SUSTAINABLE FUNDS QUARTERLY

Q3 2021

In this report...

CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

The third quarter of the year, from July to September, is traditionally a quiet time for investors and markets as many investors "sell in May and go away and come back on St. Leger Day"[1] (11th September this year) but the pandemic and other events ensured that this summer was much more eventful than usual. Geopolitical tensions remain elevated not just because of the pandemic but also due to depressing events in Afghanistan and continuing tensions between China and the US and its allies including Great Britain, which prompted the creation of the AUKUS partnership.[2]

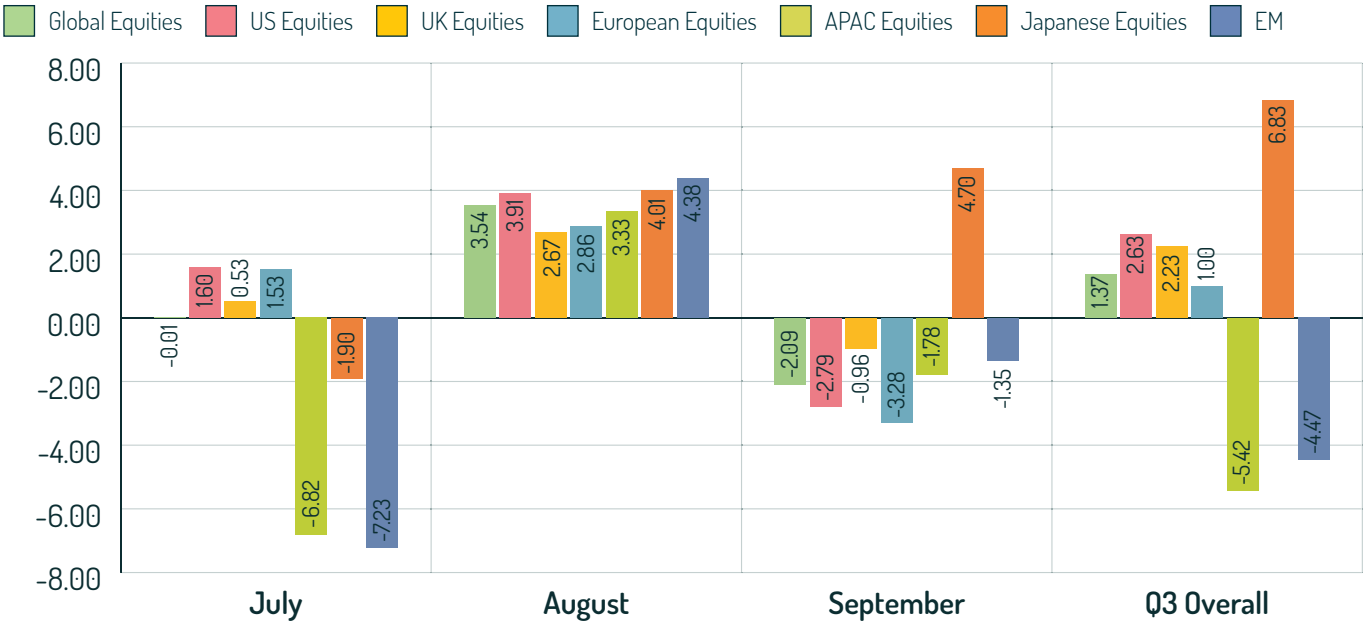
During the period, the IMF confirmed its GDP growth forecasts for the global economy; +6% for 2021 and +4.9% for next year[3] as major economies see a big increase in the consumption of both goods and services – a recovery which has brought its own problems, especially with regard to energy in its various forms.

> Economic prospects have diverged further across nations and regions this year, with access to vaccines the latest difference between the haves and the have nots.

Economic prospects have diverged further across nations and regions this year, with access to vaccines the latest difference between the haves and the have nots. Those people like us who are lucky enough to live in advanced economies can look forward to further normalisation of activity this year as we learn to live with Covid. The unvaccinated still face resurgent infections, especially from the Delta variant, as well as rising death tolls. A few countries, such as Australia, New Zealand and Japan seem to be chasing the chimera of "zero covid" and remain much more locked up than other countries, thereby affecting their chances of an economic revival. The global

1. https://www.investopedia.com/terms/s/sell-in-may-and-go-away.asp
2. https://www.gov.uk/government/news/uk-us-and-australia-launch-new-security-partnership
3. https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021

INDEX RETURNS



Source: Financial Express

Past performance is not necessarily an indicator of future performance. Returns are not guaranteed. With investment your capital is at risk.

recovery is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere.

The IMF points out that risks remain: "Slower-than-anticipated vaccine rollout would allow the virus to mutate further. Financial conditions could tighten rapidly, for instance from a reassessment of the monetary policy outlook in advanced economies if inflation expectations increase more rapidly than anticipated. A double hit to emerging market and developing economies from worsening pandemic dynamics and tighter external financial conditions would severely set back their recovery and drag global growth below this outlook's baseline."[4]

Despite this note of caution and the spectre of Covid lurking in the background, equity markets in developed economies reached new highs over the summer.

> US equities had a strong July and August but a quieter September, returning +2.63% overall for Q3.

US equities had a strong July and August but a quieter September, returning +2.63% overall for Q3. Investors drew confidence from the remarks of the Federal Reserve Chairman, Jerome Powell, at the Economic Symposium in Jackson Hole, Wyoming. Mr. Powell fleshed out the Fed's view on tapering while reassuring listeners that the present inflationary forces are likely to be temporary. There remained plenty of liquidity in the market during the period and this will be the case for the foreseeable future.[5] This does mean, however, that US equity valuations look stretched.

> Many eyes were on the general election in Germany as the sixteen-year-long Merkel era comes to an end and a new coalition is eventually formed.

Members of the Eurozone bloc have now inoculated over 73%[6] of residents which, paired with continually supportive monetary and fiscal policies, underpins the ongoing economic recovery. Towards the end of the period, many eyes were on the general election in Germany as the sixteen-year-long Merkel era comes to an end and a new coalition is eventually formed. During the period, equities in the Eurozone continued the positive momentum they showed in Q2, ending the quarter in positive territory on +1.0%.

In Britain, fears of faltering economic growth and reports of supply shortages (queues at some petrol stations) weighed on equity markets towards the end of the quarter, but UK equity indices performed very well and what negative sentiment there was put only a minor dent in the outcome for the quarter, which ended on +2.33%. Supply chain issues should be resolved in the short to medium-term and equity valuations remain attractive.

> In Britain, fears of faltering economic growth and reports of supply shortages (queues at some petrol stations) weighed on equity markets towards the end of the quarter

Japanese markets were cheered by the de facto resignation of Prime Minister Suga, who seems to have handled the pandemic badly and has paid the price, with investors hoping for a more coordinated response to Covid-19 in the future and a better business environment.

