



Investment Advisory Committee: Summary minutes

WHEB's Business Continuity Plan (BCP) has become their Business as Usual (BAU) plan.

Fund flows have continued to be good throughout the last period. Assets under management within the strategy passed £500m in early June.

Attendees:

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| Geoff Hall (Chair) | Kingsmill Bond (Member) |
| Seb Beloe (Head of Research) | Kelly Clark (Member) |
| Ted Franks (Fund Manager) | Mike Clark (Member) |
| George Latham (Managing Partner) | Carole Ferguson (Member) |

1. Business update

George Latham updated the Committee on the performance of the business since the last Committee meeting which preceded the COVID-19 lock-down. Since mid-March, WHEB has implemented a full working from home policy. This policy which was set out as a 'Business Continuity Plan' for major disruptions. This has now become the company's 'Business As Usual' plan as the working from home policy is expected to stay in place for several more months. Beyond that, WHEB is expecting to put in place more flexible working practices and has supported employees by purchasing home office equipment to facilitate this.

George confirmed that WHEB will be launching an Irish-domiciled investment fund to enable clients in EU states to continue to access the strategy after the UK's transition period in exiting the EU. The fund will be launched in September. WHEB is in the process of recruiting a senior EU salesperson to champion business development within the European Union.

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WHEB have been staying in touch with clients through a series of webinars which are popular and draw a significant number of attendees. The annual conference obviously had been cancelled this year but Sarah Briscoe, who joined the team as maternity cover for Libby Stanley, has been organizing webinars for the coming months and is helping to expand WHEB's network.

2. Changes to the Advisory Committee Membership

Seb Beloe confirmed that the Committee's longest standing member Kelly Clark will be standing down after this meeting. Kelly has reached the end of the prescribed term for Committee members as set out in the Terms of Reference. Seb and Geoff Hall thanked Kelly for her major contributions to the Committee and her interest and support for WHEB more broadly. Kelly has been appointed chair of the Investor Advisory Board of the Good Fashion Fund¹ – a commercial foundation doing innovation in the fashion industry supply-chain.



Seb also announced that WHEB have appointed Ray Dhirani to replace Kelly on the Committee. Ray is Head of Sustainable Finance at WWF-UK where his work has focused on sustainable investment and metrics, spatial finance, policy and regulatory work on climate and environment, as well as wider change in the finance and economic system.

It was also agreed by the Committee to extend the term limit for members from four to five years.

1 - <https://fashionforgood.com/good-fashion-fund/>

Following a period of underperformance pre-pandemic, the strategy outperformed falling markets in March and rebounding markets in April and May.

Committee members approved the new holdings as being consistent with the strategy's underlying philosophy and policies.

3. Investment strategy performance and positioning

With the global COVID-19 pandemic in full swing, the period from March to June has been an extremely volatile period for global equity markets. Ted Franks outlined some of the key dynamics for the Committee. Notably, following a period of underperformance pre-pandemic, the strategy outperformed falling markets in March and rebounding markets in April and May. In WHEB's view this outperformance was driven in part by underperformance in financials and energy where the WHEB strategy has no exposure. In this period the Health theme also supported performance as some of the portfolio holdings are involved in supplying critical aspects of society's response to the pandemic.

The market rebound in April and May was dramatic. This was supported by Government stimulus measures and has driven the market to near pre-COVID 19 levels. The WHEB strategy also outperformed in this period, in part, we believe, because of excitement and interest in sustainability themed investments. In WHEB's view, the pandemic has accelerated several sustainability trends. This strong support has enabled WHEB's investment strategy to overcome wider mid-cap market weakness linked to investors moving into larger companies including the global tech giants like Facebook and Amazon. These global tech companies do not offer solutions to sustainability challenges, in WHEB's view, and so are not owned in the strategy.

4. Investment strategy performance and positioning

Ted Franks walked through the changes in the portfolio over the last period. Several long-held stocks were sold over the past few months. This included IPG Photonics (Resource efficiency) which is, in WHEB's view, subject to a worsening competitive position, and Nitto Denko (Resource efficiency) whose polarising films in smartphones have become ubiquitous and therefore offer no compelling efficiency improvement.

