Cambridge Ethical Portfolios

For investment with integrity

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Introduction from Lothar Mentel, Lead Investment Adviser

“Thank you for considering an investment with Cambridge.

It is the job of Cambridge to manage the money of private investors and we take that responsibility seriously - with each and every investment decision we make on behalf of clients.

This is why Cambridge follows a proven investment process, which is both rigorous and disciplined in its application.

This approach is designed to capture the investment returns that are available worldwide, to meet the goals of Cambridge’s investors, within the risk boundaries they, with the help of their financial planners, have determined to best suit their circumstances and investment objectives.

I am the lead Investment Adviser to the discretionary managed portfolio service of Cambridge and work closely with the other members of the Investment Committee.

As you can see from the brochure, Cambridge’s investment management process can cater for the needs of virtually all investors – and we hope that you will trust Cambridge to manage your investment portfolio too.”

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Introducing Cambridge

"Cambridge Investments Limited is an established discretionary investment manager.

Since the 1970's we have been managing clients' assets through multiple business cycles, experiencing a wide range of economic and market conditions over the years.

Our aim is to bring quality discretionary portfolio management services to a wide range of investors. We work closely with financial planners to understand their clients' needs, while keeping our investment management costs low – just 0.24% per year (inclusive of VAT if applicable).

Our discretionary investment management services are entirely platform-based.

Our work in managing portfolios, to meet our investors' aims, risk profiles and investment style is available to private clients, trusts and pension funds."

James Bruce, Investment Manager

What is ethical investment?

Increasingly, our private investors are taking an interest not only in how their investments are performing, but also how they affect the world around us.

Like many financial ideas, investing 'ethically' can quickly become overly complicated by industry language. It is not always well understood – investors may want their money to do good, or at least do no harm, but it is not always clear how to get started.

When we talk about ethical investing, what we really mean is putting your money into investments that are responsible and sustainable. Ethical investing originally meant using 'sin screens' to weed out potential investments in industries clients wanted to avoid.

This is what is known as 'negative screening', preventing investment in industries such as alcohol, tobacco, gambling or armaments and enabling funds to be selected which exclude industries investors would prefer to stay clear of.

Today, however, there are ways to invest positively and proactively.

Putting your money into investments that are responsible and sustainable.

The value of your investment can go down as well as up and you may get back less than the amount invested.

Positive action

In recent years as ethical investing has evolved and gained greater recognition, we have begun to see a more developed approach.

Negative screening still plays an important role, but these days investors and providers adopt a more proactive style, finding companies that work hard to manage their impact and legacy on the world.

This 'positive screening' considers Environmental, Social and Governance (ESG) factors for investment.

These days investors and providers adopt a more proactive style.

Environmental, Social and Governance: Key Questions

Environmental Factors

How does an organisation approach climate change, energy and water usage, resource management, waste disposal, the ecological impact of their products and their carbon footprint?

Social Factors

Is a company attuned to social diversity, human rights, consumer protection, and does it work to promote a healthier and higher quality of life for staff and stakeholders?

Does the business behave in a responsible way and expect the same of their suppliers?

Governance Factors

How does a company build and review its management structure?

How does it approach employee and investor relations? Are there sufficient levels of transparency, honesty and integrity at board level, and is this ethos shared across the company?

These are all questions that modern, socially aware investors are keen to engage with. By making positive screening part of the investment process, we can find funds that include companies that set a positive example, through environmentally friendly products, socially responsible business practices and strong corporate governance infrastructures.

Positive screening is not just about recognising what is being done by businesses today. It is about encouraging them to keep ESG considerations at the forefront of what they do, and strive to achieve ever-higher ESG standards.

Our ethical approach

We believe it is a key consideration for strong future business performance.

As a discretionary portfolio services provider, we naturally ask searching questions about the future on behalf of our clients.

Avoiding industries that have a negative impact is important for ethical investors, but it is not enough to make a real contribution to responsible and sustainable investment. When we choose the funds our clients invest in for our Ethical Range, we prioritise those that actively engage with fund managers on ESG issues and who value this approach as part of their stock selection process.

ESG is not just a trend, we believe it is a key consideration for strong future business performance.

At Cambridge, we have created a range of ethical portfolios that combine negative and positive screening to give clients peace of mind that their investments not only align with their principles but also help to improve the bigger picture.

Our investment process

We work hard to make sure investments perform as well as possible for our investors.

We will work hard to make sure your investments work for you, with the same careful consideration, thorough research, due diligence and ongoing management that you would enjoy with any of our other investment services.

