

# Sustainable Multi-Asset solutions that don't cost the earth

## CT Sustainable Universal Fund range

For professional investors only

Information as of 30 June, 2022 unless otherwise stated

# Investment risk

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

The income and capital due from bonds is dependent upon the issuing company's ability to pay and any default will adversely affect the value of your investment.

Changes in interest rates can affect the value of fixed interest holdings and may adversely affect the value of your investment.

Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

Investing in emerging markets is generally considered to involve more risk than developed markets due to the possibility of low liquidity, high currency fluctuation, the adverse effect of social, political and economic security, weak supervisory structures and weak accounting standards.

# Agenda

## **Why sustainable multi-asset solutions at low-cost**

Section 1

## **Why Columbia Threadneedle Investments for Responsible Investing**

Section 2

## **Our Investment Approach**

Section 3

## **Our Fund range**

Section 4

## **Our Performance**

Section 5

## **Appendix**

Section 6

## Why sustainable multi-asset solutions at low-cost

# Substantial change in behaviours

## Consumer

THE  
EARTHSHOT  
PRIZE



## Corporate world



## Regulation



**EU HIGH LEVEL EXPERT GROUP ON SUSTAINABLE FINANCE**

**UK Government**  
**Green Finance Strategy**  
Transforming the UK's financial system  
July 2019

**HM Treasury, HSBC Global Bank Limited, SWIX (2020)**  
23 March 2021

**Subir Patil**  
Chief Executive  
Financial Conduct Authority  
12 Boulevard Square  
London  
EC2A 4PU

**Dear Sirs,**

**RECOMMENDATIONS FOR THE FINANCIAL CONDUCT AUTHORITY**

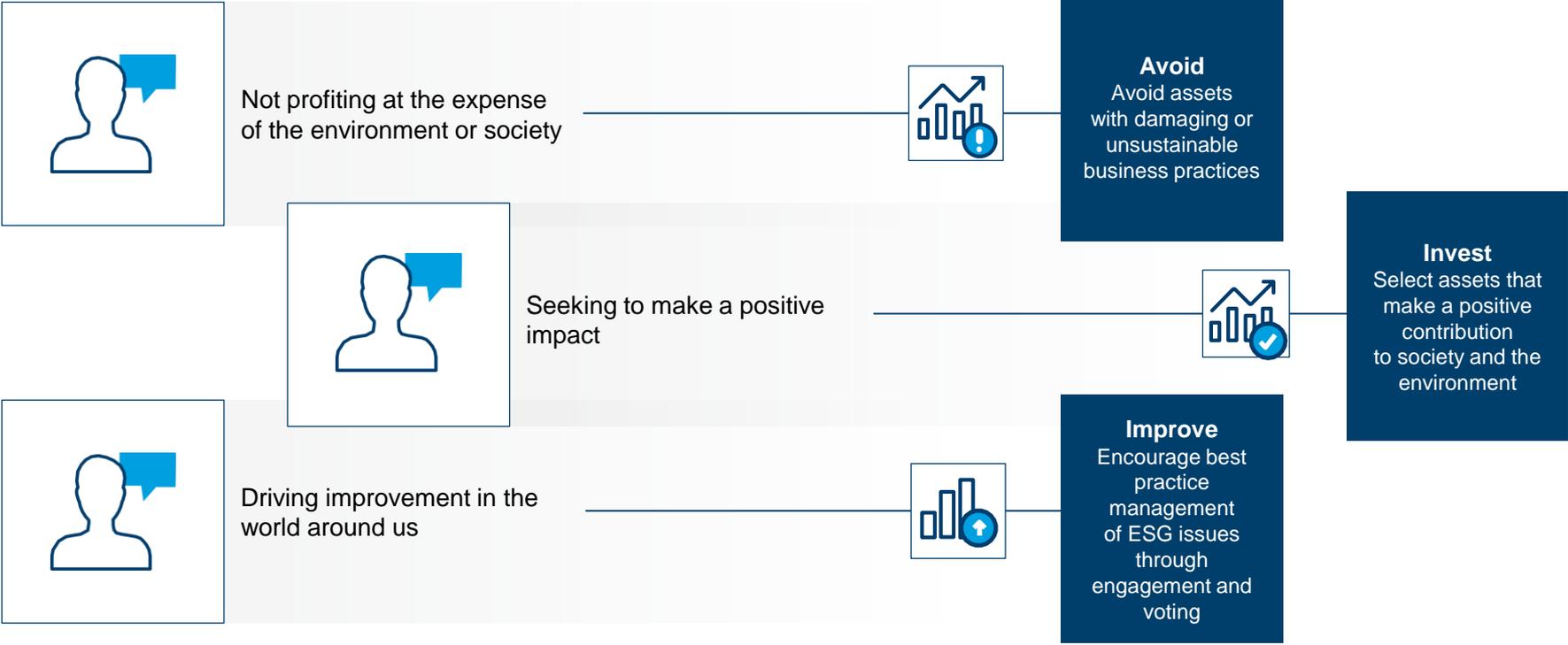
The Financial Services and Markets Act 2000 ("the Act"), requires the Treasury, at least once in each Parliament, to make recommendations to the Financial Conduct Authority ("FCA") about aspects of the regulatory policy of the government to which the FCA should have regard when considering how to act in a way which is compatible with its strategic objective. How to achieve one or more of its strategic objectives, how to discharge its duty to promote effective competition in the interests of consumers, the application of the regulatory principles set out in the Act, and the importance of being active to ensure the extent to which it is possible for a business to be used for a purpose connected with financial crime. This letter will also be presented to Parliament pursuant to section 14(1)(b) of the Act.

