



What drives investors?

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Spectrum of sustainable investment approaches

Aligned to priorities

Financial focused

Impact focused



Focused on returns



Focused on returns and positive impact



Prioritises positive impact, whilst seeking a suitable return

- ✓ Integrates ESG factors into investment decisions to avoid risks and find opportunities
- ✓ Active ownership such as voting and engagement
- ✓ No explicit sustainability objectives and no exclusions

- ✓ Avoids harm through exclusions, Benefits society by investing in sustainable leaders and Contributes to solutions through an allocation to impact investments (IMP)
- ✓ Active ownership such as voting and engagement
- ✓ Targets improved sustainability characteristics and net positive impact

- ✓ Avoids harm through exclusions, Benefits society by investing in sustainable leaders and focuses on Contributing to solutions through impact investments (IMP)
- ✓ Active ownership such as voting and engagement
- ✓ Investments to generate positive impact that is Intentional, Material and Measurable

Asset Management 3.0

Evolution towards three key dimensions of investing



Asset Management 1.0
Growth of professionally managed mutual funds



Asset Management 2.0
Development of risk models and quantitative strategies



Asset Management 3.0
Impact as the third dimension of investing

Now there is a new dimension to investing. Investors must understand the cost of a company's entire activities – they must value their stocks based on “impact-adjusted profits”

Peter Harrison, Schroders plc CEO, January 2021



Our survey says...

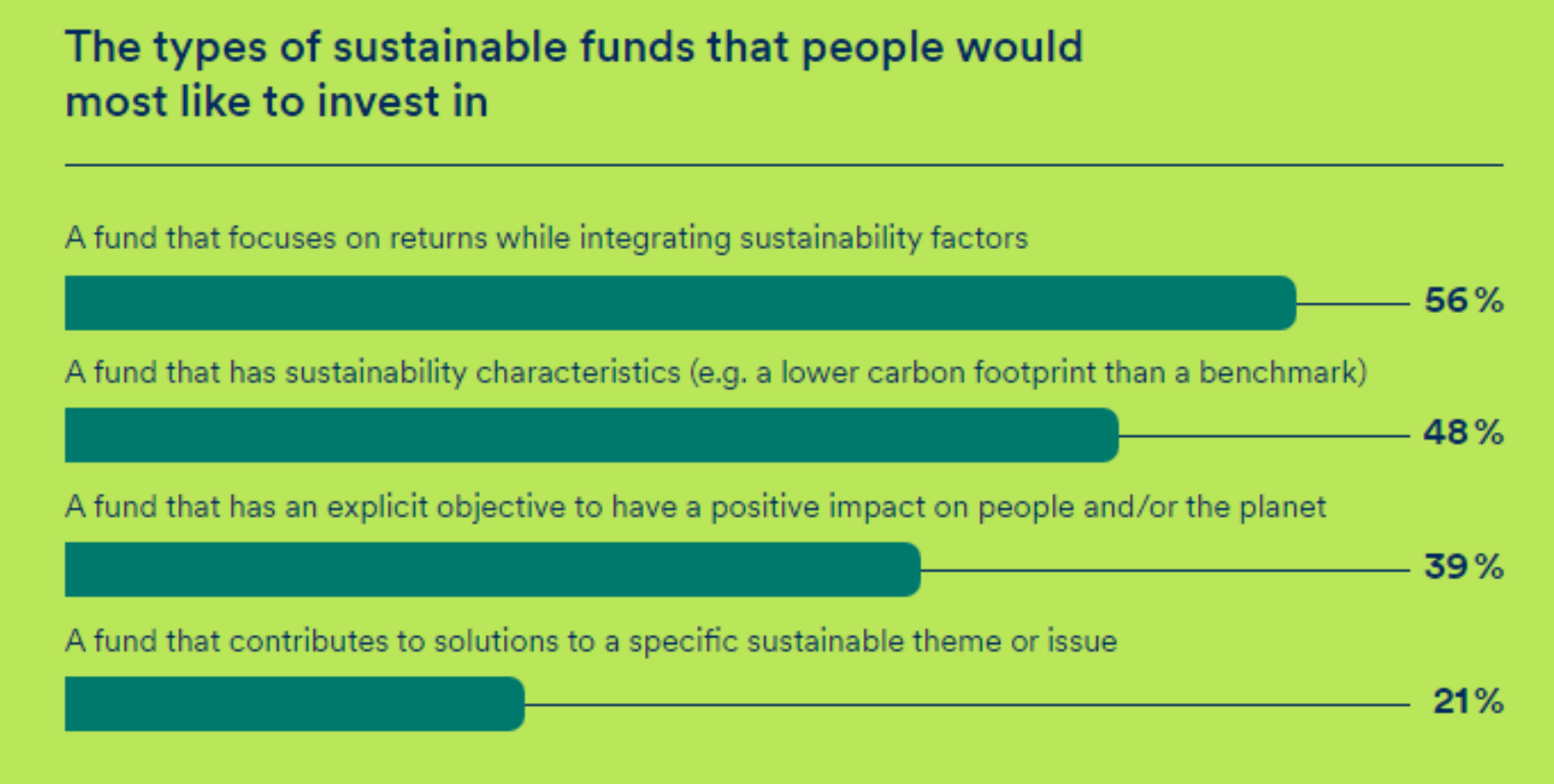
1. **Retail investors:** 2022 Schroders Global Investor Study

Schroders Global Investor Study 2022

Returns continue to be the most important factor

What is the Global Investor Study?