At cambridge, we will always:

- Aim to achieve the best possible returns at the risk level chosen by making long-term, diversified investments in regulated investment funds.
- Keep your investments on track, by watching and fine-tuning your selected Cambridge portfolio strategy to keep it in step with your chosen risk profile.
- Work hard to keep our charges low, to reduce the impact of charging on investment returns.
- Ensure that you can take back control of your portfolio at any time on your chosen UK investment platform.

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From initiation to implementation

We begin by understanding investors' needs, performing extensive research and building appropriate portfolios, before monitoring their suitability and investment performance on an ongoing basis. Although Cambridge does not charge dealing fees it is possible some platforms will apply dealing fees to portfolio transactions we initiate. Please see the discretionary management agreement and appropriate portfolio factsheet for full details of fees and charges.

The value of investments and income from them can fluctuate and investors may get back less than the amount invested.

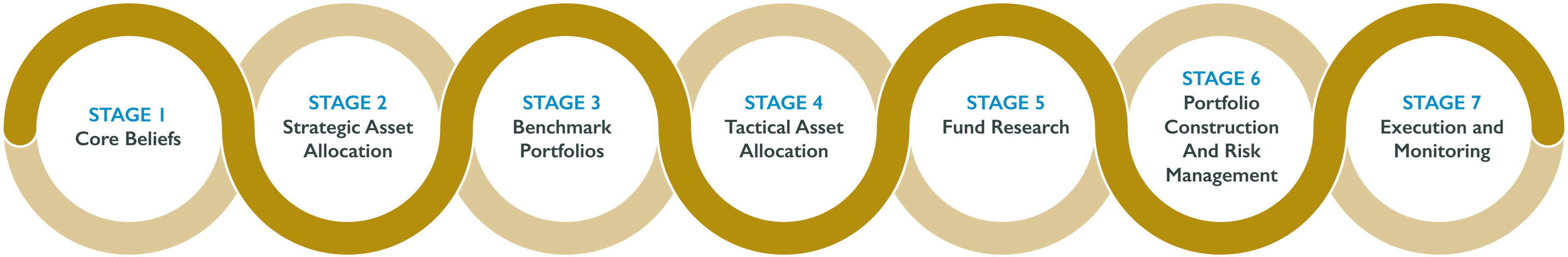
Our seven stage investment process aims to deliver the best opportunities to achieve returns on your investment.

1. We create optimised long-term strategic asset allocations designed to maximise returns for a given level of risk.

3. A 'representative portfolio' featuring diversified passive investments is constructed as a benchmark for each risk profile.

5. Our research process is designed to create a consistent and repeatable approach to fund selection.

7. We aim for all trades to be executed with limited or no additional expenses.



2. Our investment portfolios are assembled according to specific risk and return objectives, initially based on historical mean-variance analysis.

4. We alter the proportion of assets within the portfolio over time.

6. Our aim is to ensure portfolios are positioned in accordance with our current market and economic outlook.

Risk and investment time horizon

Once you and your financial planner have agreed the level of risk you are comfortable to take, and the length of time you intend to remain invested, your financial planner will match these to the most appropriate risk profile.

You can see the investment risk categories we offer ranging from defensive to global equity, all of which are given a specific risk rating which your financial planner can discuss with you.

You will also need to discuss your preferred investment strategy with your financial planner. The funds you invest in can be actively managed with fund managers choosing from a wide array of investments, or passive 'tracker funds' that aim to reproduce the performance of a selected index.

The value of investments and income from them can fluctuate and investors may get back less than the amount invested.

The range of risk profiles within each strategy has created a wide choice of portfolio strategies:

	DEFENSIVE	CAUTIOUS	BALANCED	ACTIVE	AGGRESSIVE	GLOBAL EQUITY
CAMBRIDGE MANAGED	ACTIVELY MANAGED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE TRACKER	PASSIVELY MANAGED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE CORE	50% ACTIVELY MANAGED / 50% PASSIVELY MANAGED + ACTIVE ASSET ALLOCATION					
CAMBRIDGE INCOME	INCOME/DIVIDEND FOCUSED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE ETHICAL	FUNDS ADOPTING AN ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) APPROACH TO THEIR STOCK SELECTION AND / OR FUNDS EMPLOYING NEGATIVE SCREENING APPROACH TO THEIR STOCK SELECTION + ACTIVE ASSET ALLOCATION					