CVS Health (Health) was also sold due to concerns that their promising strategy to deliver more primary care services has been derailed by the COVID-19 pandemic. The final stock that was sold was Tivity Health (Wellbeing). While a high impact business, Tivity made an ill-judged acquisition which has undermined their strategy and led to the departure of the CEO.

The new purchases in the period included:

Autodesk (Resource efficiency) develops software tools enabling architects, engineers and designers to design, manufacture and operate a vast range of products, buildings and services. Autodesk tools are a key component in the design and operation of resource efficient products and buildings.



Silicon Laboratories (Resource efficiency) designs and develops electronic components to control and connect devices. The company's expertise in ultra-low power devices is particularly valuable in 'internet-of-things' applications that increase the resource efficiency of physical systems and networks.

Strategic Education (Education) is an educational services company offering adult graduate and postgraduate degree courses. Programmes include courses focused on business administration, IT, education, health services administration, and criminal justice. The company owns physical campuses but delivers courses predominantly through online platforms.



Committee members approved the new holdings as being consistent with the strategy's underlying philosophy and policies. Following further conversation, members wanted to draw a distinction between companies that are enabling society to actively change by deploying more impactful products and services and those that, while low impact, are not growing and therefore not actively contributing to change.

Ted Franks responded that the WHEB strategy is particularly focused on mid-sized businesses that are typically scaling a new technology or business model which aligns well with the first category. Committee members also pointed out that you can distinguish between more modest 'incremental' change and large-scale 'systemic' change as CDP does. Seb Beloe endorsed this distinction which is embedded in WHEB's new impact engine methodology.

Members argued that COVID-19 is bringing forward the structural peak in fossil fuel demand and has accelerated a shift to low and zero carbon technologies.

Members pointed to the importance of citizen action in driving public and private sector responses.

5. COVID-19 and the implications for sustainability investing

The Committee were invited to share their thoughts on what the implications of COVID-19 pandemic might be for sustainability investing. Several members argued that a systemic change like that offered by COVID-19 tends to accentuate the weaknesses in incumbent systems. Members argued that this is happening in the fossil fuel industry which, at least in one Member's view, has resulted in bringing forward the structural peak in fossil fuel demand and has accelerated a shift to low and zero carbon technologies.

The counter argument that governments will not be able to pay to support the zero carbon transition was largely dismissed on the basis that markets are now looking at green technologies as offering better returns than fossil fuels. As a consequence, these sectors will attract investment. It was argued that had the pandemic happened just four years earlier, the economics and scale of low carbon technologies would not have been sufficient and government support would have been needed.

Members pointed out that government support is still needed to accelerate the shift and that calls to 'Build back better' are very helpful, but that the economics dictate that the dominance of fossil fuels is now rapidly coming to an end in their view.

Committee members were largely positive about the impact of COVID-19 on efforts to decarbonize the economy. It was pointed out that even in a period when climate change has given way to COVID-19 in the agenda of the press, governments and citizens still appear to be very engaged in decarbonization efforts. Some members pointed to the importance of citizen action in driving public and private sector responses. This has moved beyond Extinction Rebellion and has been embraced by a broader demographic who are keen to take action themselves including through their investments.²



Source: The Economist

Members also pointed to the parallels between the COVID-19 crisis and the climate change crisis. 'Markets have misunderstood the level of risk associated with a health pandemic like COVID-19' said one Committee Member. 'And this is even more the case with a risk like climate change,' he said.

Investment Advisory Committee Members



Geoff Hall:
Chairman of WHEB Asset Management. Former CIO at Allianz Insurance Plc



Kingsmill Bond:
New Energy Strategist, Carbon Tracker



Kelly Clark:
Director of the Finance Dialogue and advisor to Carbon Tracker and the Ashden Trust



Mike Clark:
Founder, Ario Advisory & Advisor at Oxford Smith School. Formerly Director, Responsible Investment at Russell Investments



Carole Ferguson:
Head of Investor Research, CDP

2- For example <https://makemymoneymatter.co.uk/>