



IBOSS

SUSTAINABLE INVESTING

ADVISER GUIDE | FOR PROFESSIONAL FINANCIAL ADVISERS ONLY

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The team have the experience of running an ethical portfolio for over 12 years. We have always known that there is no ‘one size fits all’ for clients when it comes to investing and have always taken the needs of clients who want to invest responsibly via sustainable funds very seriously.

Chris Metcalfe | IBOSS Chief Investment Officer

WHAT IS SUSTAINABLE INVESTING?

Sustainable investing has become more mainstream over recent years, with investment professionals increasingly adopting sustainability factors to guide their investment decisions. Though many of these professionals have embraced a sustainable approach for altruistic reasons, others may have concluded that this investing method can also be financially beneficial.

The increased acceptance, adoption and evolution of sustainable investing has resulted in many variations of new terminology, definitions and jargon that can be very confusing, irrespective of your financial background. In an attempt to simplify the language, we have defined some of the more popular sustainability jargon below.

Sustainable investing:

A broad definition to encapsulate the wide breadth of more ethically conscious investment approaches. This investment discipline incorporates ESG factors to produce competitive financial returns, balanced with a positive social and environmental impact. Sustainable investing is often interchangeable with responsible investing.

ESG investing:

Also known as sustainable investing, ESG investing refers to strategies that incorporate environmental, social and governance factors into their analysis. These factors can be scored and used to demonstrate a portfolio's sustainability characteristic.

Impact Investing:

This investment strategy tends to prioritise social and environmental progress over and above financial returns. These products will still aim to make a financial return, but the social and environmental impact should be more measurable.

SRI (Socially Responsible Investing):

Also known as a social investment, this is an investment that is considered socially responsible. It is worth noting that this investing method is incorporated within ESG investing, but may still be referred to by some providers.

Positive screening:

Strategies that employ positive screening look to invest in companies that set a positive example and have demonstrated the ability to make a positive social or environmental difference.

Negative screening:

Strategies that employ negative screening look to exclude areas of significant controversy. These areas can include, but are not limited to, armaments, tobacco, animal testing or oil.

Norms Based screening:

A company's ESG credentials are measured against specific standards 'the normal' and are then assessed based on their position relative to that normal.

SDG Funds

SDG funds are those that are specifically designed to target companies that are making a positive contribution to achieving the UN's Sustainable Development Goals. Companies can contribute to achieving the SDGs by making products or offering services that help achieve one or more of the 17 goals.

The 17 interlinked global goals are designed to be a "blueprint to achieve a better and more sustainable future for all". They were set up in 2015 and are intended to be achieved by the year 2030.

WHAT SUSTAINABLE INVESTING MEANS TO US

What we consider to be sustainable

Our experience tells us that investors who have a more ethical mindset tend to be more interested in the portfolio's underlying positions.

Sustainable investing covers a broad church of investment strategies, and this means the discussions between adviser and client to confirm the investment's suitability are particularly important.

Our sustainable offering looks to balance the dynamics of delivering financial returns with the social consequences and environmental impact of the underlying holdings.