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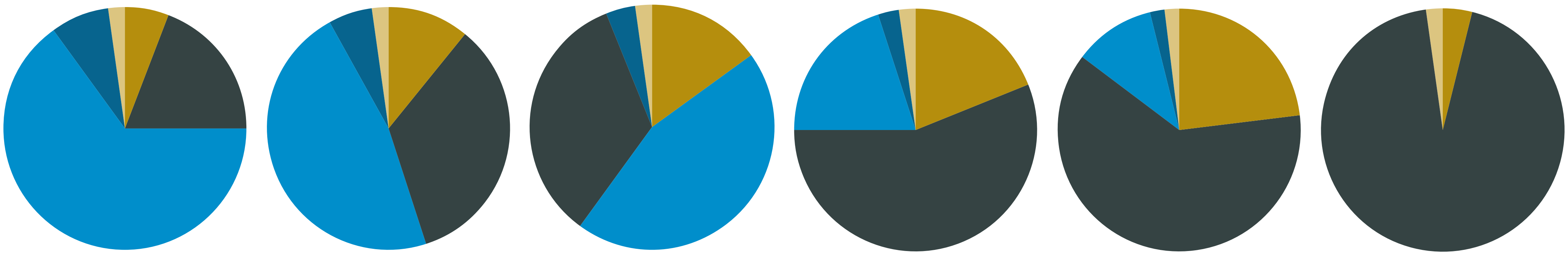
What your investment could look like with us

The balance and mixture of assets is carefully controlled to maximise the opportunity for growth, within the risk parameters of each category.

Key:

- FIXED INCOME
- ALTERNATIVES
- CASH
- GLOBAL EQUITY
- UK EQUITY

DEFENSIVE | CAUTIOUS | BALANCED | ACTIVE | AGGRESSIVE | GLOBAL EQUITY



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Always seeking Opportunity

Once we have built our portfolio strategies we implement 'tactical asset allocation'. This means keeping them agile and adaptable to market challenges as well as making the most of any investment opportunities we identify.

We will actively monitor where your investment is, how it is performing and whether the combination of underlying funds owned remains the best investment choice. The asset allocation for each risk-rated portfolio is maintained within the set parameters.

We look to find opportunities to make the most of every investment.

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Building in our ethical approach

Investments into Cambridge's range of ethical portfolio strategies will benefit from the same tried and tested process outlined above. The portfolio strategies are constructed using a carefully curated range of funds, from established investment institutions.

The ethical screening approaches employed by the underlying funds of the ethical portfolio strategies will vary from one investment institution to another. Consequently, **Cambridge's range of ethical portfolio strategies represent a composite of these different screening approaches, as opposed to a singular view of what qualifies as an ethical investment, defined, and imposed by Cambridge.**

The advantage of the composite approach is that each of the Cambridge ethical portfolio strategies, in aggregate, embraces a combination of both negative, as well as positive screening measures. It also enables Cambridge's ethical model portfolio strategies to be potentially attractive to the largest number of people who are seeking to invest ethically.

Cambridge acknowledges that every person may well hold unique views and needs specific to them and consequently Cambridge's adopted approach may not be suitable for every individual.

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Positive and Negative Screening

When an investment fund of the portfolio strategy employs positive screening in the selection of its underlying investments, it typically focuses on those companies which display consideration for Environmental, Social and Governance (ESG) issues. This approach not only rewards those companies which are paying close attention to the impact they make on society and the environment; it also encourages other companies to engage and improve their ESG scores.

The positive screening, ESG approach, is supplemented with the more traditional negative screening approach. As a reference, when a fund of the portfolio strategy employs **negative screening** in the selection of its underlying investments, it will seek to exclude investments in certain areas or industries. Areas traditionally associated with negative screening processes are alcohol, animal testing (for cosmetic purposes), armaments, environmental damage, gambling, pornography, and tobacco.

The specific individual negative screens applied by the underlying funds employed in the Cambridge ethical portfolio strategies will vary from one investment institution to the next.

At Cambridge we appreciate that investors considering an ethically orientated investment portfolio may wish to gain a greater insight into the potential exposure of the recommended strategy to industries / areas which may not be aligned to their own ethical investment requirements. As the ethical portfolio strategies invest in a range of different funds, with different screening approaches, this is made possible by Cambridge undertaking a portfolio x-ray analysis. Exposure to common areas of concern to investors seeking to invest ethically may then be quantified. Cambridge can screen on portfolio exposures to the following areas:

Alcohol, Controversial Weapons, Military Contracting and Small Arms, Palm Oil and Pesticides, Gambling, Pornography, Tobacco and Thermal Coal Exposure. Whilst exposure to these areas will be lower in the Ethical portfolio strategies, relative to an unfiltered tracker / passive-based approach to investing, there may be small elements of exposure. **We appreciate that for some investors this will be acceptable and for others a different, more bespoke, investment solution will be required to address their specific individual ethical investment requirements.**

Avoiding exposure to "Greenwashing"

The popularity of sustainable investments in recent years has led to concern that investment products may, in some instances, have exaggerated or been misleading in their claims to be sustainably based.