As usual, China is a special case. It is seeing a slowdown in growth this year due to reduced global demand for its exports as well as a fall in domestic consumption due to lockdowns. Compounding this, and a concern to all investors, is the regulatory crackdown on Chinese Big Tech, as President Xi reminds entrepreneurs like Jack Ma of Alibaba who is really in charge.

As we are now in Quarter 4, our focus is firmly on COP-26, which Britain hosts in Glasgow in November. Investors should prepare for a raft of new climate ambitions coming out of the summit on the environment. The conference is likely to highlight the challenges we all face in attempting to reach net zero by 2050 and companies will want to highlight their own ambitions. As investors, we see risks and opportunities in many sectors. Companies which can prove their commitment to a greener future will probably benefit from a lower cost of capital as governments and investors look to support sustainability initiatives. For less well-prepared businesses, life could get tougher.

4. https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021
5. https://www.forbes.com/sites/vipinbharathan/2021/08/27/jerome-powells-speech-at-jackson-hole-on-august-27-2021-calls-for-continued-accommodative-policy/?sh=1895070f5cdc
6. https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html#uptake-tab

THEMATIC REVIEW

THE PRICE OF EVERYTHING, THE VALUE OF NOTHING

This quarter's piece is motivated by Oscar Wilde's famous definition of a cynic as a man who "knows the price of everything and the value of nothing", a mindset which sometimes appears all too often when tackling issues of environmental and social concern. Despite the chastening period the world has experienced since the coronavirus pandemic began and the hopes that better outcomes could be achieved, much remains to be done and as ever, money and finance is at the heart of it. To set out the key issues, 'cost' may be used interchangeably with 'price' in some examples, as we often hear of the "cost" of implementing policies towards Net Zero yet rather less so about the cost of not doing so.

Let's start with Net Zero then, the aim of companies and governments to implement policies that will equate to the increase in global emissions being kept below the 1.5°C rise targeted by COP21 in Paris in 2015. Various figures for the price of achieving that in the UK have been cited; it could be c.£50bn investment annually by 2030 according to the Climate Change Committee, or potentially higher still at a total of £3.2trillion by 2050 according to one of the National Grid's pathways;[1] meanwhile, the Office for Budget Responsibility (OBR) has produced a figure of £1.4trn over thirty years, of which it sees the government picking up c.£350bn of the cost.[2] These are huge sums. So huge, in fact, that it triggered a response in some political quarters that the scale was too large and would also disproportionately fall onto the poorer in society if resulting in substantially higher energy prices. Climate change is seemingly too expensive to tackle, even if the number of climate change deniers continues to dwindle.

This is a prime example of a wilfully muddled argument and people knowing the price of Net Zero action while ignoring its value. Put another way, the costs of action are attacked while a blind eye is turned to the costs of inaction. £1.4trn is indeed a huge sum of money, even spread over thirty years; however, that investment brings with it the potential benefit of savings along the way, which in one assessment reach almost £1trn over the same period.[3] So, what's really in play is a net investment of £400bn over thirty years; put in that context, the value of tackling an existential climate threat appears a bargain at the price. The Financial Times (FT),[4] meanwhile, emphasised those costs of inaction, noting that the impact of the cost of not tackling climate change might see the UK's national debt climb to 289% of Gross Domestic Product (GDP). For comparison, the extra spending required to tackle the pandemic is projected to lift that figure to just under 110%. It's impossible to quantify the precise knock-on impact if such a level were reached, although that's arguably incidental to the key evidence before our eyes: focusing only on the price of action to reach Net Zero, as a means to cast doubt on its merits, is wrong. In last quarter's review we noted a projected funding shortfall for climate change mitigation of £184m in the Greater Glasgow region alone, before we even consider the costs projected for the coastal impact, flooding from rivers, and all the other effects of climate change that would be identified as threats just within the UK's borders. Of course, those costs are only when looking within our own borders and not overseas, where the cost of inaction for those most vulnerable can be existential in nature.

The Financial Times (FT)[4] meanwhile, emphasised those costs of inaction, noting that the impact of the cost of not tackling climate change might see the UK's national debt climb to 289% of Gross Domestic Product (GDP).

Moving on to the price of something else, we look at the price of the Universal Credit uplift. That's £20 per week. At the time of writing, this uplift has just been cancelled, returning the level of benefits to those which prevailed before the pandemic hit. Put another way, the Resolution Foundation has estimated that 4.4m households will see their annual income fall by £1,000 overnight, which for 1 million of those households will mean a loss

1. https://www.theweek.co.uk/news/environment/953853/how-much-will-it-cost-the-uk-to-get-to-net-zero
2. https://news.sky.com/story/the-obr-has-put-a-price-on-the-governments-net-zero-ambitions-and-it-will-make-you-shiver-12350313
3. https://www.lse.ac.uk/granthaminstitute/news/misinformation-and-propaganda-campaign-on-net-zero/
4. https://www.ft.com/content/ba2cdf7d-898d-4b22-b40b-8d2d80b631f8

> The Resolution Foundation has estimated that 4.4m households will see their annual income fall by £1,000 overnight. which for 1 million of those households will mean a loss of over 10% of their income.[5]

of over 10% of their income.[5] The argument for what is identified as "the biggest overnight cut to benefits in history" is that it will save £6bn and help to keep the UK's finances on a sustainable footing. Reversing the uplift is the price for achieving that. Once again though, the value of the investment is being ignored. The value here would be in not tipping potentially millions of families into poverty; the value would be in allowing families to keep putting food on their tables; the value would be in avoiding having to decide whether to feed your family or heat your home in any given week. The latter would've been the case even before the recent food, fuel or energy price spikes have come about, an unwelcome turn of events that will only intensify the affordability pressures that many in society face. In short, the value is in the immense social benefit that that £20 per week has achieved. It's also in avoiding the unseen costs that will arise over time, be they the impact on health from reducing the prospects for good nutrition or in the inevitable rise in worsening mental health. Both will bring future costs to the Government in the form of pressure on the NHS when dealing with them.

Some may argue that Universal Credit is simply being returned to its previous level and that as we begin to distance ourselves from the eye of the COVID-19 storm, that's fair enough. I disagree. We know that the pandemic has been enormously regressive in where its effects have been felt most painfully, be that by age, gender, ethnicity or socio-economic level. We know that in the UK we have a stockpile equivalent to seven doses of vaccine per person while many people in poorer nations have yet to receive even their first,[6] despite consistent calls for vaccine equality.

> Despite consistent calls for vaccine equality. African vaccination coverage is estimated at just two percent.[7]

African vaccination coverage is estimated at just two percent.[7] An early hope, once the initial shock of the pandemic had subsided, was that society might be more reflective, tolerant and compassionate. What better way to demonstrate that then to recognise the positive impact of a more generous benefit package and retain the Universal Credit uplift? That is the kind of meaningful measure that would speak volumes.