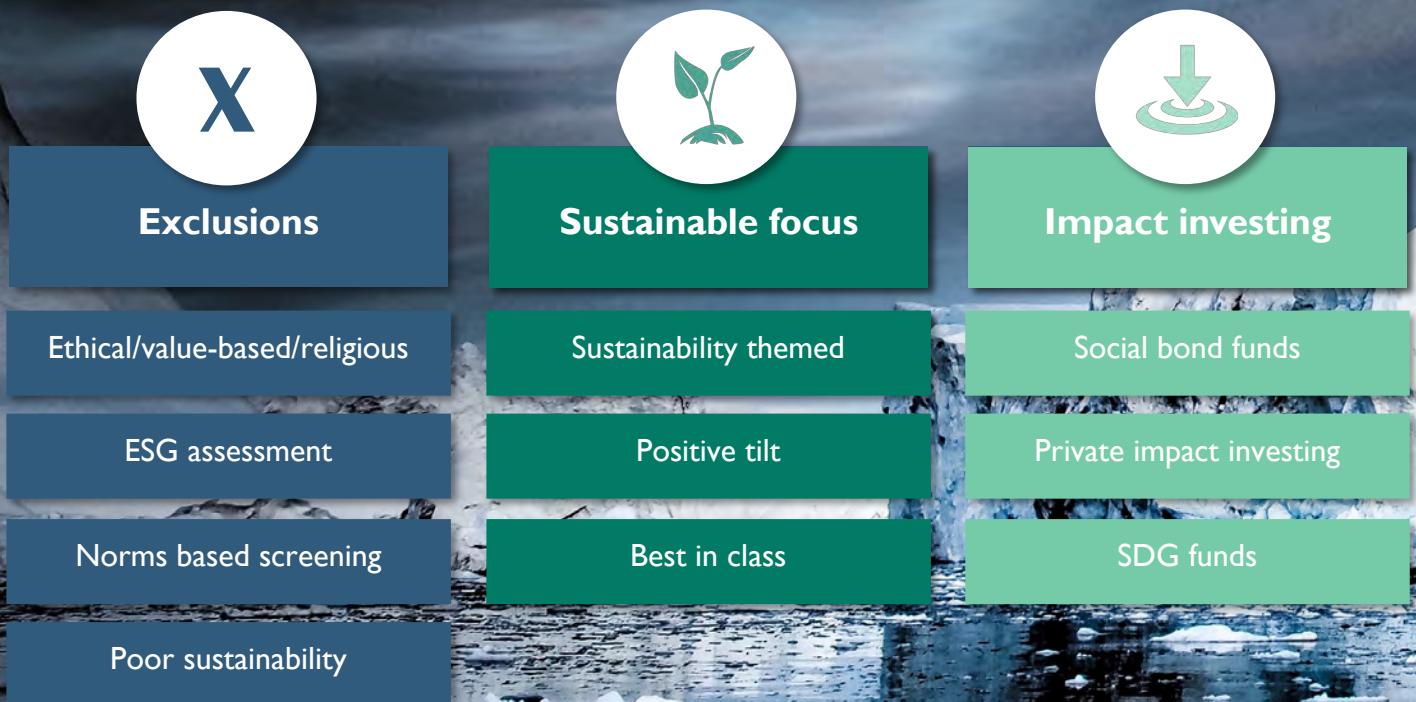
By blending various sustainable funds, this balanced approach aims to construct a more diversified portfolio. These strategies are outlined in the graphic below.

How we measure sustainability

The number of tools available for quantifying ESG characteristics has increased to match the growing demand for ESG compliant portfolios. These tools cover a wide range of funds and assets, and can help evaluate high-level ESG credentials.

However, it is challenging to quantify an area that is subjective and often driven by personal values and opinions.

We feel it is helpful to supplement a scoring system with our qualitative fund research. Using a third-party rating system combined with personal human oversight is a more pragmatic approach to what is undoubtedly a complicated sector.



IBOSS sustainable scoring

The IBOSS sustainable scoring is made up of two parts; Morningstar's sustainability ratings and our own qualitative fund research.

This method provides a score, measuring the ESG risks and characteristics of the underlying fund holdings, allowing us to produce an average for the whole portfolio and assess funds on an individual basis.

Chris Metcalfe IMC

Chief Investment Officer



Chris Rush IMC

Investment Manager



Michael Heapy IMC

Senior Investment Analyst



Rebecca Anscombe

Head of Systems



David Winckler

Senior Investment Analyst



Sam Buckingham CFA

Investment Analyst



Jack Roberts IMC

Investment Analyst Support



Kate Townsend

Investment Analyst Support



Investment Team

The sustainable portfolios are constructed by the same experienced and trusted IBOSS Investment Team, who also manage our other MPS ranges, and are the hallmark of all IBOSS investment solutions.

1.5bn

Total FUI across our investment solutions

300+

Fund house meetings attended every year

6,000+

Hours of fund research conducted each year

6

Highly qualified and experienced Investment Team members

OUR APPROACH TO SUSTAINABLE INVESTING

Increased demand

A rise in demand from advisers and their clients for investment options that seek to consider both financial returns and positive environmental and social impacts has led to a raft of ethical, ESG and sustainable fund launches over recent years.

This is no fad or fashionable investing theme to us, nor is the launch of our own sustainable range a tick box exercise to ensure we fit in within the marketplace and satisfy regulatory requirements. We expect that the focus on ESG credentials is here for good and for all funds as we move in to the future.

However, many of the launches we have witnessed over recent times have successfully attracted assets, but perhaps more importantly for some, they have generated above-average financial returns. Our research indicates that a significant percentage of these returns have been achieved by investing in a concentrated selection of stocks. Though we are positive on the long-term outlook for funds run on a sustainable basis, we remain acutely aware of the need for long term diversification.