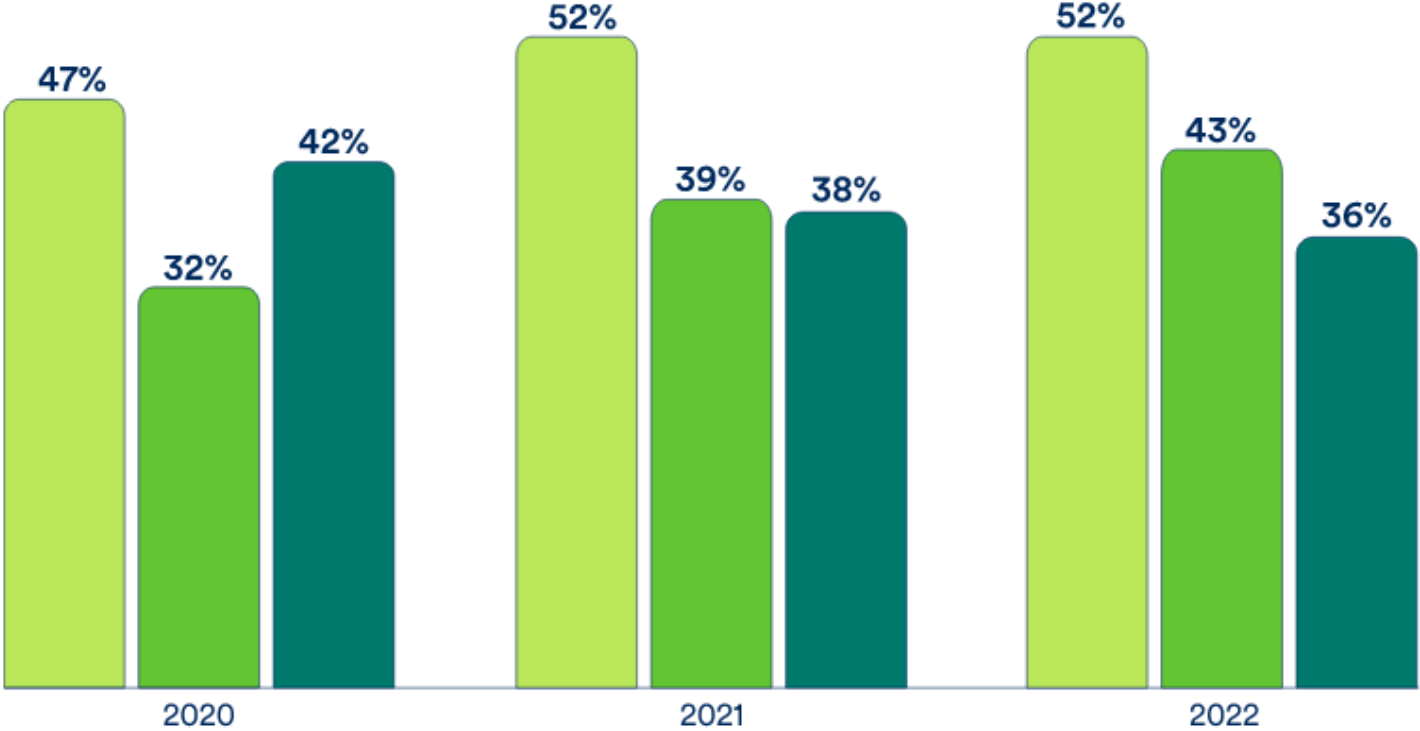
- An independent online survey of 23,950 people in 33 locations around the world
- Those who will invest at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years



Environmental impact is the main priority

With fewer expecting higher returns

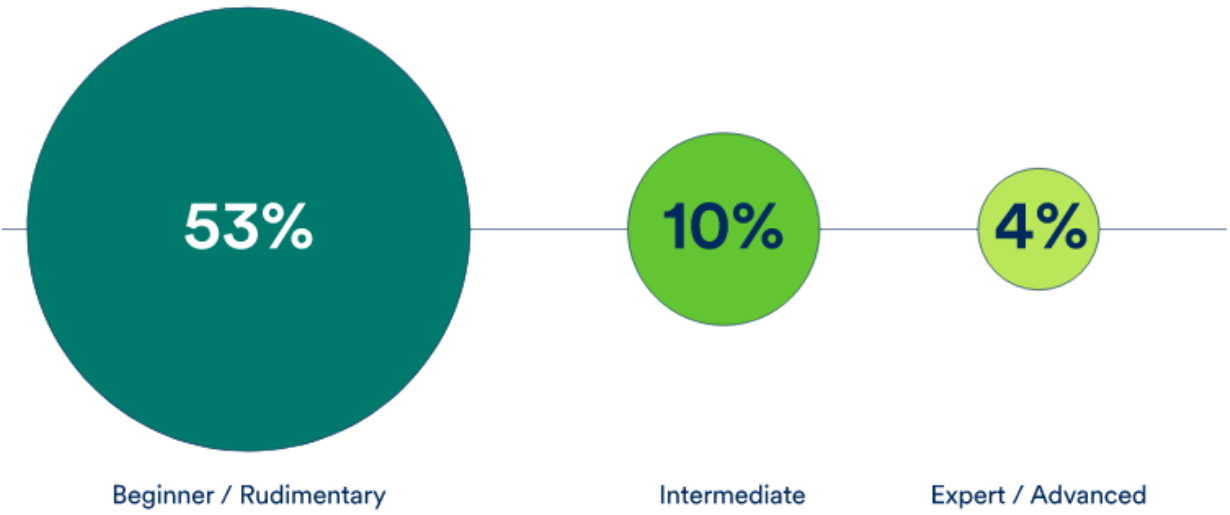
- Because of the wider environmental impact
- Because of their societal principles
- Because they are more likely to offer higher returns