We are investment managers of course, so where do we fit in with the above? We can no more set the budget for Net Zero than we can sanction not reversing the Universal Credit uplift. What we can do, however, is analyse what companies are doing in similar areas and seek to engage and influence their operations, both by ourselves and in collaboration with other investors. On Net Zero, as signatories to the Carbon Disclosure Project we can identify what our investee companies have committed to (or not) and engage with them to do more; on the social side, we encourage the payment of the Real Living Wage (being Accredited Living Wage employers ourselves) and in general vote and cajole according to principles of fair and equitable pay. We know that adopting such policies comes with a cost to companies but believe that the benefit justifies it. We want to invest in businesses that can demonstrate a tangible intention to improve environmental and social outcomes as widely as possible.

We see the prices of shares on our screens every day. What matters to us is the value of the companies we're investing in.

Written by
Simon Holman

5. https://twitter.com/TorstenBell/status/1445496109799919631?s=20
6. https://www.theguardian.com/society/2021/jun/05/share-vaccines-or-climate-deal-will-fail-rich-countries-are-told
7. https://www.churchofengland.org/media-and-news/press-releases/bishops-join-calls-emergency-g7-meeting-tackle-vaccine-hoarding

2021 CASTLEFIELD SYMPOSIUM: NET ZERO – WILL COP26 BE A COP-OUT?

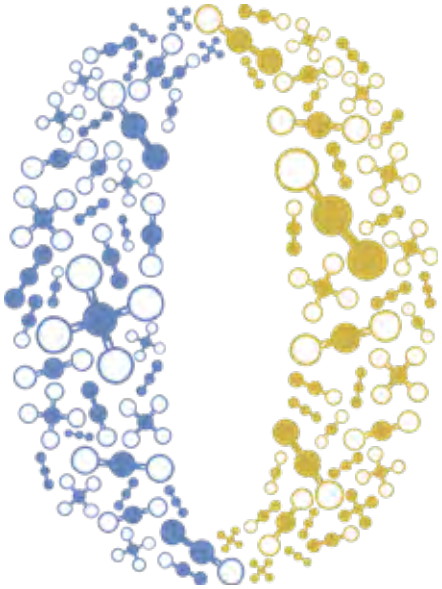
In our fourth Castlefield Symposium, held in September, we discussed what Net Zero means and what's required to achieve it, and whether or not COP26 has the potential for success.

As global temperatures rise, we can see the effects of climate change on our world. Achieving Net Zero carbon emissions by 2050 is a target we must meet in order to fight against climate change. In our fourth Castlefield Symposium, held in September, we discussed what Net Zero means and what's required to achieve it, and whether or not COP26 has the potential for success.

Matthew Bell OBE, Director and Co-Founder at Frontier Economics kicked off the Symposium by delivering a powerful and insightful keynote presentation. He began by giving us some background on the event. COP26 is the 2021 United Nations climate change conference and is part of the process which aims to address climate change globally. Matthew noted that there has been a long history of COP meetings.

He outlined a few criteria we can use to measure the potential for success of COP26. Firstly, we need to see national commitments to reduce emissions toward the 1.5-2-degree centigrade warming path needed to keep global temperatures at a manageable level. In addition, higher income countries who have benefitted disproportionately from greenhouse gas emissions need to financially support lower income countries who are still in the developing stage. There also needs to be action to allow needed supply side technologies like carbon capture and storage, hydrogen and heat pumps plus demand side actions such as changing food consumption. Matthew went on to stress the importance of having a system of checks and balances in place to help hold governments accountable to meet their targets as another important measure of the success of COP26. If we can realise all four of these things, then we have a better chance of breaking the link between economic growth and emissions growth.

The second part of the Symposium took the form of a Q&A session, focusing on the actions which companies, governments, communities and individuals should consider in order to achieve Net Zero. We had five panel experts sharing in this segment: Julia Creasey (Croda



International PLC), Teni Ekundare (FAIRR), Ita McMahon (Castlefield), Professor Jonatan Pinkse (Alliance Manchester Business School) and Peter Uhlenbruch (ShareAction). The session was chaired by Olivia Bowen, financial adviser and Castlefield partner.

The panel discussion covered a wide range of topics including what we need to see from individuals, investors and companies in order to reduce their carbon emissions. It was discussed that at a top management level, multinational corporations need to adopt more radical views on Net Zero and sustainability. Net Zero and sustainability are at the forefront of things today and companies are being required to think beyond short term economic growth in order to be successful. The panelists went on to discuss specific examples of company targets and roadmaps toward a Net Zero future. The responsibility for companies to avoid greenwashing was mentioned along with the importance of labelling consumer products with energy efficiency ratings. Management teams within companies were also discussed, as corporate governance needs to guide companies in a sustainable direction. For investors, having a portfolio with strong sustainability criteria is also crucial in order for us to be successful in reducing carbon emissions. At an individual level, the discussion also highlighted the importance of a sensible approach to air travel.

Action is currently being taken towards the fight against climate change and it is clear that, on a global level, we need to be ambitious with setting targets, working consistently towards them and auditing our progress. The panelists represented the private, investor, academic, government and NGO sectors and it is clear that we need concerted efforts from all of these areas to be successful in meeting targets.

The full recording of the Castlefield Symposium can be found on our website;
https://www.castlefield.com/news-media/videos/castlefield-symposium-2021-recording/

Written by India Harkishin

THE UK STEWARDSHIP CODE

Castlefield among first signatories to the new UK Stewardship Code

In early September, the Financial Reporting Council (FRC) published a list of successful signatories to their recently refreshed UK Stewardship Code. Having previously been Tier 1 signatories to the previous edition of the Stewardship Code, we were keen to meet the high standards for stewardship and engagement set out by the FRC and submitted our 2020 Annual Stewardship Report in order to be considered for signatory status.

Signatory of:

Of the 189 applications received by the FRC, 125 were deemed successful, showing the rigorous application process that has been implemented. Unlike signatory accreditation to previous codes, signatories will have to submit a report for review every year and be seen to improve their stewardship activities and reporting in line with evolving market practice in order to maintain their status.

The publication of the list of signatories comes after the FRC first announced their intentions to refresh the requirements to incorporate additional reporting expectations, such as how climate factors feature in decision-making, and an increased focus on demonstrating real world outcomes.

Sir Jon Thompson, FRC CEO, said:
"Congratulations to all those who have become signatories to the UK Stewardship Code, which is recognised globally as a best-practice benchmark in investment stewardship."

https://www.frc.org.uk/news/september-2021/frc-lists-successful-signatories-to-the-uk-steward

UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

Castlefield has signed up to the UN Principles for Responsible Investment

Castlefield is proud to announce that it has become an official signatory to the Principles for Responsible Investment supported by the United Nations (UN PRI).

Castlefield will continue to leverage its expertise and reputation as the Thoughtful Investor to educate investors and promote Environmental, Social and Governance (ESG) values within the investment management industry.

The UN PRI is an independent body that was set up to promote more responsible investing around the world. Signatories to the UN PRI agree to incorporate ESG issues into their investment analysis and decision-making processes. By doing so, signatories contribute to developing a more sustainable global financial system.

