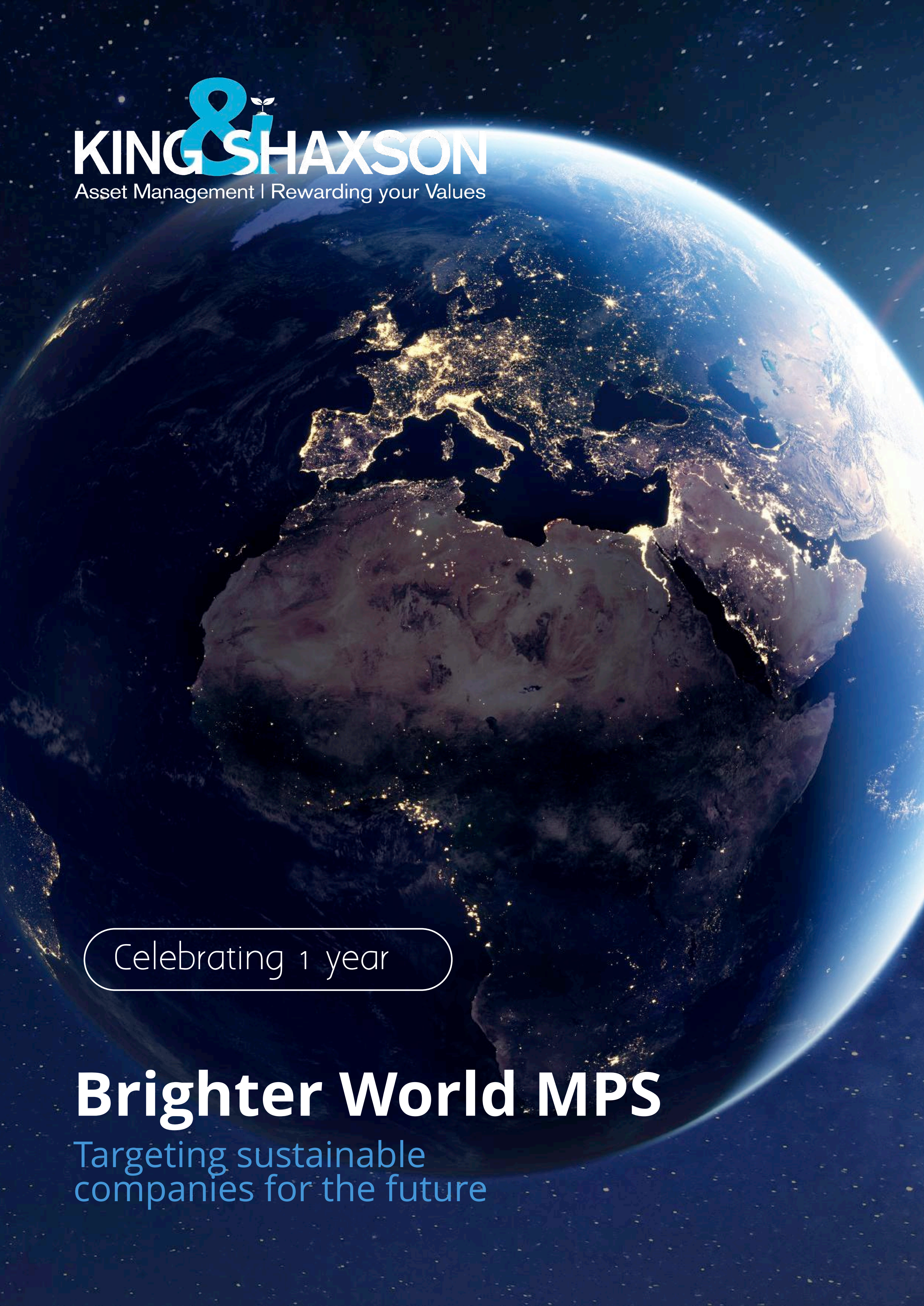


KING & SHAXSON

Asset Management | Rewarding your Values

Celebrating 1 year

Brighter World MPS

Targeting sustainable companies for the future

Introduction

This document provides an overview of the core and satellite thematic allocation that makes up our Brighter World Model Portfolios. The portfolios were launched in 2023 to provide investors exposure to sustainable companies for the future whilst being cost aware.

The portfolios provide investors access to a core equity and bond allocation that provides some familiarity to traditional indices, albeit with a sufficiently robust screen in place. The additional satellite thematic allocation builds in a layer of diversification to target areas of interest to clients around sustainability without being overly exposed to one sector or theme.