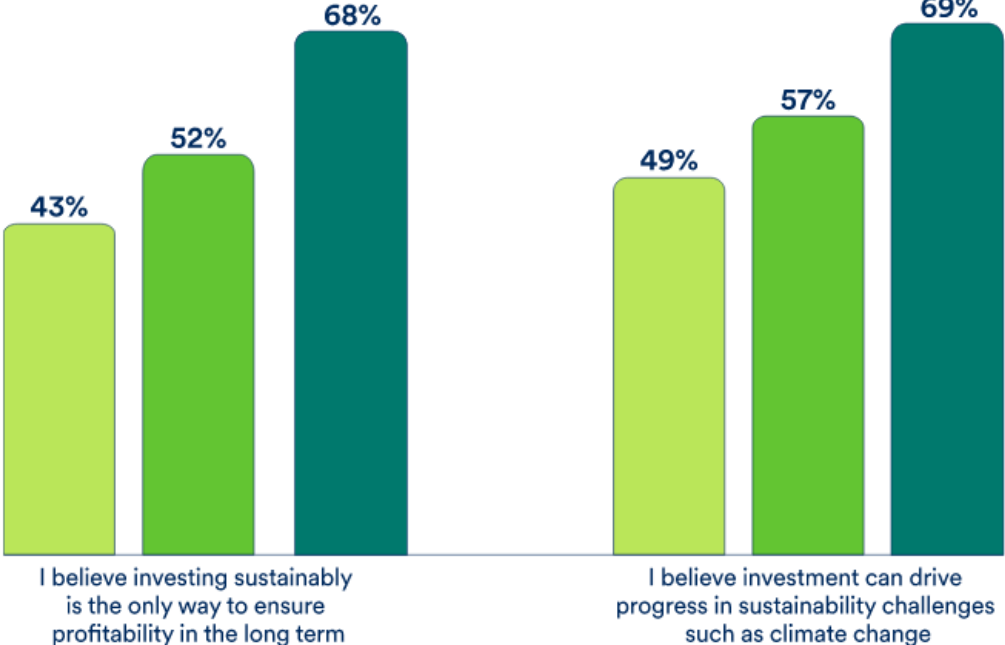
Attraction to sustainable funds

Knowledgeable investors understand relationship between sustainability and returns

No, because they won't offer higher returns

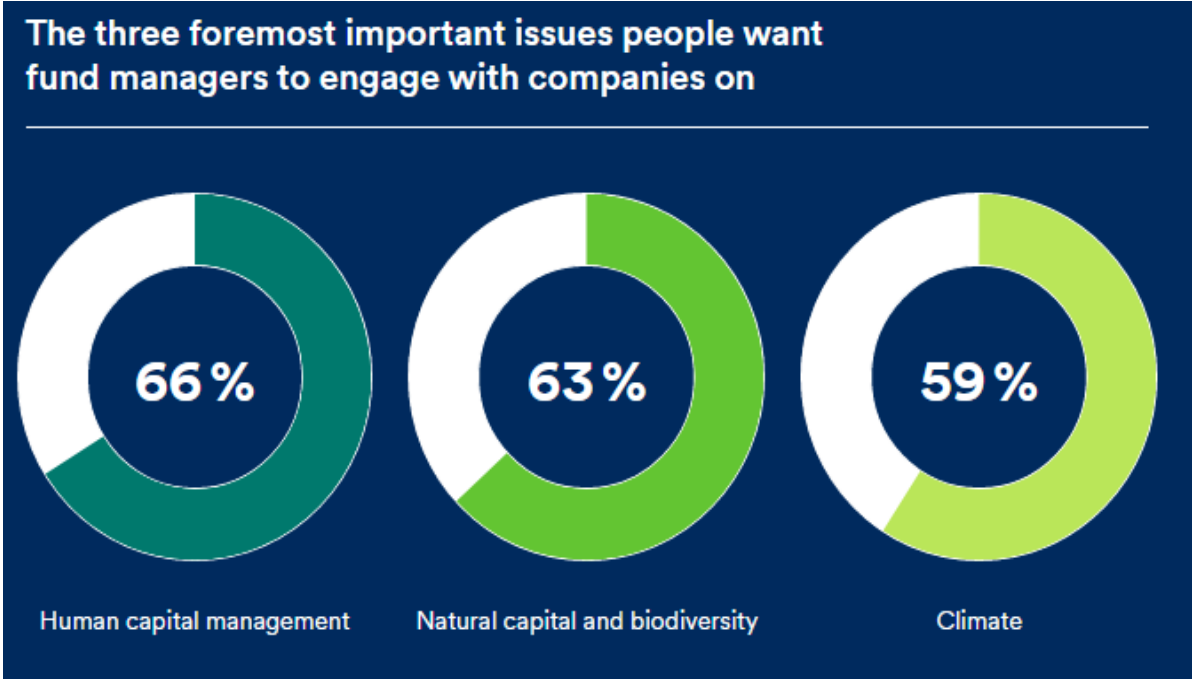
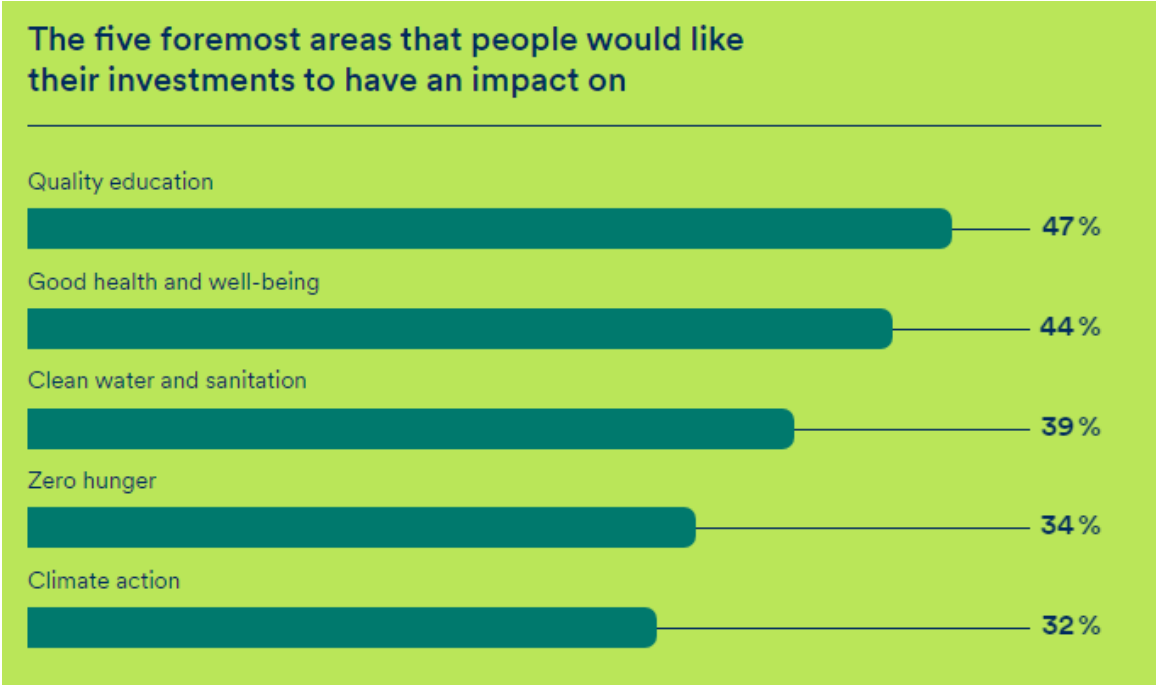