The main goal of our Sustainable Managed Portfolio Service is to cater for clients who wish to invest in companies and organisations with the purpose of generating measurable social and environmental impact, alongside a financial return. Our aim is to achieve this whilst maintaining the IBOSS investment philosophy of our other solutions, that has proven to work successfully for many years and places an emphasis on diversification.



Built-in diversification

Investors are naturally prone to behavioural biases and can often gravitate towards areas of the market that, with hindsight, were poorly timed investments based on what had worked previously.

Examples of this type of herding and concentration risk include technology companies leading up to the 2000 market crash, the credit crunch in 2008 and the heavy losses suffered by dividend-paying global equities in early 2020.

Having managed an ethical portfolio via IBOSS Ltd's Portfolio Management Service since 2008, we are aware of how vital diversification is to achieve long-term financial goals. Considering this, we looked to use our experience to fill the gap and provide a range of diversified sustainable portfolios, in a space where finding a fully diversified multi-asset proposition can be a significant challenge.

IBOSS research & experience

To launch our sustainable MPS portfolios we have leveraged the asset allocation of the successful IBOSS Core range and the fund selection of the long-running Ethical Portfolio, to create a range of six sustainable risk-rated discretionary portfolios.

The Sustainable MPS is managed using the same ethos that runs throughout all IBOSS propositions. Those familiar with our Core proposition will recognise similar characteristics but with an emphasis on the sustainability element.

Our aim remains the same too; 'to beat the relevant benchmark over as many periods as possible, with circa benchmark volatility and drawdowns across all risk 'ratings'.

KEY CHARACTERISTICS OF THE IBOSS SUSTAINABLE MPS

The Sustainable MPS consists of seven risk-rated model portfolios run on an actively managed discretionary basis. In the same vein as our other investment solutions, the range is built specifically for financial advisers and will continue to evolve based on adviser feedback and the evolving investing landscape.

The sustainable portfolios closely mirror the asset allocation of the IBOSS Core portfolios, but are populated using funds that meet the IBOSS sustainable criteria.

PORTFOLIO	BENCHMARK	OCF	defaqto RISK RATED
Portfolio 1	IA Mixed Investment 0-35% Shares	0.75% cap*	3 defaqto RISK RATING CAUTIOUS
Portfolio 2	IA Mixed Investment 20-60% Shares		4 defaqto RISK RATING CAUTIOUS BALANCED
Portfolio 3	IA Composite		5 defaqto RISK RATING BALANCED
Portfolio 4	IA Mixed Investment 40-85% Shares		5 defaqto RISK RATING BALANCED
Portfolio 5	IA Composite		6 defaqto RISK RATING BALANCED GROWTH
Portfolio 6	IA Flexible Investment		6 defaqto RISK RATING BALANCED GROWTH
Portfolio 7	IA Flexible Investment		7 defaqto RISK RATING GROWTH

*OCF cap applies to portfolios 1-6 only and is subject to the availability of preferred share classes

Key features

- High levels of diversification;
 - › 5% maximum initial holding per fund
 - › 1% minimum initial holding per fund
 - › Approximately 35-40 funds per portfolio
 - › Multiple funds in a sector, where possible
- A competitively priced DFM charge of 0.25%.
- Completely independent fund selection.
- Fund holdings rebalanced quarterly.
- Strong team track record of more than 12 years.

Key sustainability features

- Demonstrable sustainability characteristics at a portfolio and fund level.
- Accessible fund commentary and research.
- ESG scoring and rationale of underlying funds and portfolio.
- Constructed using funds with strong social/ environmental values and within IBOSS' sustainable criteria.
- Supported by Morningstar's external rating system 'Sustainalytics'.

HOW WE APPROACH CONTROVERSIAL INVESTMENTS

Specific client requirements

We understand that all clients have different needs and preferences regarding investing, which is particularly true in the world of sustainable investing. These preferences frequently focus on the more controversial and often subjective investment themes of alcohol, armaments, gambling, tobacco, pornography, oil/gas and animal testing.

Our view is that by holding various funds with differing investment styles and approaches, the portfolio will provide diversification benefits reflected through performance over time. We believe that the same is true when blending funds with differing sustainability values, as implemented in the portfolios of our Sustainable MPS.

It is important to be aware that whilst we look to minimise portfolio exposure to controversial areas, we are simultaneously aiming to produce positive relative returns against a benchmark. This emphasis on diversification inevitably means compromises have to be made and the portfolios may have exposure to areas that some clients might wish to avoid unequivocally.

However, this may be a small percentage of the overall portfolio, so it is important for the adviser and client to agree on whether our investing approach is suitable for them.