I confirm that the government's economic policy objective remains to achieve strong, sustainable and balanced growth. High and financial stability are essential pre-conditions for this objective and strong, sustainable and balanced growth is at the heart of the UK and the welfare of the economy. The application of the government's economic strategy to ensure this objective will be a focus in relation to the areas to which the government is also committed to UK financial services being effectively regulated, securing the right balance between a financial sector that is globally competitive, works for consumers, and it serves the long-term.

This Policy was developed by the economic section, working with the Bank of England's Financial Policy Committee and the Bank of England acting in its capacity as the Prudential Regulator Authority, to protect consumers, promote competition in financial services and to protect and enhance the integrity of the UK financial system, a strong and stable financial system supports economic growth, helps achieve our

# Attitudes to investing has evolved

There is a growing desire to **match investment decisions with our values** and multiple ways to do it:



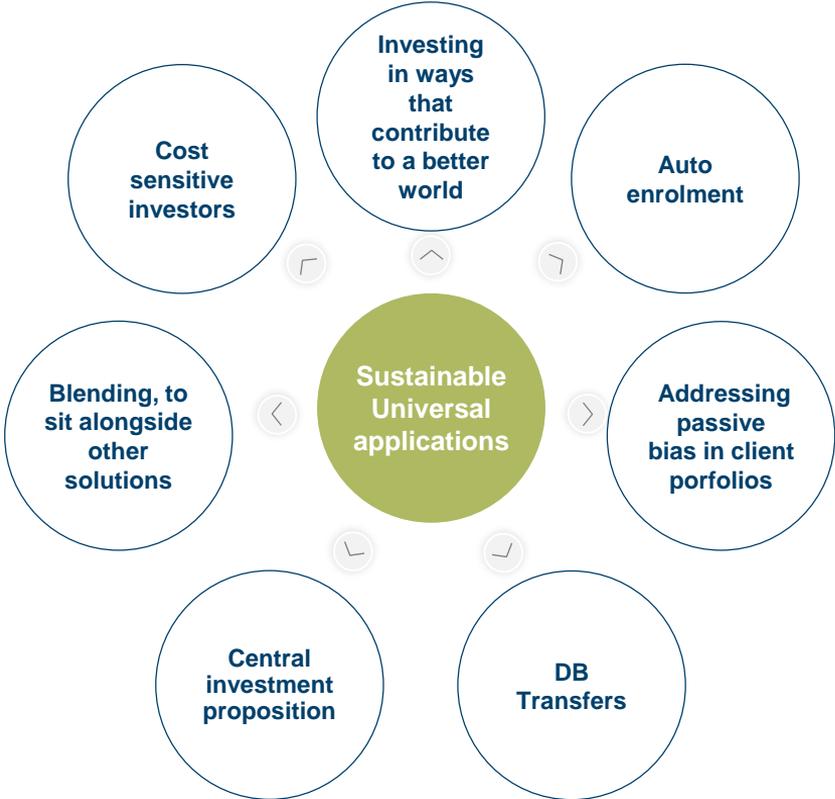
Source: Investment Association and Columbia Threadneedle Investments