- Beginner / Rudimentary
- Intermediate
- Expert / Advanced



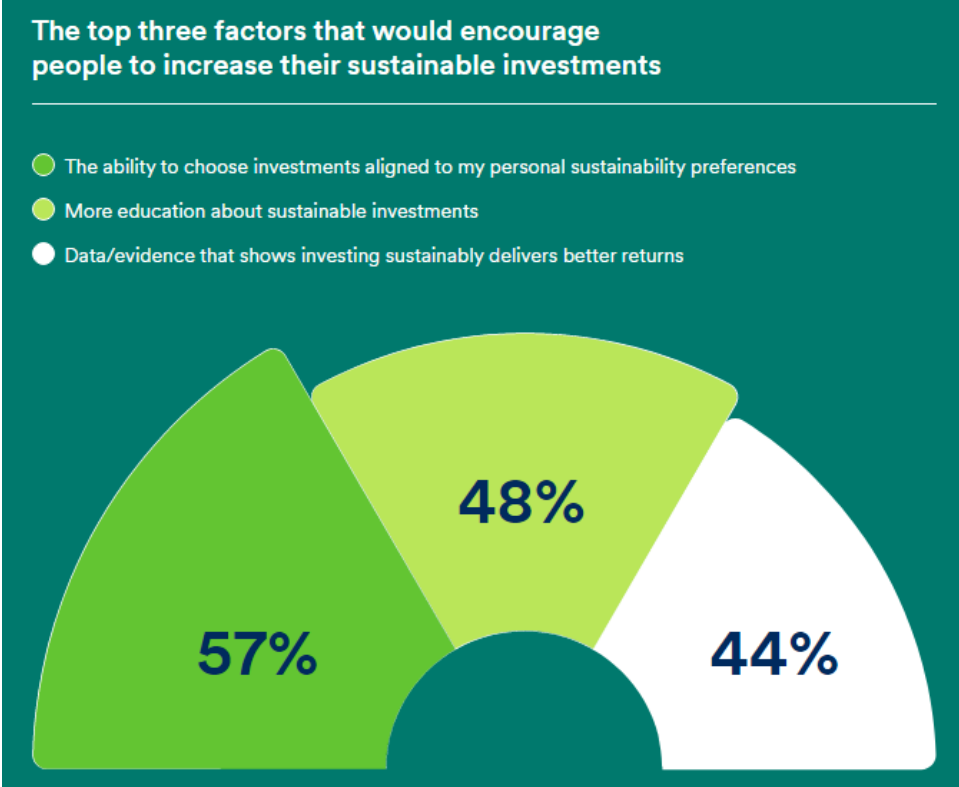
Impact and engagement priorities are broad

Active ownership is acknowledged as a key part of sustainable investing



Transparency, clarity and personalisation are opportunities

Performance concerns





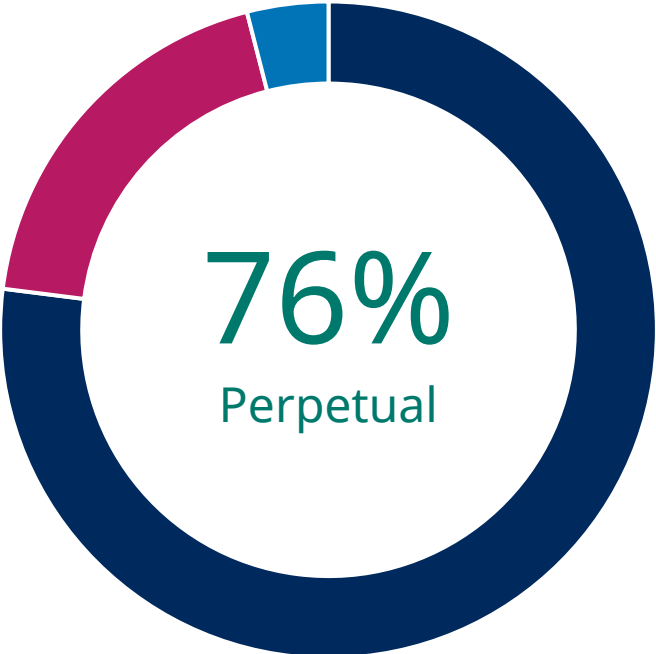
Our survey says...

