KING & SHAXSON
Asset Management | Rewarding your Values

King & Shaxson Asset Management Brighter World MPS

Targeting Sustainable Companies of the Future whilst limiting the systematic risk associated with ESG screens

Celebrating 1 year anniversary

We are pleased to celebrate the one-year anniversary of our low-cost model portfolios, the Brighter World MPS. The portfolios build on our long heritage in ethical and sustainable investing to offer your clients access to a range of portfolios that provide a robust negative and positive screen, whilst being cost aware.

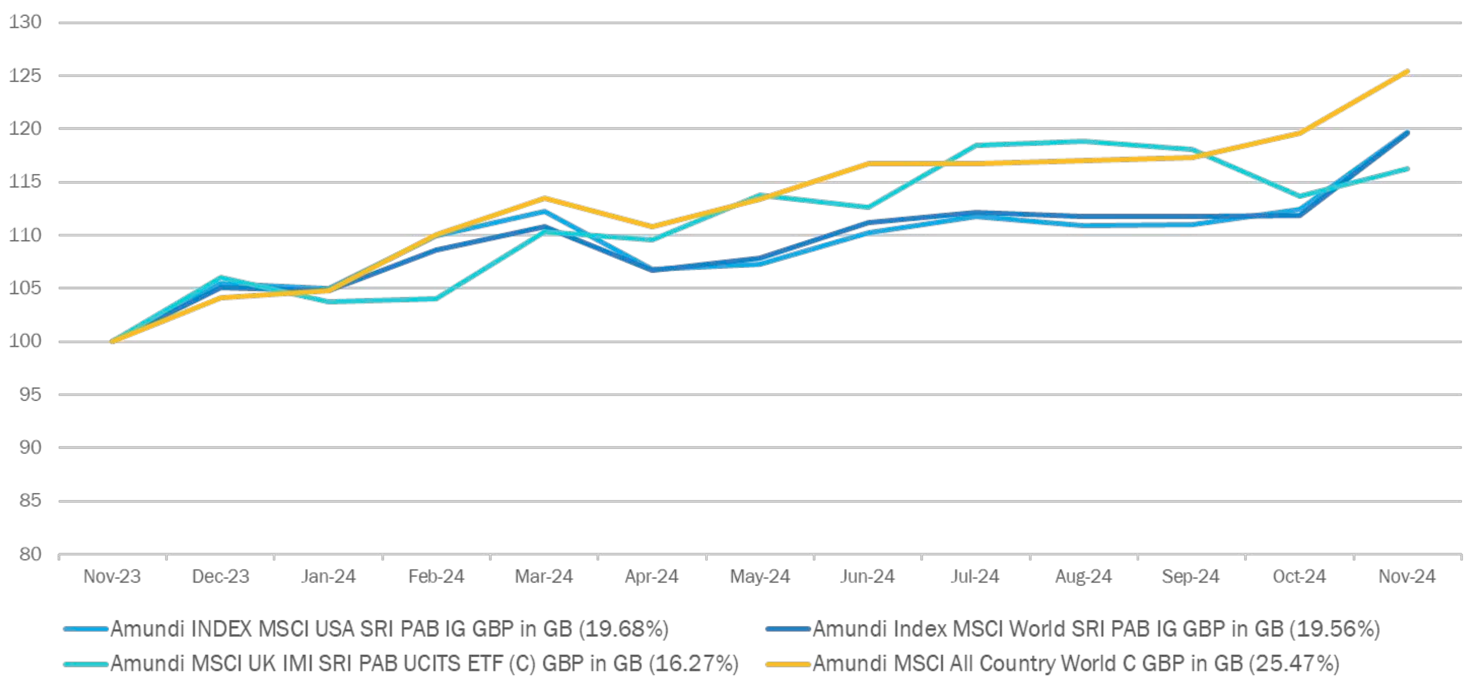
Within the first year, the portfolios have weathered the storm of a volatile bond market as investors try to predict the path of monetary policy. On top of this, a number of major geopolitical events have played out, as well as a swathe of global elections, including here in the UK and the US.

The portfolios have been built to provide exposure to a broad range of companies with strong ESG profiles whilst accessing sustainable companies providing solutions to environmental and social issues.