We hope this document provides some background and insight into the thought process of this construction and how it differentiates from other sustainable low-cost portfolios in the marketplace.

The cost and charges of the Brighter World MPS range can be found below:

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

The growth of sustainable 'smart beta'

In recent years, much has been made about the increased level of risk to investors' portfolios when large sectors are excluded through ethical screens. The argument has inevitably been thrust under the spot light given the negative consequences this has had on ethical and sustainable portfolios over the last three years. Prior to this, the removal of large sectors through the negative or ethical screen benefited client returns for a sustained period through to 2021.

This is the inevitable trade off when choosing to invest with sustainable objectives. Exclusions, and aligning to sustainable impact, can lead to tracking error, variations in country, industry and style exposure when comparing to more familiar non-screened indices. For those seeking more sustainable outcomes, this should be understood and accepted. After all, the return profile should be analysed over a ten-to-fifteen-year horizon and not over two-to-three years. Nonetheless these short-term differentials should be addressed.

Since 2002, we have been aligning portfolios to clients' values, which has led to a stringent negative screen, and overtime, as more investments emerged, a greater focus on sustainability and positive outcomes. This stringent focus does exacerbate the factors highlighted above, and the outcomes can largely only be met through the use of active funds. However, for some investors, there needs to be a greater balance between sustainable outcomes and factors such as diversification and cost. Whilst ensuring greenwashing or the deception of investors is eradicated, the evolving investment landscape has opened up doors to enable construction of sustainable portfolios using a blend of passive, smart beta and active ETFs.

Environmental, Social and Governance (ESG) data has advanced beyond the traditional SRI reports to now cover a wide range of factors that are material to companies operating within capital markets. This has inevitably been commoditised, and whilst ESG data alone should not drive investment decisions, it has proved to be useful, not only for decision makers but to also to provide supporting evidence to validate sustainability claims.

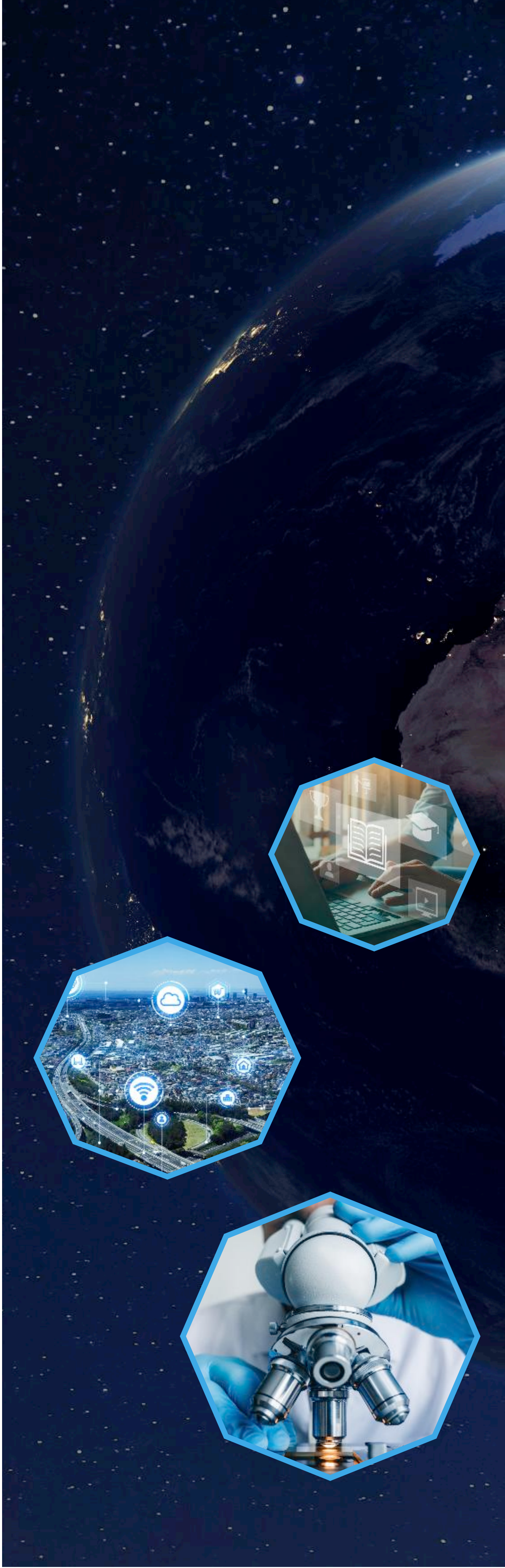
Tapping into this wealth of ESG data, index providers, such as MSCI, have been able to construct indices that provide an adequate level of screening, both negative and positive, to meet ESG or sustainability objectives, whilst maintaining a broader reflection of parent indices, such as the World equity index or regional markets such as the UK or Europe.