2. Endowment investors: 2023
Cazenove survey of charity and
university investment policy trends

Charity Investment Trends

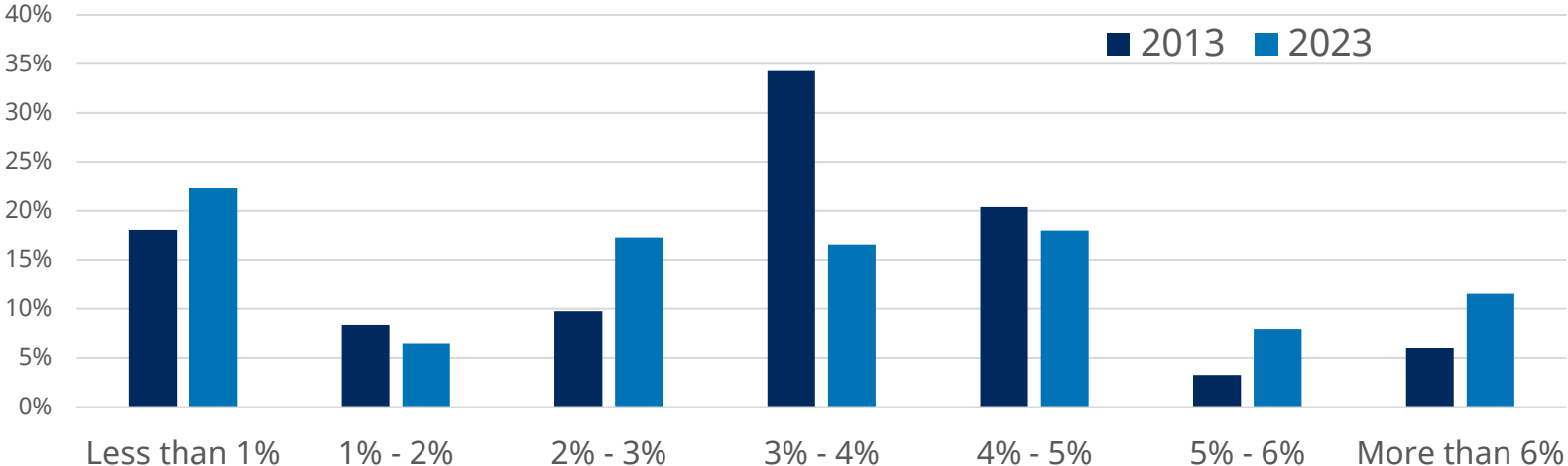
What do charities want from their investments?

Time horizon



76% preserving or growing real value
 19% open ended'
 5% 'spend out'

Greater variety in spending rates than 10 years ago



Increase in responsible investment policies

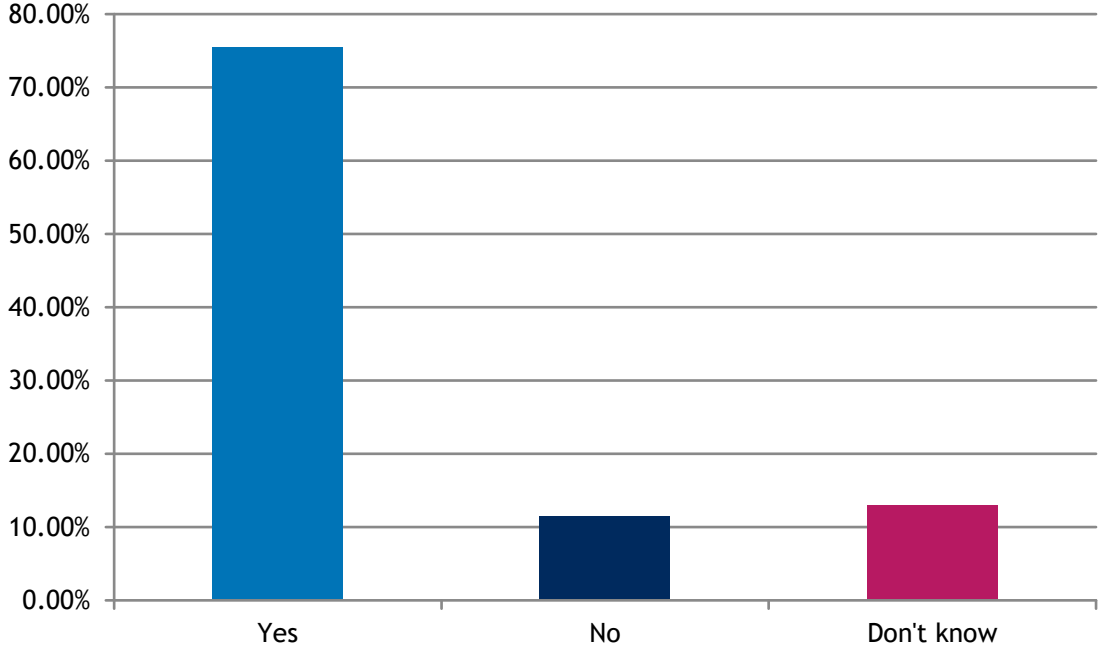


Source: Cazenove Charities Charity Investment Survey 2013, 2017, 2020 & 2023.