# A fund range designed to meet all major investment applications

## CT Sustainable Universal MAP Fund range

Redefining value – sustainable active multi-asset at passive prices

 <p><b>Outcome driven</b></p>	<p>5 risk targeted funds CPI + return expectation</p>
 <p><b>Cost-focused</b></p>	<p>Ongoing Charge Figure capped at 0.39%</p>
 <p><b>Active</b></p>	<p>Combining strategic and tactical allocations with individual security selection</p>



CPI = Consumer Price Index. OCF= Ongoing Charge Figure

# Client suitability

## CT Sustainable Universal MAP Funds - Designed to address a broad range of client preferences

### ESG integration

The systematic and explicit inclusion of material environmental, social and governance (ESG) factors into investment analysis and investment decisions

### Exclusions

Product based: Tobacco, weapons, fossil fuels

Conduct based: Breaches of UN Global Compact, companies with poor ESG scores, governments with poor management of ESG risks

### Stewardship

Dedicated separate CT Responsible Engagement oversight team to engage, advise and influence the portfolios securities' management – including lobbying and voting to deliver tangible ESG improvements

### Sustainability focus

A primary security selection criteria across all portfolios to deliver tangible sustainable outcomes

### Impact investing

The portfolio holdings are mapped to the United Nations SDG's with the intention of measuring positive measurable impacts alongside financial returns

# Why Columbia Threadneedle Investments

# Who we are

## Investing smarter for the world you want

Four key strengths to deliver better outcomes for our clients:



We are globally connected



We are intense about research



We have a responsible ethos



We focus on  
continuous improvement

## Business at a glance

Whatever world you want, our purpose is to help you achieve it



**£531bn**

Assets Under Management



**650+**

Investment professionals



**19**

Countries



**200+**

Research analysts

# Our Responsible Investment approach



\*Although RI research is made available to all portfolio managers, each portfolio management team within our firm makes its own investment decisions and certain teams may place more, less or no emphasis on ESG factors in any given investment decision. Please note that not all products or services may be available in all jurisdictions. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies

# Our Investment Approach

# Sustainable active investing with institutional rigour

## Our three-step investment process



**Risk management built into each stage of the process**

# Meeting investors' sustainable investment objectives



## Avoid

Don't own assets with damaging or unsustainable business practices



## Invest

Select assets that make a positive contribution to society and the environment



## Improve

Encourage best practice management of ESG issues through engagement and voting

Reporting ~ understanding the outcome

# Invest: The UN SDGs help align investments and shape the engagement agenda

A roadmap towards a more sustainable world:

- 17 goals
- 169 granular targets

## The UN Sustainable Development Goals (SDGs)



Source: [https://en.wikipedia.org/wiki/Sustainable\\_Development\\_Goals](https://en.wikipedia.org/wiki/Sustainable_Development_Goals) as at Jul-19.

# Invest: Leading us to embrace sustainability opportunities across several themes

Actively invest in companies that stand to benefit from or substantially contribute to sustainable developments



Source: Columbia Threadneedle Investments: \*Sustainable cities including Energy Transition and Sustainable Mobility themes. For illustration purposes only, this should not be viewed as a recommendation to buy or sell a particular security.