This has allowed us to construct a more genuine core allocation within a sustainable range of model portfolios, whilst being cost conscious. This provides greater stability, building in a level of resiliency that some sustainable portfolios have been lacking in recent years. Given this core allocation is based off parent indices in both major developed and developing markets, it also brings in familiarity for advisers and end clients.

To a small handful of investors, the use of these indices with the slightly broader exposure does bring with it a level of compromise, such as revenue limits in place for some controversial activities. Nonetheless, they provide a robust screen that would be welcome by most investors seeking exposure to companies who take sustainability and ESG factors seriously.

One additional benefit is the ability of investment providers, such as Amundi, to work alongside index manufacturers to enhance the standard index methodology to add more specific screens, something we have seen many major passive investment managers do to meet more specific outcomes, such as climate related issues.

This has paved the way for the launch of King & Shaxson's Brighter World MPS in 2023. The core equity allocation provides the stability many investors crave, whilst our satellite thematic allocation into areas such as clean energy or healthcare, provide exposure to those companies seeking to address issues close to clients' hearts, without having "all your eggs in one basket".

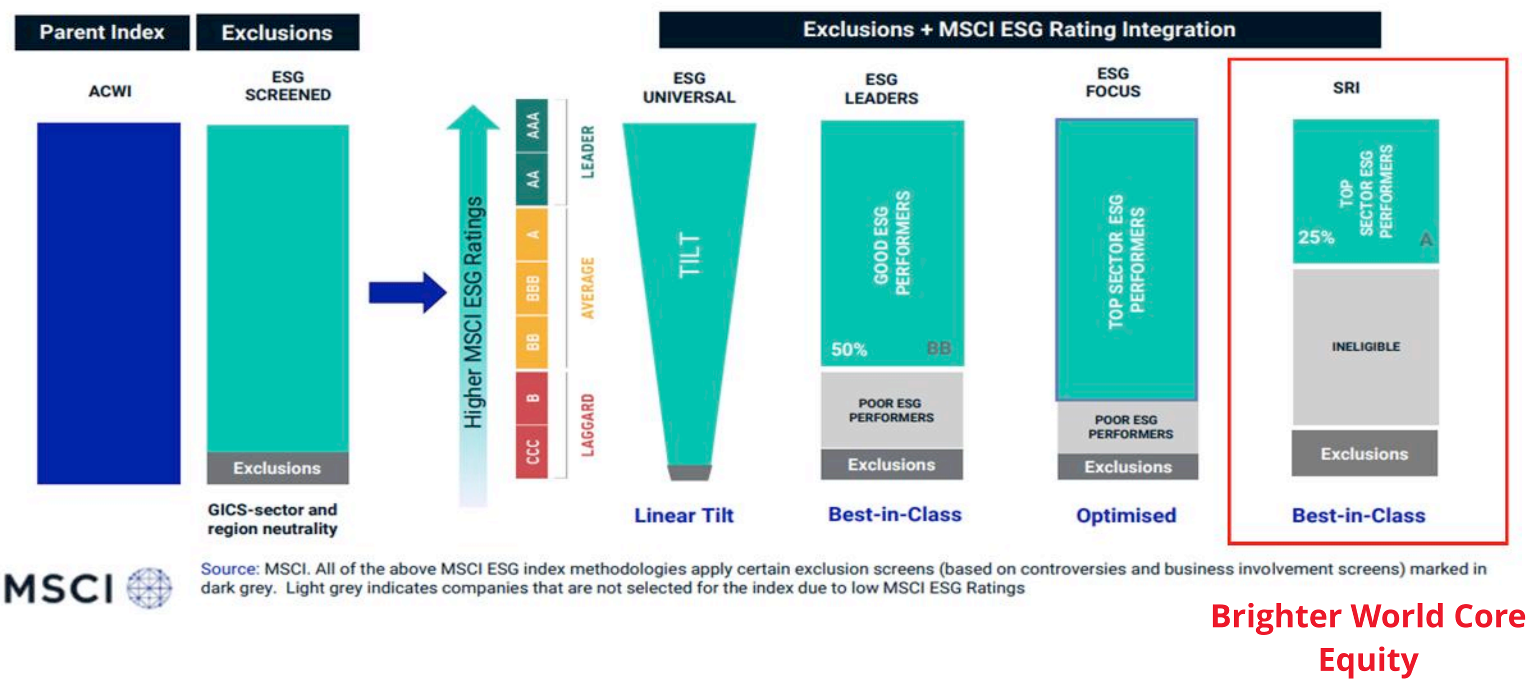


Selecting our core equity allocation

MSCI offer a comprehensive range of indices, and their ESG range builds in an increasing level of scrutiny on underlying holdings based on controversial sector exclusions and ESG data. This means they build in exclusions or reductions in areas such as tobacco production or arms, whilst excluding those companies who score poorly on material ESG factors.

Launched in 2023, our Brighter World MPS uses ETFs which are based on the more stringent index methodology from MSCI, which Amundi have further enhanced by adding in climate-based restrictions on areas such as fossil fuels, designating them Paris Aligned Benchmarks (PAB). This PAB label means the greenhouse gas (GHG) intensity of the basket of stocks is greatly reduced compared to the parent index, whilst a reduction in the GHG intensity takes place each year to ensure the holdings are on the trajectory to meet the climate targets of limiting global warming.

This range of benchmarks is labelled ‘SRI Filtered PAB’ and have been constructed into a number of ETFs. The range includes screened indices of developed and developing markets, which offers us the ability to construct a more genuine core equity allocation whilst still adhering to a robust screen. From this, we have the ability to make tactical changes to the portfolios based on regional tilts.



MSCI

Source: MSCI. All of the above MSCI ESG index methodologies apply certain exclusion screens (based on controversies and business involvement screens) marked in dark grey. Light grey indicates companies that are not selected for the index due to low MSCI ESG Ratings