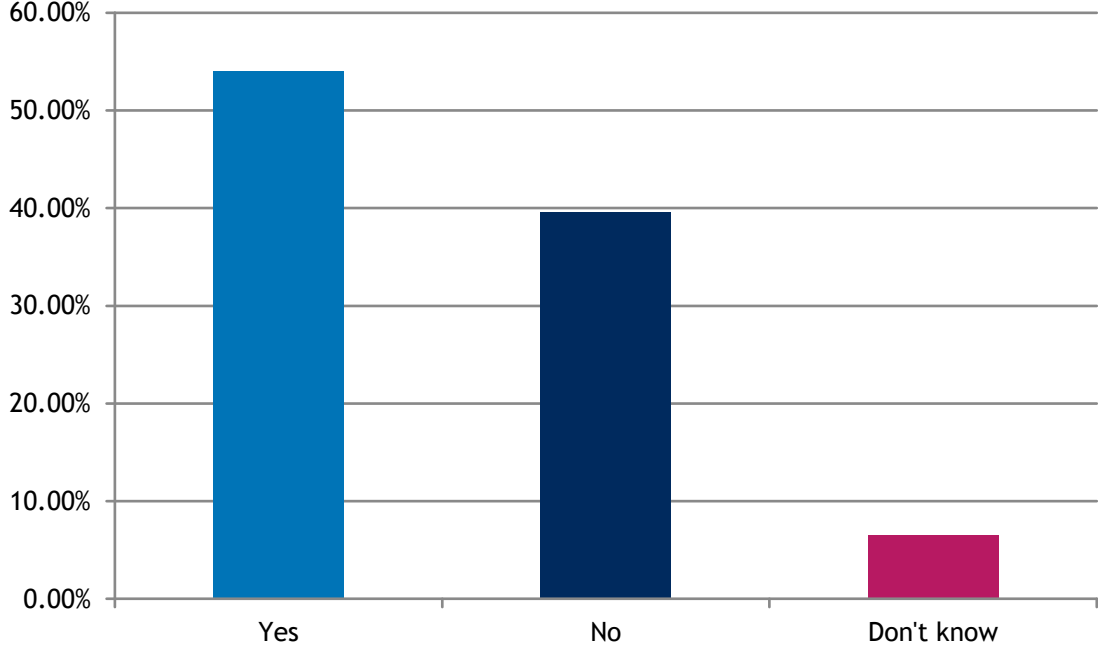
Charity attitudes to climate commitments

Gap between intention and action

Do you believe charities should be making commitments to act on climate change?



Has your organisation made a commitment to act on climate change?



Source: Cazenove Charities Charity Investment Survey 2023. 139 responses.

Charity and University attitudes to climate commitments

2023 survey responses

54% of charities and **90%** of Universities surveyed have made a climate commitment e.g. net zero target

51% of those with net zero goals are including their investments in the target

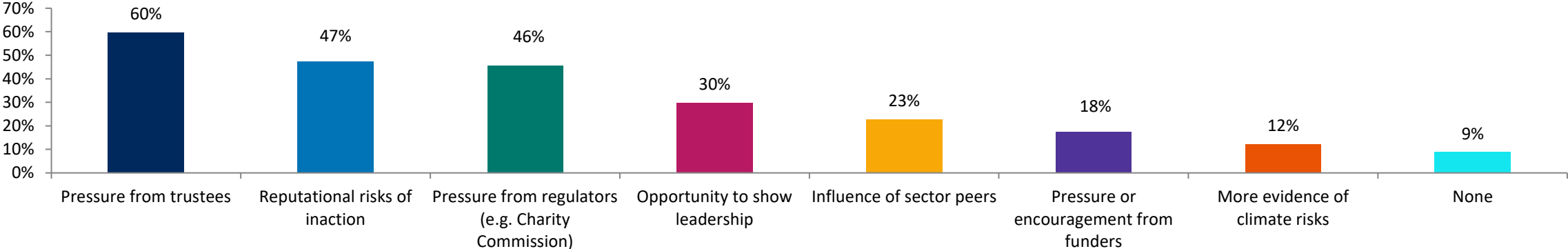
28% haven't turned it into a plan yet

64% of survey respondents aren't aware of their equity portfolio carbon emissions

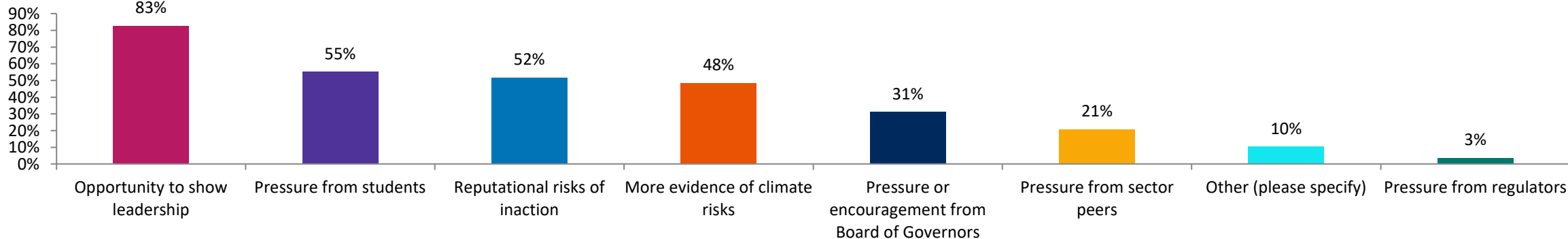
Which factors are likely to lead to a climate commitment?