Castlefield's Ita McMahon said: "While we have always specialised in responsible investments, becoming a signatory to the UN PRI marks an important milestone for us. In joining the PRI, we hope to build on our recent success of becoming signatories to the UK Stewardship Code, which recognises best practice in investment stewardship. We look forward to working with the PRI and its network to advance the ESG agenda."

THE WORKFORCE DISCLOSURE INITIATIVE

The Workforce Disclosure Initiative (WDI) is an investor coalition that aims to improve corporate reporting on employees and supply chain working standards. We've been a supporter of the WDI for a number of years: as responsible investors, we want to understand how companies treat their staff and how they uphold human rights in their supply chains.

> WDI's reach is growing year-on-year: in 2020, over 140 companies made disclosures through the WDI, up 20% on the previous year.[1]

The coalition is made up of 53 investor institutions, representing $7.5 trillion of assets under management. Now in its fourth year, WDI's reach is growing year-on-year: in 2020, over 140 companies made disclosures through the WDI, up 20% on the previous year.[1] The combined data provides unique insights into the working conditions of over 12 million workers globally.[2]

In terms of what we and other investors do, every summer we work with the WDI coordinators at ShareAction to lobby more companies to complete the WDI questionnaire. We often find that companies, particularly those that haven't heard of the WDI previously, might not be receptive in the first year that they are asked. It's our role as investors to make the case for their involvement in the WDI and to keep applying pressure over time. Moreover, data shows that companies participating in WDI increase their disclosures over time.[3]

The team at Castlefield has contacted over a dozen companies in the past few months. So far this year, two more firms that we invest in have committed to participating, and we're in discussions with a third.

The window for WDI submissions closes at the end of October and the submitted data will be made available to investors. The questions cover a range of employee-related issues, from diversity and pay to worker representation and safety. We can use that data to help understand the relative strengths and weaknesses of companies when it comes to managing their workforce.

The WDI survey covers[4]

1.	Governance
2.	Risk assessment
3.	Workforce compensation
4.	Diversity and inclusion
5.	Workforce pay levels
6.	Stability
7.	Training and development
8.	Health, safety and wellbeing
9.	Worker voice and representation
10.	Grievance mechanisms
11.	Supply chain transparency
12.	Responsible sourcing
13.	Supply chain working conditions

1. https://shareaction.org/investor-initiatives/workforce-disclosure-initiative
2. https://api.shareaction.org/resources/reports/Workforce-Disclosure-2020.pdf pg. 9
3. https://api.shareaction.org/resources/reports/Workforce-Disclosure-2020.pdf pg. 17
4. https://api.shareaction.org/resources/reports/Workforce-Disclosure-2020.pdf pg. 20 &21

GYM GROUP

As part of our ongoing conversations with companies on energy efficiency and net zero, we had a positive meeting with Gym Group over the summer. The company originated from a sustainability venture capital fund and sustainability considerations remain central to the firm's ethos. The company has strong social values and, through its low-cost business model, it aims to make exercise more accessible to a wider proportion of the population.

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In our meeting, senior representatives talked us through their low carbon gym model: a significant proportion of the company's carbon emissions come from heating, lighting and air conditioning, and measures have been taken to reduce energy consumption and increase efficiency. The company is also using heat pumps at smaller gyms and trialling larger heat pumps for its bigger sites. In addition, Gym Group procures renewable energy where possible. Another innovative feature, this time on resource efficiency, is that the company recycles the condensation from its air conditioning units into water for flushing toilets.

> At the time of our meeting, Gym Group was in the process of setting itself a net zero carbon target.

At the time of our meeting, Gym Group was in the process of setting itself a net zero carbon target. What became clear from our conversation was that even though the company is not an energy intensive business, it is already planning for the transition to a zero-carbon economy and is considering how changes to electricity supply, customer transportation and so on will affect company operations.

Finally, we touched on the area of climate change and governance. This is increasingly an area of interest for us as investors and we are keen to see the highest levels of management having direct oversight for climate-related decision-making. At Gym Group a sustainability working group reports directly to the executive team, which in turn reports to the board.

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Since the meeting, Castlefield has participated in a "materiality assessment" commissioned by Gym Group to make sure that the firm is taking action on its biggest social and environmental impacts. The assessment is often carried out by an independent third party that interviews a range of stakeholders to collate views on the company and its efforts to address sustainability issues. We are always keen to participate in such activities as it enables us to provide input at a crucial moment when a company is developing, or updating, its carbon, energy or sustainability strategy.

GREEN BONDS

With an ever-increasing focus on cutting global emissions, there is a growing need to finance low-carbon energy and environmentally sustainable projects and technologies. Given the scale of the funds required, capital markets look set to provide the majority of this funding through a variety of financial instruments such as green bonds.

> Green bonds are debt instruments issued in order to raise capital to finance infrastructure and projects aimed at improving environmental issues.

Green bonds are debt instruments issued in order to raise capital to finance infrastructure and projects aimed at improving environmental issues. The majority of these issues to date have been conventional investment-grade bonds (typically less risky with higher credit ratings) and have been issued by sovereign states or banks.

In September, the UK issued £10 billion of Green Gilts in the world's largest inaugural sovereign green bond issue, with a second issuance planned for later this year.[1] The Chancellor of the Exchequer, Rishi Sunak, said:

"This funding will be used to finance vital green government projects across the country, including things like clean transportation, renewable energy and preserving our natural environment. In helping us to build back better and greener, it will also help to create jobs as we transition to net zero."

There are many positives associated with green bond programmes and at the end of 2020, the green bond market was reported to be worth $1.1 trillion.[2] The demand for green, sustainable, and social investment products is growing rapidly, and investing in a bond which will specifically and exclusively fund environmentally-friendly projects could be a way for investors to incorporate their values into their investment portfolio.

However, there are still some gaps which we feel need to be addressed by issuers. Currently, the definition of what constitutes a 'green' project is not entirely clear. There are a number of organisations that have provided guidelines for issuance, such as the International Capital Market Association (ICMA), but most of these are voluntary measures leaving most issuers to self-certify.

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Allocation of funds, transparency and ring-fencing of funds are crucial aspects required to ensure the credibility of any green bond programme. To assess the success and impact of an investment in a green bond, investors need to know the types of projects that are deemed eligible for funding and the method for the selection of these projects.

As recommended by the ICMA, proceeds from a green bond issue should be clearly ring-fenced and tracked to ensure that they are solely used for environmentally-friendly projects. If the funds are not separate, it is possible that the cash could be merged with other forms of non-green financing and that proceeds from non-green sources could be used to service the interest payments for the bond.

Finally, we believe that regular reporting on how the funds have been used and the impact of the funded projects is essential to grow investor confidence in the credibility of green issues. We are hopeful that landmark sovereign issues can set the standard and market expectations for other issuers.

> The market remains interesting, but we do not take the green bond label at face value.

The market remains interesting, but we do not take the green bond label at face value. Due to the voluntary nature of green bond standards, every bond issue must be assessed to see how far best practice has been applied. External review and accreditation from third parties such as the Climate Bonds Initiative is another thing we would view favourably.