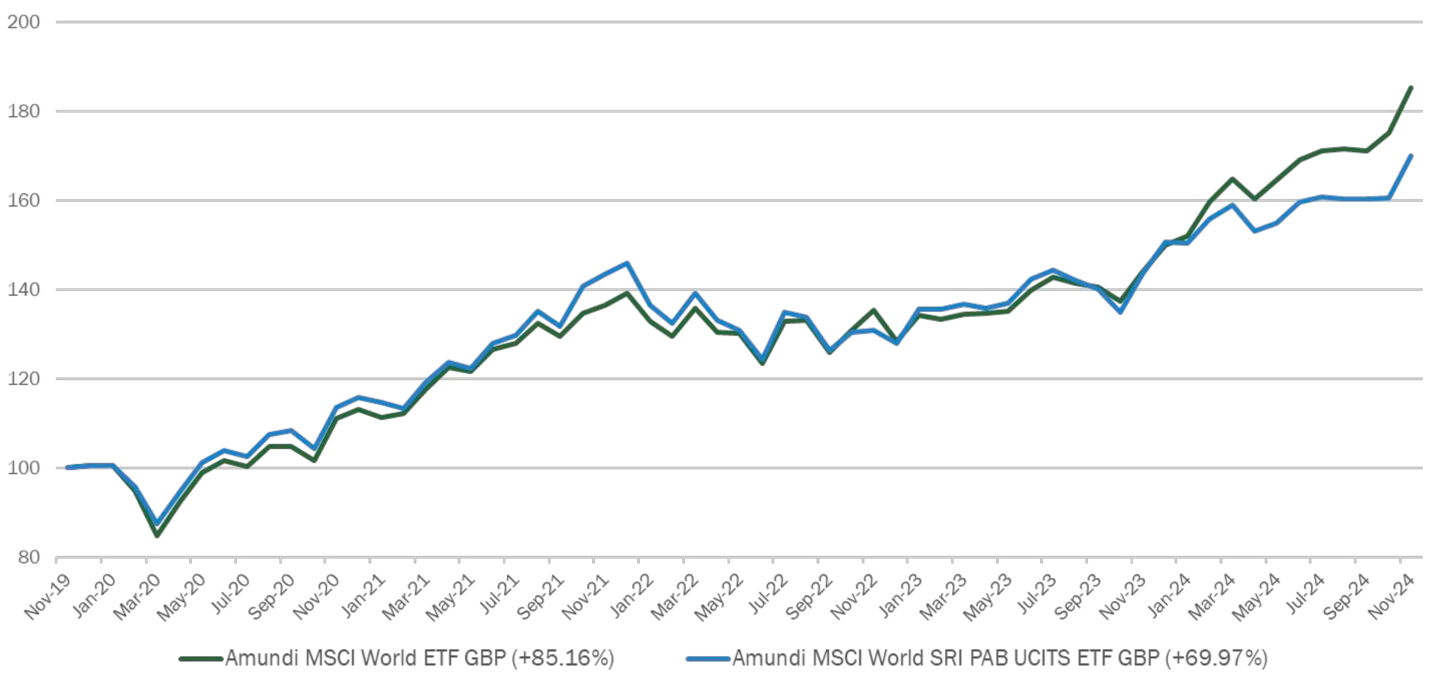
Observing the core equity allocation

The purpose of the core equity allocation is to provide long-term growth in portfolios through a diverse range of stocks, combining both global and domestic companies. Whilst the SRI range of benchmarks used in the core equity allocation of our Brighter World Model Portfolios provide a screen or reduction in exposure to controversial companies, it still provides that ballast in portfolios, and this is reflected in the performance data.

This is predominantly achieved as the index methodology of the core allocation aims to achieve sector weights of the corresponding parent indices, with a target of 25% coverage of each GICS® sector (Utilities, Financials, Healthcare etc).

The performance chart below displays the Amundi MSCI World SRI PAB (which forms part of our core allocation in the Brighter World MPS Range) against the Amundi MSCI World (the non-screened or parent index) in Sterling terms:

Five Year Performance (GBP) Amundi World SRI PAB Vs Amundi MSCI World



Source: FE

Whilst at times performance varies compared to the parent index, overtime it behaves how you would expect a core allocation to. Whilst it has underperformed the parent index in recent months, this comes despite only having exposure to three of the magnificent 7 within the SRI PAB index (NVIDIA, Microsoft and Tesla).

Marrying together the core and satellite thematic allocation

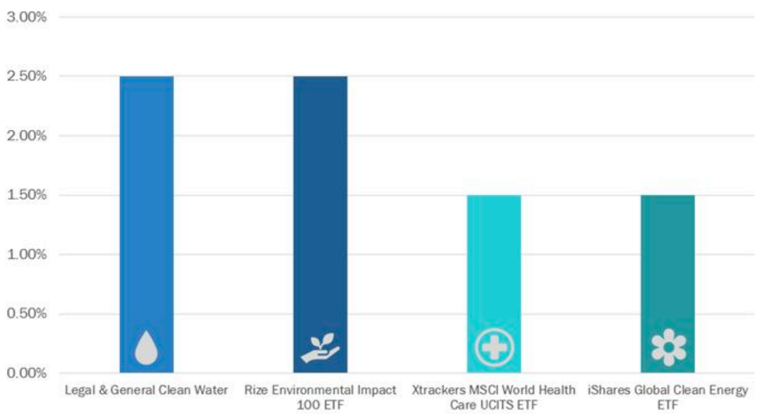
One of the main differentiators to the Brighter World model portfolios is the inclusion of a satellite thematic allocation.

In many cases, this will add a layer of diversification to the portfolios, given the core equity allocation is predominantly large and mid-cap companies. The solutions providers or enablers in the thematic allocation will cut across all market caps, although at times, with a small to mid-cap bias.

This element of each portfolio, which tiers higher with risk, provides exposure to companies targeting some of the sustainability challenges that we face, and adds an additional layer of active management on top of asset allocation which builds on our understanding of the underlying companies within these themes.

Allocation to each theme will be in the low single digits, with the aim of improving resiliency compared to some of the more concentrated sustainable portfolios, whilst still having broad exposure to areas of interest to underlying clients. On top of this, by marrying together the core equity allocation with this satellite thematic exposure, investors can more clearly understand the drivers of performance.

An example allocation to thematic funds within our middle risk portfolio is displayed below:



More Information on the Brighter World MPS

The Brighter World portfolios are managed by applying the same top-down approach to geographical and asset allocation that has been in place since 2002, meaning 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. 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 World MPS screen avoids or restricts exposure to Alcohol Production, Adult Entertainment, Gambling Ownership, Oil & Gas Exploration & Production, Tobacco Production, and Weapons Production. 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.

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