Trustees, students and reputation are the driving forces

Charities



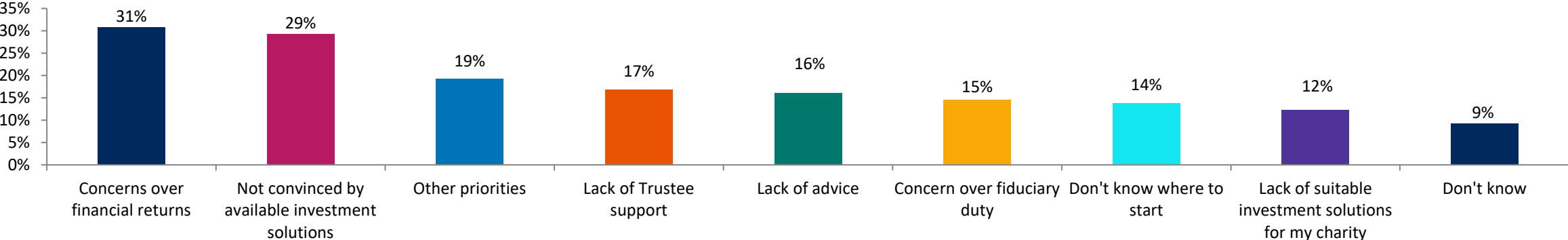
Universities



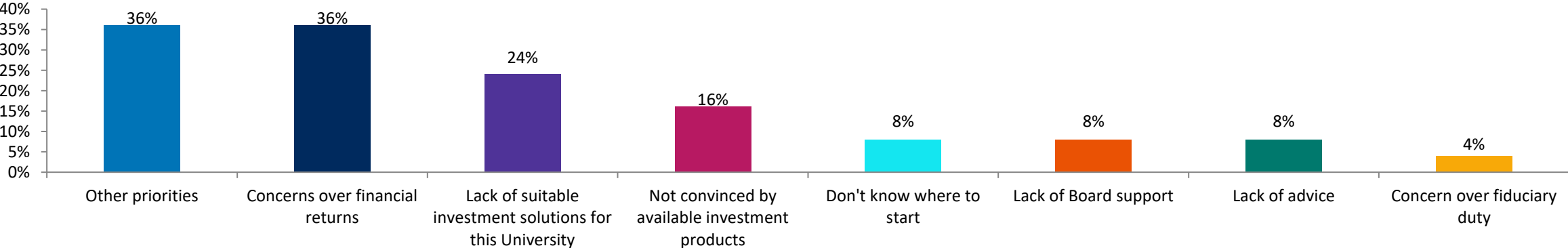
What are the biggest barriers to a net zero investment goal?

Concerns around financial returns and unconvincing investment solutions

Charities

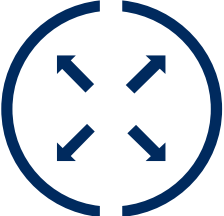


Universities

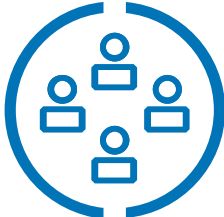


What would you be prepared to consider to achieve targets?

Investing in climate solutions may include private markets



Avoid



Influence



Invest



Offset

66% would consider excluding certain sectors

57% would consider engagement

64% would consider investing in climate solutions

12% would consider buying carbon offsets



Impact of exclusions

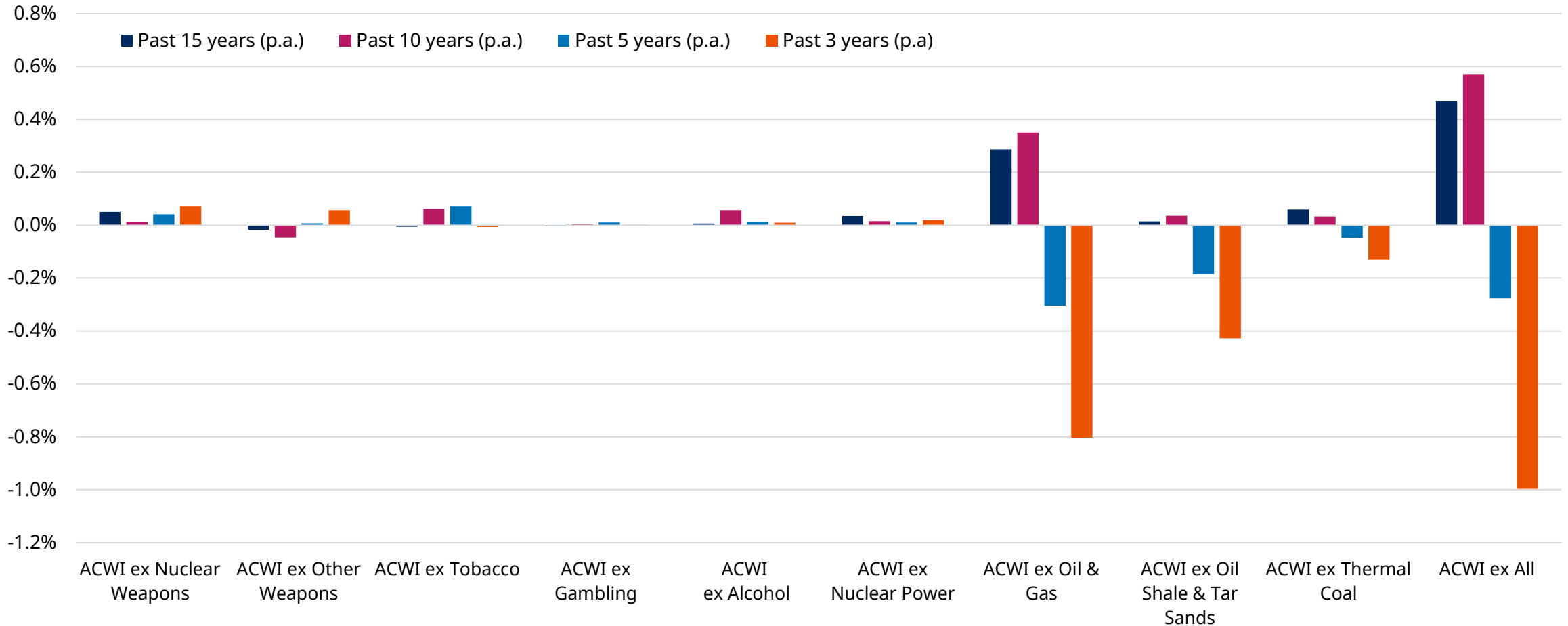
Equity screens

Exposure to areas of common charity concern

Index		Core Screens					
Fund Name	Total exposure	Pornography	Arms	Alcohol	Gambling	Tobacco	Fossil Fuels
FTSE All World	8.4%		1.8%	1.1%	0.3%	0.7%	4.4%
S&P 500	7.5%		2.3%	0.2%	0.2%	0.7%	4.1%
FTSE All Share	22.1%		2.0%	3.4%	1.6%	3.5%	11.5%