Currently, from a risk and return perspective we are unlikely to be investing directly in green bonds at this point in time, particularly sovereign issues, but continue to assess the market for potential opportunities and to monitor best practice.

Written by Amelia Overd

1. https://www.gov.uk/government/news/uks-first-green-gilt-raises-10-billion-for-green-projects
2. 'Sustainable Debt: Global State of the Market 2020', Climate Bonds Initiative

CDP NON-DISCLOSURE CAMPAIGN UPDATE

> CDP hold the world's richest and most comprehensive climate reporting dataset thanks to their involvement in this sector for over two decades.[1]

Earlier this year, we took part in CDP's Non-disclosure campaign. CDP (formerly the Carbon Disclosure Project) are a global not-for-profit charity with a goal of making environmental reporting mainstream. CDP do this by annually operating detailed climate change, water and forestry disclosure frameworks aimed at companies, investors, cities, states and regions. The idea behind these frameworks is that by increasing the quality and quantity of environmental disclosures, over time, performance can be tracked, and any areas of concern are highlighted and can be improved. CDP hold the world's richest and most comprehensive climate reporting dataset thanks to their involvement in this sector for over two decades.[1]

Every year, CDP contacts thousands of the highest emitting companies globally to get them to complete their environmental questionnaires. Unfortunately, not every company responds to these initial disclosure requests. This is where the non-disclosure campaign proves to be an effective tool. The campaign brings together numerous institutional investors who, as CDP signatories, all have the collective aim of improving environmental disclosure. These institutional investors can be more persuasive than CDP due to the large shareholding that they have in these companies. As a result of this, institutional investors can use their power and significant voice to implore the non-responders to disclose.

As part of the 2021 campaign, a total of 168 investors with combined assets under management of $17 trillion approached over 1300 companies regarding environmental disclosure.[2] At Castlefield, we were very keen to get involved in this and we sent letters directly to seven of our investee companies and co-signed a further five. These letters reiterated the importance of disclosing environmental data so that companies can understand any potential climate-related risks, highlighted the benefits of comparable, complete and reliable data for investment analysts carrying out company research and urged the companies to respond to CDP's climate questionnaire.

As a direct result of our engagement, we are pleased to announce that five companies subsequently made the decision to take part and completed CDP's climate change questionnaire. This was very encouraging because historically, on average, only 20% of companies approached in the non-disclosure campaign end up responding to the request and the number for full disclosure to CDP is much lower.[3] Given that this is the first time we have taken part in this campaign, we are very pleased with how successful it has been. Disclosure however is an ongoing process, and we cannot rest on our laurels. As things stand 70 of our investee companies currently report their environmental data to CDP and we aim to assist CDP in growing this over the coming years. We look forward to getting involved once again in next year's non-disclosure campaign.

Written by Barney Timson

1. https://www.cdp.net/en/info/about-us/what-we-do
2. https://www.cdp.net/en/articles/media/a-record-168-investors-with-us17-trillion-of-assets-urge-1300-firms-to-disclose-environmental-data
3. CDP

VOTING ACTIVITY: Q2 2021

As investors, we believe that we have a responsibility to our clients, as well as the companies that we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their approach. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings and are made publicly available on our website, as is our full voting history.

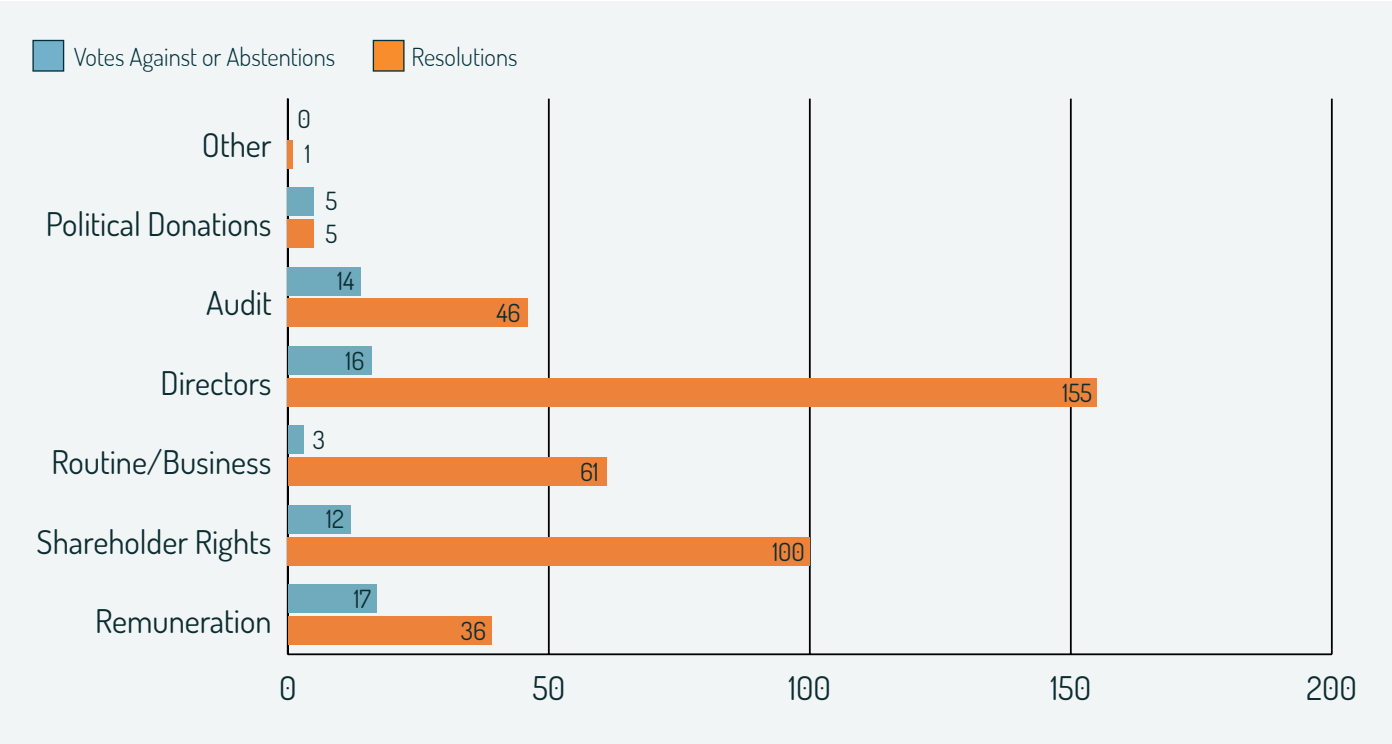
RESOLUTIONS

Number of resolutions where votes were cast For	337	83.4%
Number of resolutions where votes were cast Against	61	15.1%
Number of resolutions where votes were Abstained	6	1.5%

During the quarter, we voted at 32 meetings hosted by our investee companies, with a total of 404 resolutions.