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- **Clean Cow Enzyme™** developed by DSM to suppress the production of methane in the gut
- Methane emissions from dairy cows reduced by **45% to 60%**
- Direct motive for farmers: evidence of yield and productivity improvement
- Potential market value of **€1-2 billion** for the product
- **First entrant advantage** as Clean Cow Enzyme demonstrate **most effective** and **innovative** technology on the market today

Source: Columbia Threadneedle Investments, DSM. For illustrative purposes only.  
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- Global leader in emission control catalysts for vehicles
- Leading materials supplier for rechargeable batteries in electrified transportation
- World's leading recycler of complex waste containing precious metals
  
- 100% of Umicore's business is exposed to accelerating sustainable trends:
  - Desire for cleaner air
  - Electrification of the transport sector
  - Resource scarcity
  - Circular economy

Source: Columbia Threadneedle Investments, Umicore. For illustrative purposes only. This does not constitute a recommendation to buy or sell any particular security. This does not constitute a recommendation to buy or sell any particular security. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

# Avoid: companies with socially damaging products or unsustainable business practices

## Product-based exclusions

Fossil Fuels



Weapons



Tobacco



## Conduct-based exclusions

UN Global Compact breaches



Poor ESG management



Source: Columbia Threadneedle Investments. 1. As at 30 June 2022.



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- Galp Energia breaches our fossil fuel reserve exclusion criteria
- Despite investments in renewable energy, Galp's business model is centred around oil and gas exploration and production

Source: Columbia Threadneedle Investments, Galp Energia . For illustrative purposes only. This does not constitute a recommendation to buy or sell any particular security. This does not constitute a recommendation to buy or sell any particular security. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.





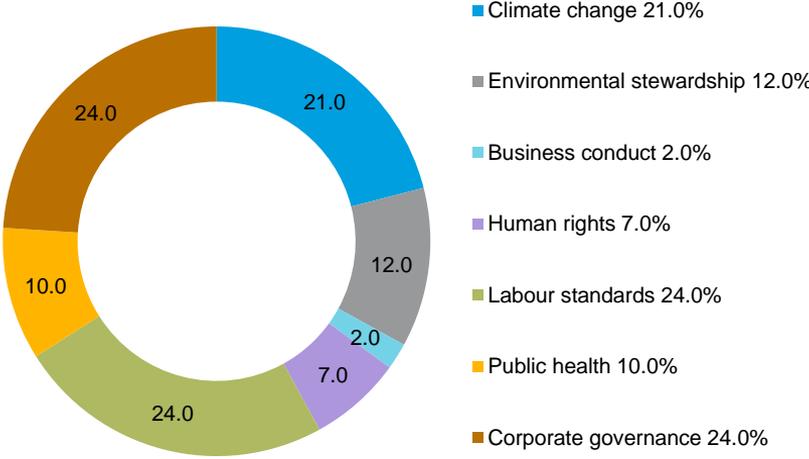
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# Improve: Using engagement to achieve impact

## Companies engaged by theme 2020<sup>1</sup>



## 5 themes for 2022



Supply Chains



ESG Metrics in Executive Pay



Chemicals



Climate Change and Biodiversity



Human Rights



Source: Columbia Threadneedle Investments. 1. As at 31 December 2021.

13 CLIMATE ACTION



**Producer of sustainable packaging, but energy intensive**

**Our engagement:** we engaged on its climate strategy and recommended improvements in risk analysis, targets and reporting