Exclusions have not been detrimental over the long term

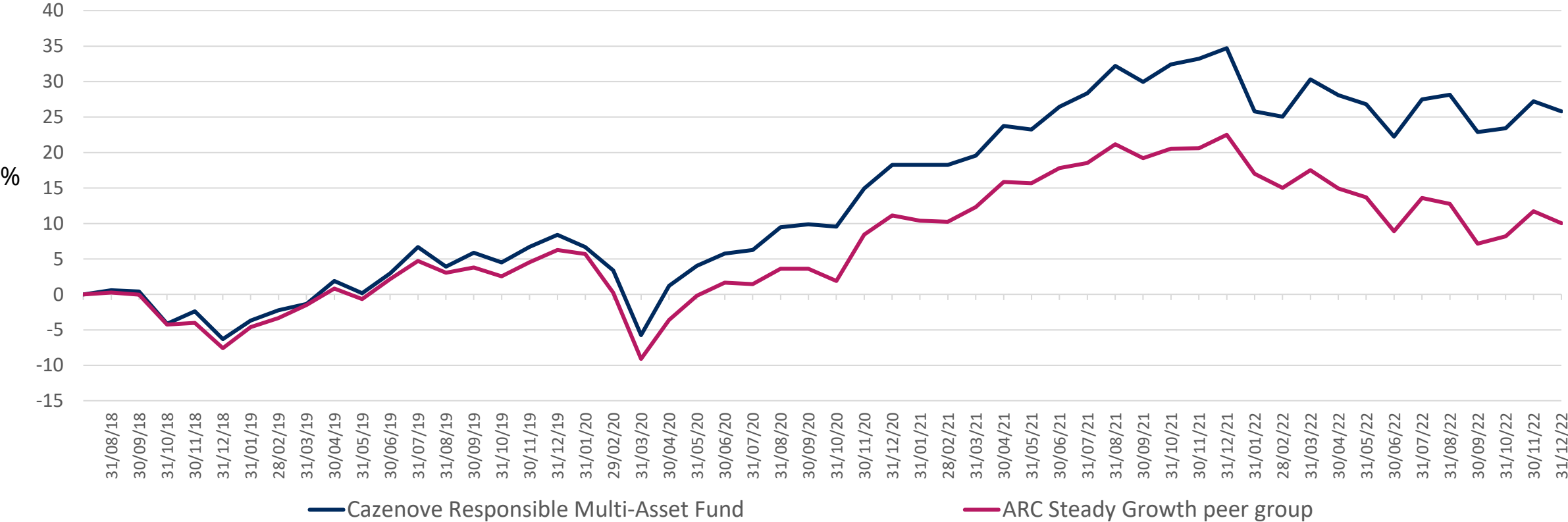
Relative performance, MSCI ACWI after exclusions vs. MSCI AC World Index



Source: Schroders, MSCI. Nuclear Weapons (revenue > 0%), Other Weapons (Controversial & civilian weapons >0% revenue or conventional weapons >5% revenue), Tobacco (revenue>5%), Alcohol (revenue>5%), Gambling (revenue>5%), Oil % Gas (revenue> 5%), Oil Shale & Tar Sands (revenue > 5%), nuclear power (revenue > 5%), Fossil Fuel (reserves >0), Thermal Coal (reserves >0) Controversial weapons refer to indiscriminate and excessively destructive weapons. Relative returns vs MSCI ACWI with gross dividend reinvested in local currency, calculated after a number of businesses are excluded. There may be overlap between exclusions in the Nuclear Weapons and Other Weapons buckets. Data is from November 2007 to November 2022.

Financial returns can be maintained with sustainable strategies

Cazenove sustainable strategy versus traditional peer group since inception



Past performance is not a guide to future performance.

Source: Datastream/Lipper, bid to bid, in GBP, net income reinvested at 31st December 2022. S Share Class; cumulative returns. Inception: 1 August 2018. Peer Group, ARC Steady Growth.

Performance of sustainable funds vs peer groups

Sustainable equity funds vs traditional (to 31.12.22)

Sustainable Equity Fund	1yr	3yr (p.a.)	5yr (p.a.)
1	-7.5% (2)	-	-
2	-17.9% (4)	4.0% (4)	4.7% (3)
3	-14.4% (3)	6.6% (2)	-
4	-15.0% (3)	6.9% (2)	9.1% (1)
5	-14.3% (3)	6.8% (2)	-
6	-14.7% (3)	-	-
7	-16.0% (3)	9.0% (1)	9.6% (1)
8	-21.3% (4)	6.9% (2)	9.9% (1)
9	-6.5% (1)	7.1% (2)	-
10	-10.2% (2)	9.5% (1)	6.1% (3)
11	-17.5% (4)	5.3% (3)	-
12	-13.9% (3)	-	-
13	1.2% (1)	6.7% (2)	-
<i>MSCI AC World</i>	-8.1%	7.4%	7.7%
<i>IA Global</i>	-11.1%	6.6%	6.9%

Sustainable Multi-Asset Fund comparators

	3yr	5yr	2022	2021	2020	2019	2018
SIC GBP Growth Model	17.7%	-	-8.6%	12.7%	14.3%	17.1%	-
<i>SIC GBP Growth Aggregate Benchmark</i>	10.2%	23.6%	-12.5%	12.0%	12.5%	18.4%	-5.3%
<i>ARC Steady Growth</i>	3.5%	12.3%	-10.2%	10.2%	4.6%	15.0%	-5.6%

Past performance is not a guide to future performance.

Source: Datastream/Lipper, bid to bid, in GBP, net income reinvested at 31st December 2022. Peer Group, ARC Steady Growth

SIC GBP Growth Aggregate benchmark is an aggregate of 21 Sustainable Multi-Asset Funds with 60-80% equity market volatility. This is not an external benchmark, it is for internal monitoring only. For illustration purposes only.

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