1 Year Performance and Volatility		
Dec 2024	1 Year Return	1 Year Volatility
Brighter World 3	7.17%	3.69%
Brighter World 4	8.33%	4.79%
Brighter World 5	10.07%	6.36%
Brighter World 6	10.91%	7.42%
Brighter World 7	11.71%	8.58%
Brighter World 8	10.75%	8.95%
Brighter World 9	10.66%	9.42%

The core, which consists of the range of ETFs from Amundi which tracks their SRI Paris Aligned Benchmark series (blue/turquoise examples below), have lagged the non-screened version over the last year (as shown in orange below through the Amundi MSCI All Country World ETF), largely due to having limited exposure to the large tech names that have driven market returns. Nonetheless, the Brighter World core has seen competitive returns despite this factor:

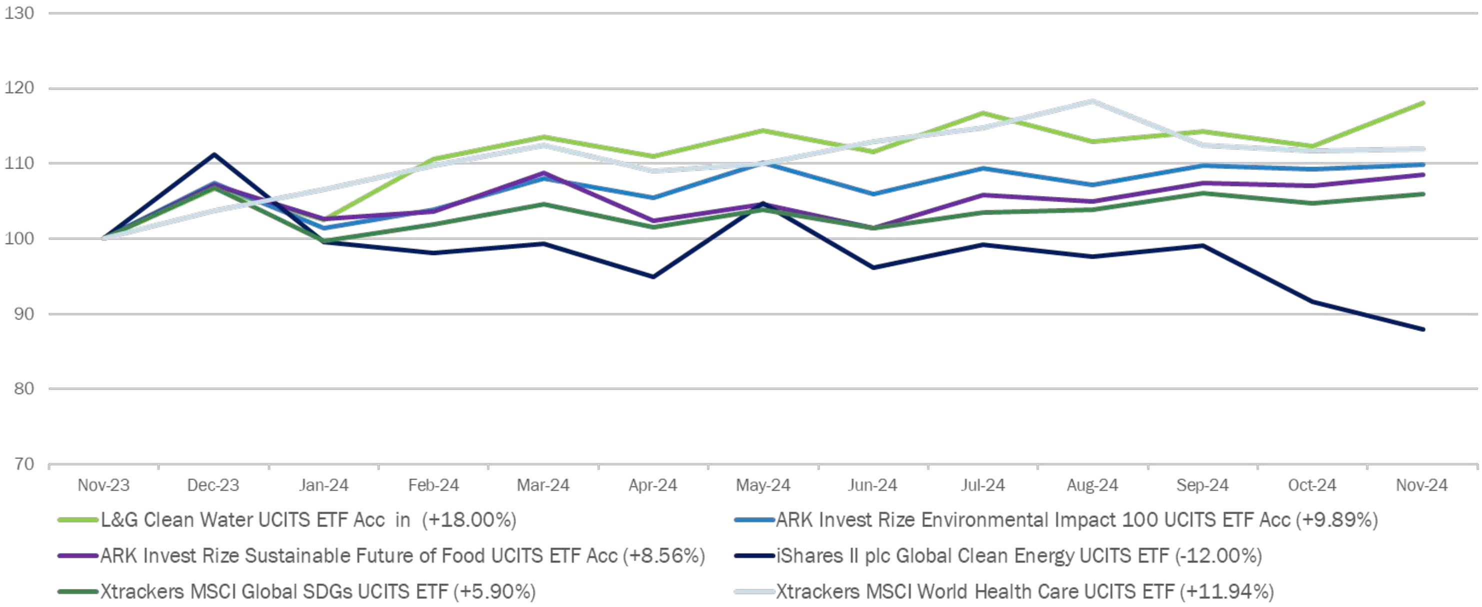
One year return to the end of Nov 24 of certain core SRI indices vs wider market



Source: FE Analytics

The portfolios, building on the negative and positive screens supplied by the core holdings, builds in exposure to sustainable companies or solutions providers through the satellite thematic allocation. On the whole this exposure has positively contributed to performance over the year, with the exception of the pure-play clean energy exposure:

One year return of thematic holdings

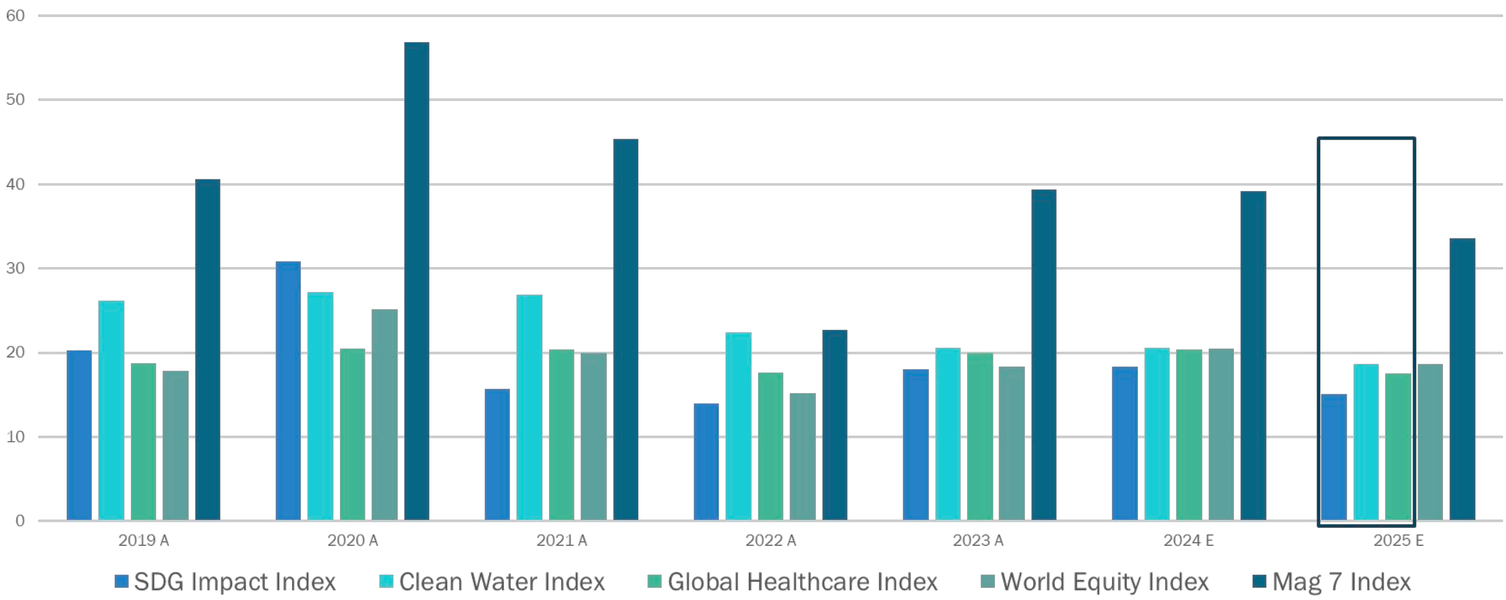


Source: FE Analytics

As the Brighter World portfolios start their second year, we believe the satellite thematic allocation will play a larger part in portfolios returns in the year ahead. Given the weakness in many sustainable focussed companies over the last couple of years, valuations are now looking extremely attractive, particularly down the market cap scale, which we expect to perform well as interest rates move lower.

As you can see below, many of the thematic indices now trade below the wider market on a forward earnings basis, and well below that of the Magnificent 7 stocks. We have very limited exposure to the Magnificent 7, and any rotation out of these names will be beneficial for the Brighter World portfolios.

P/E Ratio (actual and forward) of key thematic ETFs vs the wider market



Source: Bloomberg

Charges (correct as at Dec 24)	
Management Fee	**0.20%**
Portfolios OCF range	**0.15% to 0.27%**
Transaction Costs range	**0.07% to 0.11%**

About the Brighter World Model Portfolios

Until recently, offering a predominantly low-cost passive based portfolio has not been an option given the lack of investment solutions with a credible screen in place. The expansion of Exchange Traded Funds (ETFs) and Index Funds, particularly thematic ETFs targeting sustainability-focussed sectors, such as Water & Waste and Clean Energy. This means we feel we are in a position to offer an alternative lower cost passive blend solution to our advisor audience, which still aligns to sustainable companies and positive investment themes. We have created a range of risk-based model portfolios, labelled Brighter World 3 to 9. Each have a blend of core passive exposure with an element of thematic/active ETFs which provide exposure to solutions-based companies.