**Outcome:** The company has now committed to set 'science-based targets' and enhanced reporting

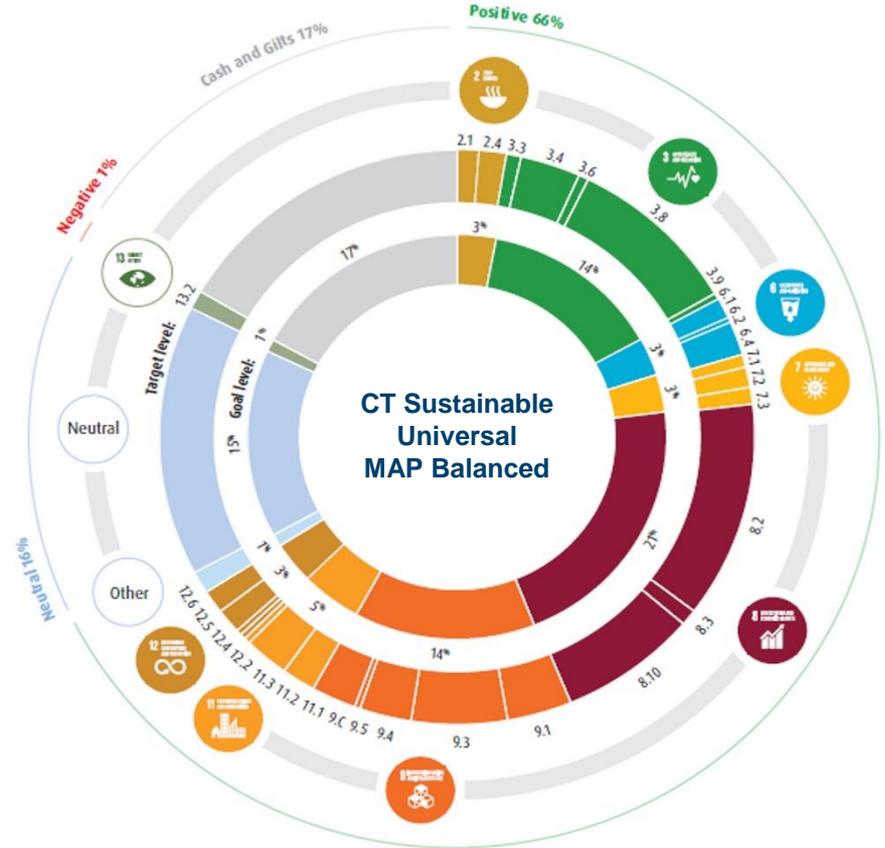
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Smurfit Kappa

# Portfolio impact: Mapping

## Top 3 Sustainable Development Goals mapped



Source: Columbia Threadneedle Investments, as at 31st December 2020, designed for illustrative purposes. Other: SDGs less than 2%. This does not constitute a recommendation to buy or sell any particular security. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

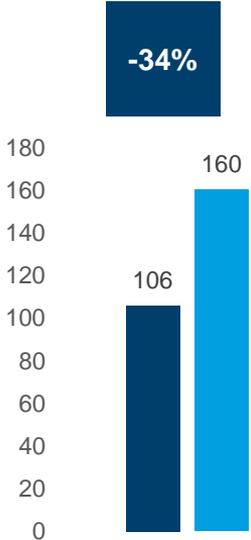
# Portfolio impact: Sustainability metrics examples

## Impact report



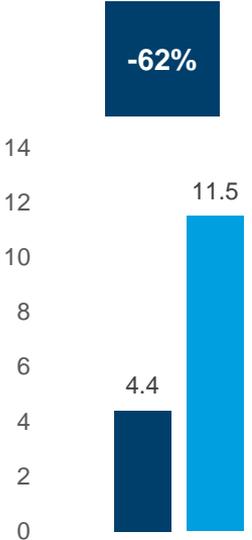
## Carbon Intensity

Tonnes of CO2e to generate \$1 million of revenue (Scope 1 and 2 emissions).



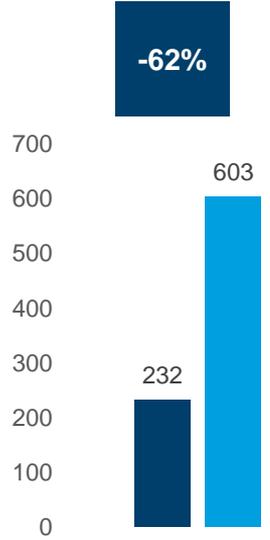
## Water Intensity

Million litres of water to generate \$1 million of revenue.



## Waste Intensity

Tonnes of solid waste generated to create \$1 million of revenue.