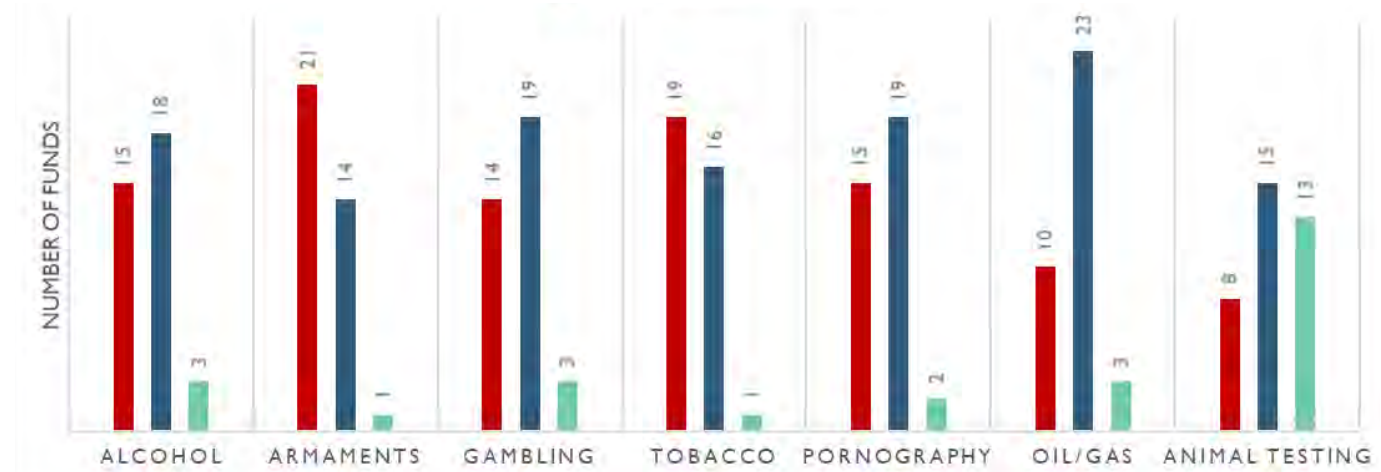
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One of the key reasons I selected the IBOSS Sustainable MPS was down to the diversification of the portfolios. I have always been concerned with ‘ethical’ solutions’ reduced diversification. Some of the other providers I looked at had cheaper solutions, but they had far fewer component funds. The IBOSS proposition has a wide range of funds and a strong track record across their other ranges. Also, I received excellent support from their Business Development Team who were helpful and efficient in providing the additional detail required for conducting due diligence.

Anonymous | Chartered Financial Planner

Fund approach to controversial themes (Example)

We will provide you with the tools necessary to explain the current weighting to controversial areas and each fund's approach to the sector. The chart below demonstrates each fund's approach to the controversial investment areas and is extremely valuable as the overall weighting will change over time, but each fund's approach should remain broadly consistent.



Exclude: The fund will not hold the sector under any circumstance.

Avoid: The fund will endeavour to avoid the sector within specific parameters i.e. a company must have less than 10% of revenue generated through armaments.

Include: The fund has no specific exclusion or avoidance policy. This does not necessarily mean they have exposure to the sector.

Portfolio exposure to controversial areas (Example)

Also included within the tools we provide is the table below, which highlights that though some funds have a higher level of flexibility, the total exposure can be much lower at any specific date.

SECTOR	PORTFOLIO %
Adult Entertainment	0.0
Alcohol	0.2
Animal Testing	11.9
Controversial Weapons	0.0
Fur & Specialty Leather	0.0
Gambling	0.1

SECTOR	PORTFOLIO %
Military Contracting	0.1
Nuclear	1.2
Palm Oil	0.0
Small Arms	0.0
Thermal Coal	1.0
Tobacco	0.0

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Our Sustainable MPS looks to balance the dynamic of delivering financial returns with the social consequences and environmental impacts of the underlying holdings.

Chris Rush | IBOSS Investment Manager

KEY SERVICE FEATURES OF THE IBOSS SUSTAINABLE MPS

White labelled client communication

Included within the extensive support offered by the Sustainable MPS, we can provide optional white labelled quarterly updates to clients on your behalf.

This keeps them informed of current economic and market conditions, as well as fund changes to their portfolios.

Client MI and engagement rates

We also provide you with client MI and engagement rates relating to the quarterly updates, and our team are always available to assist with any client comments or queries.

Direct access

We pride ourselves on the accessibility of our Investment Team, who are always available and willing to help with specific investment or sustainability queries.