1.	REMUNERATION	We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
2.	DIRECTOR INDEPENDENCE & EFFECTIVENESS	Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
3.	SHAREHOLDER RIGHTS	This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
4.	POLITICAL DONATIONS	We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
5.	THE AUDIT PROCESS	Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
6.	ROUTINE/BUSINESS:	Items in the category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
7.	OTHER	This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



'Other' Resolutions

As we've discussed previously, we have seen an increase in the number of Environmental, Social and Governance (ESG) resolutions being put forward at AGMs by either management or other shareholders. This quarter we saw National Grid, whose shares we hold, put their climate action plan up for an advisory shareholder vote.

As a part of their climate action plan, the company has outlined its intention to reduce its direct Scope 1 and 2 emissions by 80% by 2030, 90% by 2040 and to net-zero by 2050 from a baseline level of 1990. Additionally, the company's Scope 3 emissions will be cut by 20% by 2030 compared to a 2016 baseline. This is particularly important as the Scope 3 category includes the gas and electricity that is sold to its customers.

We are encouraged to see more businesses consulting shareholders about their approaches to address climate change and committing to new targets to reach net zero. Transparency is very important for investors and other stakeholders to be able to assess whether these targets are ambitious enough and whether, over time, the company appears to be delivering the intended reduction in emissions. National Grid will report on its climate plan annually, as well as providing a shareholder vote to approve this reporting going forward.

UPCOMING THEMATIC REPORT: DIVERSITY & REMUNERATION

Having now completed our extended engagement project with AIM-listed companies on the topics of diversity and remuneration, we are pleased to say that we will be publishing a standalone report on our findings. The report will highlight areas in which we feel companies are improving as well as the gaps we believe need to be addressed more systematically by smaller businesses. We will also be able to highlight a few of our investee companies that we feel stand out as leading the way in their approaches.

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We have provided updates on this project within previous editions of our quarterly Stewardship Reports but to provide a recap, in our experience dealing with smaller listed businesses, we identified two key topics where there was significant room for improvement.

On diversity, while we have seen success in an increasing level of gender diversity for larger listed businesses in recent year, the picture within AIM, the sub-market of the London Stock Exchange for small and medium sized growth companies, is rather different: the executive director population surveyed in a KMPG report had female directors accounting for just 7%.[1] Other forms of diversity, such as age and ethnicity among others, are more difficult to track, but from our experience, and the findings of The Parker Review which surveyed larger businesses, transparency and reporting has been limited. We believe boards that genuinely embrace cognitive diversity, as manifested through appropriate gender and ethnic representation and a broad spectrum of skills and experience, are more likely to achieve better outcomes for investors.

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With regard to remuneration, when we compare with larger listed businesses, the amount of information published by AIM-listed businesses is less detailed and the requirements are far less prescriptive. As investors, we view increased levels of disclosure favourably and support adherence to best practice as defined by the UK Corporate Governance Code where feasible and so we have been highlighting this to companies as well as encouraging a separate advisory resolution on remuneration to be put to shareholders each year at company AGMs.

We began our engagement by sending letters out to our AIM-listed businesses and for some time have been following up with meetings with management teams and member of the Board where necessary to improve our understanding of how these issues are viewed and have had a large number of very productive and informative calls.

> The majority of companies were very open and willing to discuss the topics in detail. Most were also very interested in hearing our suggestions on how they could improve their reporting standards.

One of the most pleasing results from this engagement projects was that the majority of companies were very open and willing to discuss the topics in detail. Most were also very interested in hearing our suggestions on how they could improve their reporting standards. Such engagements are a key part of our investment process, whilst continuing to build long-term and constructive relationships with companies on behalf of our investors we believe can help aid the outcome of our engagements.

1. https://assets.kpmg/content/dam/kpmg/uk/pdf/2019/04/aim-survey.PDF

PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

CFP Castlefield B.E.S.T Sustainable UK Opportunities Fund

The CFP Castlefield B.E.S.T. Sustainable UK Opportunities fund is an investment fund with the primary aim of achieving long term capital growth through investing in a diverse selection of UK equities. In November 2019, the fund completed its transition into our B.E.S.T Sustainable range and it now operates under an explicit responsible investment mandate. A bottom-up approach to stock selection is taken and investments are identified through the team's proprietary research framework. The four criteria that need to be evidenced by each investment are highlighted in the name of the fund. B.E.S.T indicates Business and financial, Environmental and ecological, Social and Transparency and governance. This framework filters out Tobacco, Oil & Gas and Mining sectors amongst others and seeks to assess a stock's sustainability credentials in a holistic way.

The fund has a multi-market capitalisation remit meaning that it can invest in large-cap stocks all the way down to small-cap and even Alternative Investment Market (AIM) listed stocks. This gives the fund a wider universe to cherry pick companies with the best sustainability and financial characteristics. The investment process is focused on companies that can grow their revenues, expand profit margins and are fundamentally undervalued relative to their cash flows or embedded asset value. The fund operates a high conviction strategy meaning that typically, there are between 35-45 holdings at any one time, and the top ten names often represent 30-40% of the fund. The fund also has a low turnover because by nature, we are long-term investors, and we fundamentally believe in the stocks that we hold.

Triple Point Social Housing

Triple Point Social Housing is a real estate investment trust that specialises in social housing assets based in the UK. The UK is currently in the midst of a housing crisis. After years of under-investment in the sector, and a strong increase in demand for assets, a huge imbalance of supply and demand has been created. The population demographic in the UK is changing. Advances in medicine have resulted in people living longer lives than 50 years ago. By 2026, it is estimated that nearly 12 million British people will be over the age of 65, and as the older population increases, the need for retirement facilities and social housing will rise. The amount of time residents spend in these homes is also likely to increase. Additionally, 29,000 people that require support currently live with people over the age of 70.[1] This brings with it a unique set of challenges.

Triple Point is attempting to address these structural issues through maintaining a stock of social housing that can support vulnerable adults with long-term support needs such as physical or learning disabilities, mental health issues and sensory impairment. By supplying adequate and appropriate housing for the most vulnerable, Triple Point provides local authorities with a value-for-money housing option that is both cost-effective and more importantly, better suited for its occupants' needs. Triple Point offers investors stable, long-term inflation-linked income with the potential of capital growth through the acquisition of new assets.

1. https://www.learningdisabilities.org.uk/learning-disabilities/help-information/statistics/learning-disability-statistics-/187696

Tribal Group

Tribal Group is a leading provider of software and services to the international education market. Its purpose is to enable student success through enterprise, software and services. Tribal believes that everyone should have access to a great quality education, and that goes beyond teaching alone. From an ESG perspective we view favourably Tribal Group's longstanding commitment to the Energy Savings Opportunity Scheme (ESOS), whereby reduction in environmental impact has been an important theme for a number of years.

The pandemic has allowed Tribal to improve its performance in many of these areas, but they are committed to changing more behaviours so that improvements can continue in the long term. Some of their key focal points in reducing carbon emissions are rooted in reducing travel, becoming paperless and complying to Streamlined Energy and Carbon Reporting (SECR). Tribal's core business is the delivery of Student Information Systems meeting the evolving needs of the higher education sector. The company has a well-established global presence and is rich in intellectual property, whilst it plans to build from this strength by expanding its addressable market and geographic reach through internal development and M&A, which should further increase quality of earnings and improve margins.