■ Sustainable Balanced MAP    ■ Benchmark

Source : All data as at 31 December 2021 and relate to Sustainable MAP Balanced fund versus a composite benchmark

## Our Fund Range

# Our Fund range at a glance

## Intentionally extraordinary:

The funds aim to deliver a steady, long-term, risk-controlled return whilst investing only in sustainable companies and governments. Each portfolio is actively managed and at low cost.



## CT Sustainable Universal MAP range

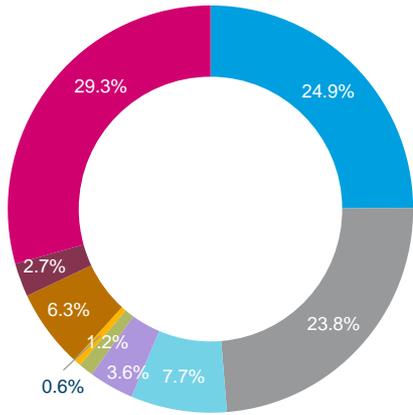
Fund range details	Defensive	Cautious	Balanced	Growth	Adventurous
<b>Dynamic Planner and Defaqto Engage# Risk Profile</b>	3	4	5	6	7 (8)#
<b>Annualised return expectation (5 years+)</b>	CPI+ 1%	CPI*+ 2%	CPI+ 3%	CPI+ 4%	CPI+ 5%
<b>Expected upper/lower annual returns (5<sup>th</sup>/95<sup>th</sup> percentile)</b>	-3% / 15%	-7% / 20%	-10% / 24%	-11% / 27%	-14% / 29%
<b>Historical asset class range: Equities</b>	21-28%	41-48%	55-64%	63-78%	90-97%
<b>OCF*</b>	0.39% capped				
<b>Fund type</b>	Multi Asset – UK UCITS OEIC				
<b>Investment Approach</b>	Predominantly active direct investments by Columbia Threadneedle Investment Fund Managers				
<b>IA* Sector</b>	Volatility Managed				

Source: Columbia Threadneedle Investments. \*OCF=Ongoing Charge Figure. CPI=Consumer Price Index, IA=Investment Association. Return expectations derived from a combination of the modelled historical asset allocation and return expectations for each asset class. Return expectations for each asset class are based on current yield for fixed income assets and a combination of dividends and GDP growth for equities. MSCI AA Leader ratings applies to Cautious Balanced and Growth, Defensive and Adventurous rating to follow.

# Asset Allocation in the portfolios: mapped to pre-determined risk profiles



## CT Sustainable Universal MAP Balanced fund



- UK Equity 23.7%
- North America Equity 22.6%
- Europe ex UK Equity 7.3%
- Japan Equity 3.4%
- Pacific ex Japan Equity 1.1%
- Emerging Markets Equity 0.6%
- UK Gilts 6.0%
- UK Index Linked 2.5%
- UK Corporate Bonds 27.9%
- Global Corporate Bonds 29.3%



**Defensive      Cautious      Balanced      Growth      Adventurous**

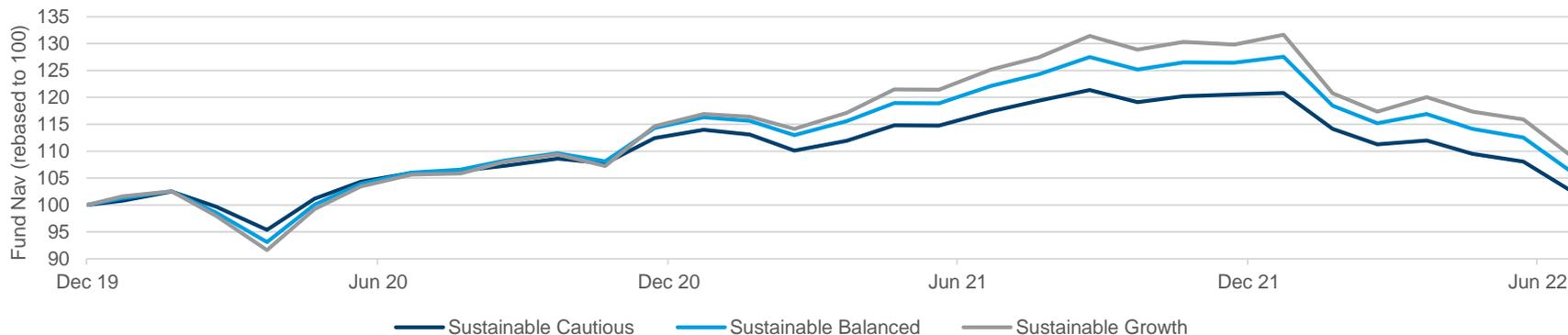
	Defensive	Cautious	Balanced	Growth	Adventurous
<b>Dynamic Planner risk profile rating</b>	3	4	5	6	7
<b>Expected return</b>	CPI+1%	CPI+2%	CPI+3%	CPI+4%	CPI+5%
<b>Expected volatility</b>	4-6%	6-8%	8-10%	10-12%	12-14%
<b>Historical Equity allocation</b>	21-28%	41-48%	55-64%	63-78%	90-97%