Dedicated support

Whilst all members of our awarding winning operations and sales team are available to you, you will still have a dedicated point of contact to ensure we deliver on our exceptional service levels.

Client email

A quarterly correspondence with the opportunity for clients to inform you of any changes to their circumstances.

Portfolio Overview

Displays allocated fund changes and an overview that explains why each decision has been made by our Investment Team, as well as key information regarding their investments.

Market Summary

Informs the client of the latest and relevant economic information, from stock market performance to political matters which may be affecting their investments.

Transparency

In an industry riddled with jargon, we'll say it as we see it and give you an honest answer. You might not always like the answer, but you will know it is honestly given.

We are transparent in everything we do. Portfolio holdings and performance are readily available on our website and updated monthly/quarterly. Fund change rationale and market commentary is also always available to explain why we make the decisions we do.

To further assist you with your own research we are readily available on many industry recognised research tools, such as easily accessible performance information through FE FundInfo, as well as being independently rated by Defaqto.



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The IBOSS Sustainable portfolios have the same IBOSS personality, excellent due diligence, transparency and risk characteristics as the other portfolios they run, plus the usual excellent service and support.

Matthew Wright | Financial Management

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The IBOSS Sustainable MPS is very thorough and offers transparency, unlike other available options on the market. IBOSS can evidence what they say when it comes to their sustainable investing methodology and the costs involved are competitive.

Simon Carlin | The Lost Coin

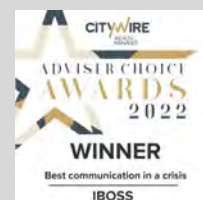
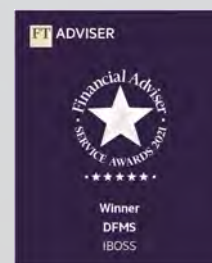
Industry Accreditations

The IBOSS Managed Portfolio Service range on platform has been 5 Star rated by Defaqto, this shows it provides one of the highest quality offerings on the market. Star Ratings look at the features and benefits of a product or propositions, rather than solely focusing on cost.

In 2020 and 2021, IBOSS Asset Management won the coveted five stars at the Financial Adviser Service Awards. IBOSS placed top in the discretionary wealth management category for two consecutive years, as voted for by advisers and planners.

In 2022 IBOSS won both ‘Best Reporting’ & ‘Best Communication in a Crisis’ at Citywire’s Adviser Choice Awards 2022.

Providing good communication to advisers and clients is something we have always been focused on, so we are very proud to have been recognised for this, even in the most challenging of times.





This communication is designed for professional financial advisers only and is not approved for direct marketing with individual clients. These investments are not suitable for everyone, and you should obtain expert advice from a professional financial adviser. Investments are intended to be held over a medium to long term timescale, taking into account the minimum period of time designated by the risk rating of the particular fund or portfolio, although this does not provide any guarantee that your objectives will be met. Please note that the content is based on the author's opinion and is not intended as investment advice. It remains the responsibility of the financial adviser to verify the accuracy of the information and assess whether the discretionary fund management model portfolio is suitable and appropriate for their customer.

Past performance is not a reliable indicator of future performance. The value of investments and the income derived from them can fall as well as rise, and investors may get back less than they invested.

We provide the DFM MPS as both distributor and manufacturer. Details of our target market assessment can be found in our compliance investment procedures, available upon request. Each fund will be assessed independently, but it is highly unlikely that any one fund held in our portfolio will meet the target market in isolation—detail of why the inclusion collectively will be suitable is included within our research. The DFM MPS Core range was launched 1 November 2018; other ranges have since been added. The past performance figures include simulated figures which are based on the actual performance figures/asset allocation/fund selection of the Portfolio Management Service research provided by IBOSS Limited, from 31 October 2008. The simulated past performance is not a reliable indicator of future performance. The DFM MPS performance and displayed underlying portfolio charge is produced using the preferred share classes, this may differ from platform to platform and is shown net of fund fees only, they do not incorporate platform costs, adviser's client fee or DFM service charge.

IBOSS Asset Management is authorised and regulated by the Financial Conduct Authority. Financial Services Register Number 697866. IBOSS Limited (Portfolio Management Service) is a non-regulated organisation and provides model portfolio research and outsourced white labelling administration service to support IFA firms, it is owned by the same group, Kingswood Holding Limited who own IBOSS Asset Management Limited.

Registered Office is the same: 2 Sceptre House, Hornbeam Square North, Harrogate, HG2 8PB. Registered in England No: 6427223.

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