A Natural Evolution

We first started managing bespoke ethical portfolios predominantly for faith based investors wanting to avoid sin sectors, such as tobacco or arms

We have launched a range of low cost model portfolios which provide exposure to a broader universe of sustainable companies and future themes

We launched our range of actively managed ethical model portfolios, which over time have grown from more avoidance based to being aligned with sustainable companies

Investment Approach:

The portfolios will be managed by applying the same top-down approach to geographical and asset allocation that has been in place since 2002.

The core bond and equity allocations are passive investments. However, an active management overlay is applied to create an appropriate blend of investments.

The portfolios have been constructed with strategic or benchmark allocations, with the investment managers making tactical asset and geographical allocation investment decisions at each rebalance.

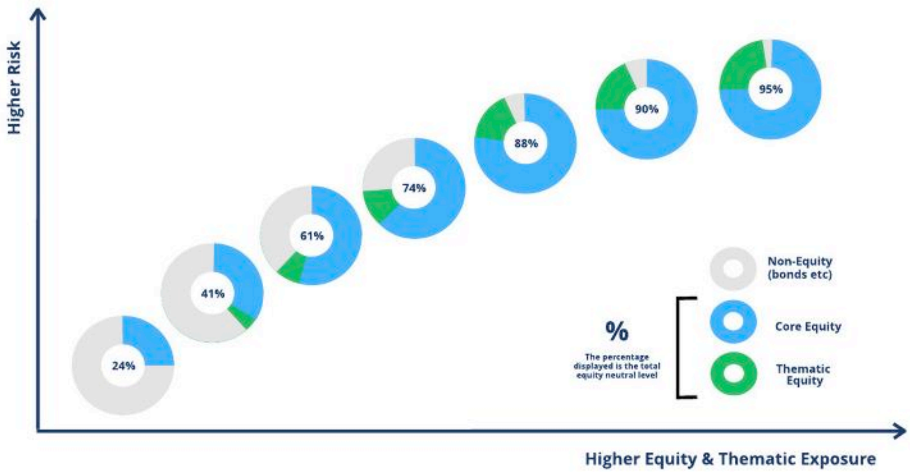
The asset classes utilised include cash, bonds, equities and real assets (infrastructure and property). Each have a blend of core passive exposure with an element of thematic/active ETFs which provide exposure to solutions-based companies.

Screen – Best of Class:

Whilst adhering to a robust negative screen, there is a slight variance to our existing ethical model portfolios, predominantly through the use of company revenue limits.

The Brighter Future MPS screen avoids or restricts exposure to Alcohol Production, Adult Entertainment, Gambling Ownership, Oil & Gas Exploration & Production, Tobacco Production, and Weapons Production. Where there are revenue limits, are aim is still to achieve 0% exposure.

An ESG overlay is applied to the core equity allocation to ensure the best of class companies are selected. Meanwhile, our satellite thematic exposure will enhance the portfolio's sustainability credentials by providing exposure to environmental and/or social solutions providers.



Core Bond Allocation:
Includes exposure to government and corporate debt. We have also maintained the positive focus through allocations to labelled bonds including green, social and sustainable bonds. Tactical changes to portfolios will reflect different views on economic conditions and changes in credit quality and duration will take place.

Core Equity Allocation:
We have opted for the Amundi MSCI SRI range of ETFs. Whilst screened, they provide exposure to a diversified and broad universe, more so than our current ethical model portfolios. The indices target sector weights that reflect the relative weights in the investable universe to limit the systematic risk introduced by the ESG selection process. This results in broader country, industry and style exposure versus our existing portfolios.

Satellite Thematic Allocation
Will provide exposure to a more concentrated universe of companies whose products or services provide environmental and social solutions. Tapping in to the growing thematic fund market, this allocation will provide exposure to areas such as clean energy, water and waste, healthcare, semiconductors etc. The investment committee will analyse the themes and sub-themes and allocate based on financial and ESG outcomes.

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