Source: Columbia Threadneedle Investments as at 30-June-22.

# Our Performance

# Performance: CT Sustainable Universal MAP fund range

## Performance since inception – Cautious, Balanced and Growth



Performance (%)	1 Month	3 Months	YTD	Since inception <sup>1</sup> (ann.)	Jun 21 – Jun 22	Jun 20 – Jun 21	Jun 19 – Jun 20	Jun 18 – Jun 19	Jun 17 – Jun 18
Defensive	-4.9	-8.5	-14.1	-7.9	-12.4	-	-	-	-
Cautious	-5.1	-8.4	-15.1	1.0	-12.6	10.8	-	-	-
Balanced	-5.6	-9.1	-16.7	2.4	-13.0	15.2	-	-	-
Growth	-5.8	-9.1	-17.1	3.5	-12.8	18.5	-	-	-
Adventurous	-6.4	-9.9	-18.7	-4.4	-13.1	-	-	-	-

**Past performance should not be seen as an indication of future performance. The performance figures are shown net of fees.**

Source: Bloomberg as at 30-June-2022. Performance has been shown net of all costs. <sup>1</sup>inception for Cautious, Balanced, Growth 9 December 2019, inception for Defensive and Adventurous 16 March 2021

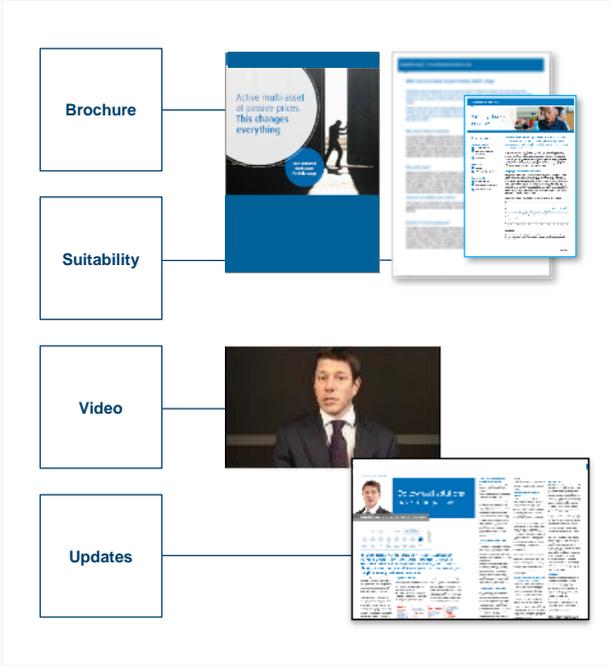
# CT Sustainable Universal MAP range Mapped to leading risk rating providers

Fund name	Defaqto Engage	Dynamic Planner	FE eValue 15 years 1-10	FinaMetrica	Synaptic (1-5)
CT Universal MAP Defensive	3	3	2	21-44	2.3 (3)
CT Universal MAP Cautious	4	4	4	45 – 54	3.1 (5)
CT Universal MAP Balanced	5	5	7	55 – 62	4.1 (7)
CT Universal MAP Growth	6	6	8	63 – 75	4.6 (8)
CT Universal MAP Adventurous	8	7	9	76-100	5.4 (9)