This has led to new requirements on UK domiciled investment funds seeking to promote themselves in this cohort. The provisions of these new requirements are far-reaching and include an anti-greenwashing rule, to reinforce that sustainability-related claims must be fair, clear, and not misleading.

Where applicable, the investment funds Cambridge employs in the construction of its Ethical portfolio strategies, will be classified using the new criteria below.

- **Sustainability Focus:** invests mainly in assets that focus on sustainability for people or the planet.
- **Sustainability Improvers:** invests mainly in assets that may not be sustainable now but have the potential to improve their sustainability in time.
- **Sustainability Impact:** invests mainly in solutions to sustainability problems with an aim to achieve a positive impact for people or the planet.
- **Sustainability Mixed Goals:** invests mainly in a mix of assets that either focus on sustainability, aim to improve their sustainability over time, or aim to achieve a positive impact for people or the planet.

These labels are not designed as a hierarchy but represent different types of investment objectives and approaches.

Cambridge regularly analyses the composition of the Cambridge Ethical portfolio strategies across these different sustainable investment product labels (where applicable). The results are published in a sperate document, available via your appointed Financial Planner, to assist in making informed decisions on the Cambridge Ethical strategies, relative to your own individual sustainability preferences.

What are the drawbacks of investing ethically?

As with any type of investment, investors must consider the potential drawbacks.

There may be times when your portfolio underperforms compared to traditional investments, because ethical funds cannot and will not invest in certain industries.

Certain stocks and whole sectors move in and out of favour during periods of political and economic uncertainty. Companies in relatively stable sectors like tobacco production and the manufacture of arms tend to reward shareholders with higher dividends. Keeping these outside of your portfolio may cause you to miss out on potentially higher investment returns.

Investors may also experience greater volatility because ethical investments may exclude government bonds and other lower risk assets. Those lower risk assets can often be helpful in offsetting riskier types of asset, such as shares. This said, past performance is not a guide to future investment performance and your investments can go up or down. That is why it is essential to discuss your requirements with your financial planner and be certain of what you want to achieve with your investment.

It is important to understand that when you invest ethically with Cambridge, you choose a different set of investment factors, but not a different level of service.

We strive to ensure our portfolios stay aligned to their specified investment mandates, risk profile and the intended ethical approach, while always aiming to maximise your investment returns.

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Glossary

Discretionary Investment Management

A form of investment management. The term "discretionary" refers to the fact that the investment decisions about what should be bought and sold on the portfolio is made by the portfolio manager at their discretion.

Platform

A sophisticated, technology-based service which enables the investor to acquire, hold and trade a wide range of investments within the administrative convenience of one central location.

Portfolio

A range of investments held by an individual, organisation, pension fund or trust.

Tracker/Passively Managed Funds

Funds which use technology to replicate one or more selected indices, with a view to following it as closely as possible.

Strategic Asset Allocation

The longer-term target asset allocation for a portfolio, i.e. the mix of investments between its different building blocks. Market movements mean the asset allocation will deviate over time, therefore periodic rebalancing is required to reset the asset allocations.

Tactical Asset Allocation

Shorter-term active management decisions relating to the portfolio's asset allocation. These are intended to capitalise on shorter-term market pricing anomalies or market trends.

Mean Variance Analysis

A means of seeking to identify the optimal mix of portfolio assets to maximise prospective investment returns for a given level of risk.

Greenwashing

Behaviour or activities that make people believe that a company is doing more to protect the environment than it really is.

Investment Management Costs

The costs associated with the investment management of the portfolio. These are typically deducted directly from the portfolio. Frequently there is more than one organisation involved in the maintenance and management of the portfolio and this can result in multiple charges being deducted. It is therefore important to understand the charges you are paying for your portfolio.

Active Stock Picking / Actively Managed Funds

Funds where an appointed investment manager, or team of managers, seek to benefit from market price fluctuations in terms of their investment portfolio decisions, with the aim of out-performing their benchmark over the medium to longer-term.

Securities

A broad term which indicates an ownership position in more than one type of financial assets.


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