Places for People

Places for People is an established Housing Association which incorporates both regulated Housing Association activities as well as non-regulated activities. It encompasses leisure centre management on behalf of local councils, residential property management and low-carbon property development. In line with the values of its Housing Association activities, the leisure division reinvests all surpluses back into the company either in new services or to minimise costs rather than extract a dividend from the operations. In addition, Places for People has a strong social commitment and are partners in public health, providing facilities that promote health and wellbeing including services provided in conjunction with the NHS such as GP Exercise referral programmes, Stroke and Cardiac Rehabilitation and Smoking Cessation.

Touchstone, alongside Residential Management Group (RMG), forms the residential property management division of Places for People and it was acquired in 2012. Touchstone is involved with projects that include delivering over 400 new-build affordable homes in central London and managing market-rented family homes through the Manchester Housing Investment Fund which helps to free up land, regenerate housing, and build new homes. Like Touchstone, RMG provides management of residential housing but also provides homelessness services. Places for People also has strong environmental commitments to decarbonisation. Zero C Holdings Limited is a subsidiary focused on the construction and development of homes that as a minimum comply with or exceed Level 4 of the Code for Sustainable Homes. Such properties typically have a 44 per cent reduction in Carbon Dioxide emissions and a 50 per cent reduction in water usage compared to a typical home which is important as Net Zero has become a more pressing theme globally.[1]

1. https://placesforpeople.co.uk/media/ezjlyp5d/retail-bond-prospectus.pdf

SPOTLIGHT ON THE PORTFOLIO FUNDS - OUTLOOK

CFP Castlefield B.E.S.T. Sustainable Portfolio Growth Fund

Since last quarter's outlook statement, it feels increasingly as if COVID-19 is being consigned to the rear-view mirror, with markets more concerned with assessing the prospects for inflation rates, supply chain disruption and energy price spikes. Whether marginalising the former is the right move ahead of the winter remains to be seen, however the vaccine roll-out (for those nations fortunate enough to have supplies) has made a material difference in allowing economic recovery to begin. Indeed, it's the confluence of recovering demand with coronavirus-disrupted supply chains that gives rise to some of the inflationary pressures at present, and the debate over whether they are transitory or not.

Supply chain issues will pass though, whereas the energy price situation feeds into a longer-term picture. Here, we see it increasing calls for an acceleration away from reliance on fossil fuels and towards further adoption of renewable technologies. Coal has been under pressure for some time now, while the impact of surging gas prices now may well hasten further moves away from that as a source of energy. In short, the backdrop is less benign than it has been in recent months, albeit that the short-term pressures will eventually abate as they do as each economic cycle waxes and wanes.

CFP Castlefield B.E.S.T. Sustainable Portfolio Income Fund

We continue to expect little by way of change to the fund's asset allocation, believing the mix to be appropriate both for the mandate and current conditions. In a UK context, dividend payments continue to recover the ground lost when the pandemic broke and they were cancelled, reduced or postponed to various degrees, to the extent that the sum of dividends being paid out is almost back to the pre-pandemic high. This is good news for investors seeking to take an income from their investments. The fund continues to have meaningful exposure to assets such as renewable energy infrastructure which provide above-average dividend yields and largely grow them in line with inflation, while the type of companies we and our external fund managers invest in are biased to those of a high quality. Such stocks are generally able to maintain their pay-outs through thick and thin.

The focus on inflation will drive sentiment swings towards the bond holdings within the fund, so it's fair to expect returns from this segment to be modest in the short-term given rising inflation is a headwind for the asset class. However, we'd expect the credit quality of our exposure here to be solid and therefore to avoid material weakness. Elsewhere, we continue to assess the options available in the property and infrastructure asset classes to provide a diversified mix of exposure and healthy income generation. Ahead of COP26, it's steady as she goes, while we hope that the Glasgow event may prove a positive trigger for investments focusing on tackling climate change.

FUND COMMENTARY

CFP CASTLEFIELD B.E.S.T SUSTAINABLE PORTFOLIO GROWTH FUND

Key Information

Fund Size:	£61.87m
Sector:	IA 40- 85% Equities
Launch Date:	1-Feb-18
Managers:	Simon Holman and David Elton
Number of Holdings:	25-35
Payment Dates:	Quarterly

Cumulative Performance (%)

A- CFP Castlefield B.E.S.T Sustainable Portfolio Growth Gen. [31.42%]
B- IA Mixed Investment 40-85% Shares [24.00%]

	1 Mth	3Mths	6 Mths	1 Yr	3 Yr	Since Launch
Fund	-1.04	3.11	9.72	19.31	25.95	31.42
Sector	-1.36	1.33	6.34	16.63	21.30	24.00
Quartile	2	1	1	1	1	1

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	12.35	3.91	17.86	-	-
Sector	7.99	5.32	15.78	-	-
Quartile	1	3	1	-	-

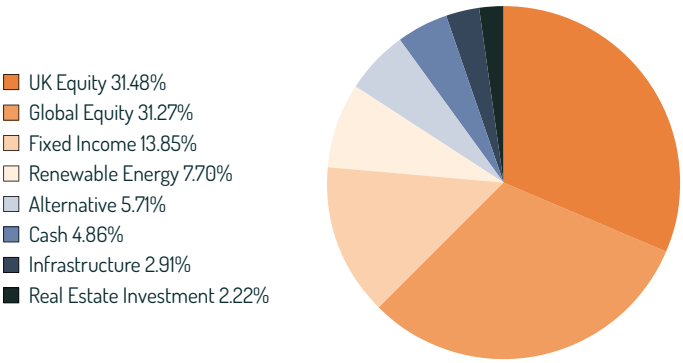
Discrete Year to Quarter End Performance (%)

	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	19.31	2.09	3.40	-	-

Source: 01/02/2018 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation



Top 10 Holdings

		%
1	CASTLEFIELD B.E.S.T SUSTAINABLE UK OPPORTUNITIES FUND	11.69
2	CASTLEFIELD B.E.S.T SUSTAINABLE UK SMALLER COM FD	10.96
3	FIRST SENTIER INVEST ICVC STEWART WORLDWIDE SUSTAINABILITY FD	9.20
4	CASTLEFIELD B.E.S.T SUSTAINABLE INCOME FUND	8.83
5	CASTLEFIELD B.E.S.T SUSTAINABLE EUROPEAN FUND	7.32
6	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS	6.69
7	CASTLEFIELD REAL RETURN FUND	4.85
8	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	3.72
9	RATHBONE ETHICAL BOND FUND	3.27
10	SARASIN FUNDS ICVC SARASIN RESPONSIBLE GLB EQUITY	3.15

Fund Commentary

The CFP Castlefield B.E.S.T Sustainable Portfolio Growth Fund returned +3.1% in the third quarter of 2021, versus +1.3% for its peers in the Investment Association's Mixed Investment 40-85% Equities sector.