**Risk profile choices to meet circa 95% of clients' attitude to risk**

# Sustainable Universal MAP support

## Advisers



## Consumers



## Practical applications

**Blending:** low-cost active alternative alongside other solutions

**Price awareness:** clients seeking value and performance potential

**Re-addressing the passive bias:** adding an 'active' element

**DB transfers:** demand for advice increases as pensions get flexible

**Auto-enrolment:** meeting the cost constrained challenge

**Plugged in:** a cost focused option within a Central Investment Process

**While investing in ways that contribute to a better world**

Source: Columbia Threadneedle Investments. For illustrative purposes only. DB = Defined Benefits.

## In summary



### Redefining value – Active multi-asset at passive prices

- **Outcome driven** – 5 risk targeted funds, CPI + return expectation
- **Cost focused** - OCF capped at 0.39%
- **Active** - Combining strategic and tactical allocations with individual security selection

...while sustainably investing in ways that contribute to a better world

“ Our aim is the best of both worlds: to meet your investment goals and to make a positive contribution to a more sustainable world

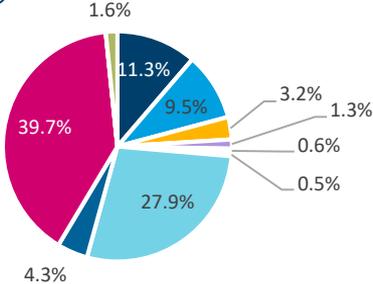


**Simon Holmes**  
Director, Multi-Asset Solutions

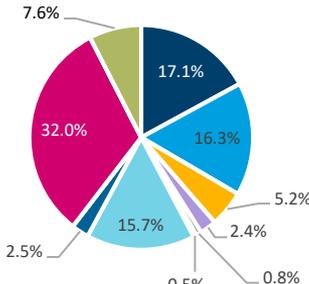
# Appendix

# Asset Allocation in the portfolios: mapped to pre-determined risk profiles

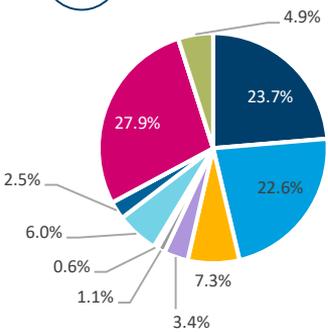
 **Defensive**



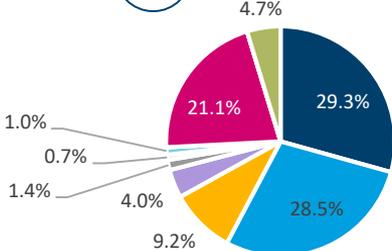
 **Cautious**



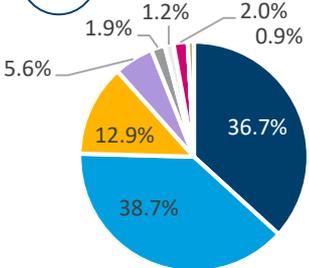
 **Balanced**



 **Growth**



 **Adventurous**



- UK Equity
- North America Equity
- Europe ex UK Equity
- Japan Equity
- Pacific ex Japan Equity
- Emerging Markets Equity
- UK Gilts
- UK Index Linked
- High Yield
- Emerging Market Debt
- Cash

Source: Columbia Threadneedle Investments CT Sustainable Universal MAP funds as at 30-June-22.

# Risk management

## Understand portfolio risks – risk magnitude

- Portfolio-wide risk from risk factors, volatility analysis and stress tests
- Specific risks from individual positions / strategies

## Views– likelihood of risks becoming reality

- Future events e.g., elections, monetary policy
- Other concerns e.g., geopolitical risks, market dynamics

## Identify best course of action if risk mitigation is required

- Diversify
- Reduce exposures
- Use of options

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