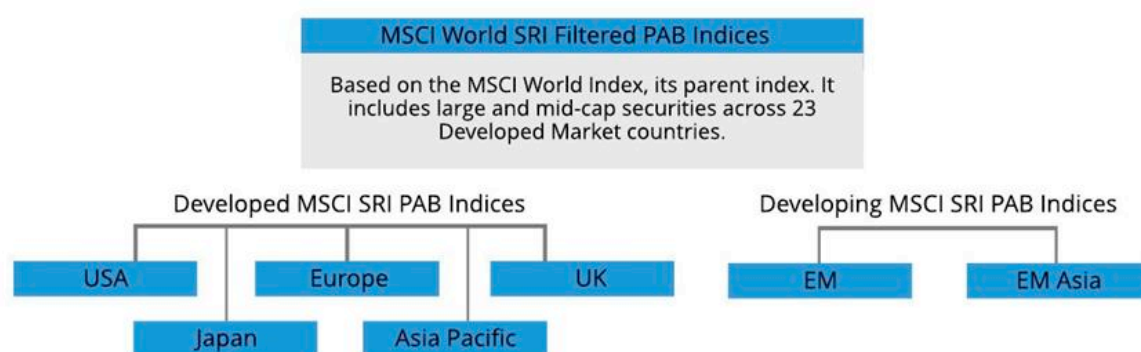


REAL ASSET ALLOCATION

From time to time, real asset exposure will be used within the portfolios, providing exposure to an asset class that behaves differently to traditional investments through the economic cycle. Preference will be for investments which demonstrate strong ESG characteristics or target specific sustainability issues, such as green buildings.

CORE EQUITY ALLOCATION

The core equity allocation will be constructed using the MSCI SRI Filtered Paris Aligned Benchmark (PAB) indices, which includes allocations to both developed and emerging regions. Paris Aligned indices are on a pathway to achieving alignment to the 1.5 degree goal of the Paris Agreement. The index series can be found below:



Tactical geographical allocation is possible through the range of developed and developing indices within the MSCI World SRI Filtered PAB series, which have been constructed into low-cost funds from Amundi. Companies within this series are best of class, meaning the companies with the strongest environmental, social or governance ratings are included.



MSCI ACWI IMI SDG Impact Select Index

Based on the MSCI ACWI Investable Market Index, which reflects large, medium, and small cap companies across developed and emerging markets who positively contribute to the 17 UN sustainable development goals.

To supplement the broad global equity exposure, and to provide a tilt towards solutions providers, we have also included the MSCI ACWI IMI SDG Impact Select Index within the core global allocation.

Whilst avoiding controversial sectors and activities, it targets companies supporting the UN Sustainable Development Goals through their products and services.

THEMATIC EQUITY

The thematic allocation will provide exposure to a more concentrated universe of companies whose products or services provide environmental and social solutions. From time to time, more general themes may be targeted to enhance portfolio returns.

The thematic exposure tiers higher alongside the portfolio's risk level, rising to circa 20% in the highest risk portfolio.

We are adding value within this additional layer through active management of the thematic allocation. Thematic exposure will vary overtime depending on the investment managers' view on specific themes or sectors based on more specific bottom-up considerations such as valuations. This is made possible through our understanding of many companies within environmental or socially positive thematic funds.

BRIGHTER WORLD MPS

SCREENING (lower cost MPS)



Avoidance

Whilst adhering to a robust negative screen, there is a slight variance to our ethical model portfolios, predominantly through the use of company revenue limits, whilst Nuclear Energy generation is permitted in the Brighter World MPS.

The investment universe is broader for the Brighter World MPS. This does mean inclusion of companies or sectors which the more stringent ethical investor may seek to avoid. For the vast majority of clients, these nuances will be tolerated or be a pragmatic trade-off.



ESG Screen

On top of the above exclusions, a best of class ESG screen is applied to the core equity allocation based on a company's overall Environmental, Social and Governance scores, with those scoring poorly being removed from the universe. This is based on MSCI's ESG screening methodology, where ratings are based on material ESG factors specific to a company's sector.

Excluded Activity

✗ Tobacco Production	>0% Revenue
✗ Controversial/Nuclear Weapons	>0% Revenue
✗ Civilian Firearms Production	>0% Revenue
✗ Alcohol Production	>5% Revenue
✗ Adult Entertainment Production	>5% Revenue
✗ Gambling	>10% Revenue
✗ Oil & Gas Extraction/Production	>10% Revenue

Targeted Activity

- ✓ **Climate Change**
(Alternative Energy / Green Building / Energy Efficiency)
- ✓ **Natural Capital**
(Sustainable Water / Sustainable Agriculture / Pollution Prevention & Control)
- ✓ **Basic Needs**
(Nutrition / Sanitation / Major Disease Treatment / Affordable Housing)
- ✓ **Empowerment**
(Education / Connectivity / SME Finance)



Positive Inclusion

Companies targeting positive environmental or social outcomes will be sought, predominantly through the core Sustainable Development Goal index and thematic exposure.

We will report to investors on portfolios alignment to MSCI's sustainable taxonomy, which aligns with many of the United Nation's Sustainable Development Goals. This allows investors to understand the positive outcomes their capital is aligned to.



Highlighting the nuances in the screen

Given the broader exposure through the core equity allocation, and based on our historical understanding of client demand, there will be exposure to companies, sectors and regions that some clients may have ethical concerns with, predominantly for environmental or social reasons. This may be due to historical controversies that have led some of the more stringent investors to seek avoidance. This includes exposure to large miners, retail companies selling sugary drinks or cosmetics, or greater exposure to regions such as China. Where this isn't a pragmatic trade-off, clients may be better suited to our existing ethical MPS.



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