The third quarter was generally positive for markets globally other than Asia-Pacific (ex-Japan) and Emerging Markets, albeit sentiment varied from month-to-month as investors continued to grapple with the outlook for inflation and the impact on Central Bank policy as a result. A bubbling undercurrent was present from the financial woes of Chinese property company Evergrande, a complex web of companies burdened with unsustainable levels of debt. Occasional fears of contagion or a market dislocation in China rippled across markets but with no lasting damage done, while elsewhere the prices of fossil fuels surged on supply constraints. With COP26 around the corner in Glasgow, it serves to remind us all of the need to accelerate the transition away from fossil fuels in order to tackle the climate crisis.

Given those widespread gains, equity holdings again delivered the key contributions to quarterly returns. The Stewart Investors Worldwide Sustainability Fund led the way, with a total return for the period of +5.7% giving rise to a contribution of +0.5% to fund performance. Our own growth-focused UK equity funds performed well once again, each contributing +0.3% to fund returns, while our B.E.S.T Sustainable UK Income Fund also delivered a similar figure, as did the global equity-focused WHEB Sustainability Fund. Positive operational updates from Capital for Colleagues saw its shares rise +27.8% over the quarter, giving rise to a contribution of +0.2% to the fund, while our positions in our own B.E.S.T Sustainable European, the Liontrust Sustainable Future Global Growth and the Sarasin Global Responsible Equity funds added further positive contributions.

Our bond fund holdings detracted from performance to a small degree, a result of the focus on rising inflation rates and the potential for interest rates to increase sooner than expected. Elsewhere, the largest detractor on the quarter came in the form of Triple Point Social Housing, where the shares fell on the back of sector pressure centred around a different social housing-focused fund. The impact was less than -0.1% to the fund return and so very modest in an overall context and when set against the solid gains outlined above.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD B.E.S.T SUSTAINABLE PORTFOLIO INCOME FUND

Key Information

Fund Size:	£13.87m
Sector:	IA 20- 60% Equities
Launch Date:	6-Jul-20
Managers:	Simon Holman and David Elton
Number of Holdings:	25-35
Payment Dates:	Quarterly

Cumulative Performance (%)

A- IA Mixed Investment 20-60% Shares TR in GB [12.79%]

B- CFP Castlefield B.E.S.T Sustainable Portfolio Income Gen TR in GB [12.26%]

	1 Mth	3Mths	6 Mths	1 Yr	Since Launch
Fund	-1.62	1.56	5.98	11.98	12.26
Sector	-1.24	0.78	4.41	12.21	12.79
Quartile	4	1	1	3	3

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	7.23	-	-	-	-
Sector	5.30	-	-	-	-
Quartile	1	-	-	-	-

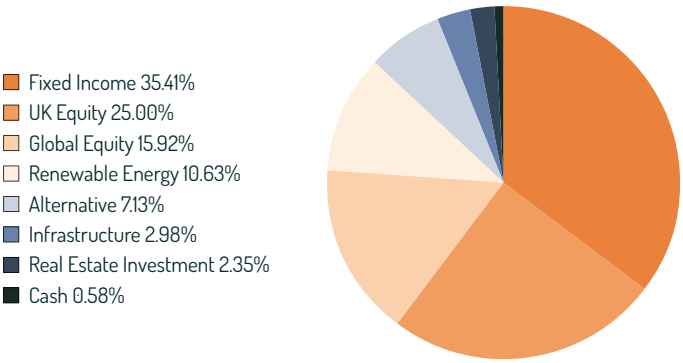
Discrete Year to Quarter End Performance (%)

	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	11.98	-	-	-	-

Source: 06/07/2020 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation



Top 10 Holdings

		%
1	CASTLEFIELD B.E.S.T SUSTAINABLE INCOME FUND	19.02
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	11.26
3	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	8.61
4	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	8.42
5	CASTLEFIELD REAL RETURN FUND	6.11
6	FIRST SENTIER INVEST ICVC STEWART WORLDWIDE SUSTAINABILITY FD	4.80
7	CASTLEFIELD B.E.S.T SUSTAINABLE EUROPEAN FUND	3.72
8	SARASIN FUNDS ICVC SARASIN RESPONSIBLE GLB EQUITY SICAV	3.16
9	CASTLEFIELD B.E.S.T SUSTAINABLE UK SMALLER COM FD	3.03
10	FIRST SENTIER INVEST GLOB UMBRELLA FD PLC GLO LIS INFRA FD	2.98

Fund Commentary

The CFP Castlefield B.E.S.T Sustainable Portfolio Income Fund returned +1.6% in the third quarter of 2021, versus +0.8% for its peers in the Investment Association's Mixed Investment 20-60% Equities sector.

With the fund now having passed a year since launch, we're able to present performance information for the first time. For the third quarter this shows a positive picture, having nudged ahead of its peer group sector over the period, and bringing the return over the past twelve months virtually in line.

Against an ultimately positive backdrop for stock markets, equity exposure within the fund unsurprisingly led the contributions to performance. While investors and commentators continue to analyse every new data release for possible signs of inflation heating up or insight into the strengths or weaknesses of the pace of economic recovery in various sectors, the general consensus remains that the rate of inflation is expected to trend back down even if it moves higher in the short term. That interpretation lends itself to a modestly positive backdrop for equities.

Conversely, the mild pressure experienced in bond markets on consideration over the timing of the withdrawal of policy support and potential interest rate rises meant that the bond exposure in the fund generally dragged on performance. The Edentree Responsible and Sustainable Sterling Bond fund contributed -0.1% to performance, with the Royal London Ethical Bond fund approximately half that figure. A handful of the individual Retail Charity Bonds also gave back some modest ground, while Triple Point Social Housing was a little soft over the quarter on sector pressures.

Turning to the gainers, our Castlefield B.E.S.T Sustainable Income Fund produced the single largest contribution to performance, with its gains of +2.9% translating into a contribution to return of +0.6%. This was complemented by the Stewart Investors Worldwide Sustainability Fund, returning +0.3%, and Capital for Colleagues, where positive operational developments saw the shares rise almost 28% and contribute +0.2% to fund performance.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD B.E.S.T SUSTAINABLE EUROPEAN FUND

Key Information

Fund Size:	£20.36m
Sector:	IA Europe ex UK
Launch Date:	1-Nov-17
Managers:	Rory Hammerson
Number of Holdings:	30-40
Payment Dates:	Semi-annual

Cumulative Performance (%)

A- CFP Castlefield B.E.S.T Sustainable European General [38.55%]
B-IA Europe Excluding UK [28.8%]

	1 Mth	3Mths	6 Mths	1 Yr	3 Yr	Since Launch
Fund	-5.64	1.77	11.28	14.97	42.11	38.55
Sector	-3.42	1.61	8.77	22.41	28.88	28.80
Quartile	4	2	1	4	1	1

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	9.99	20.42	27.37	-14.53	-
Sector	11.53	10.28	20.33	-12.16	-
Quartile	3	1	1	4	-

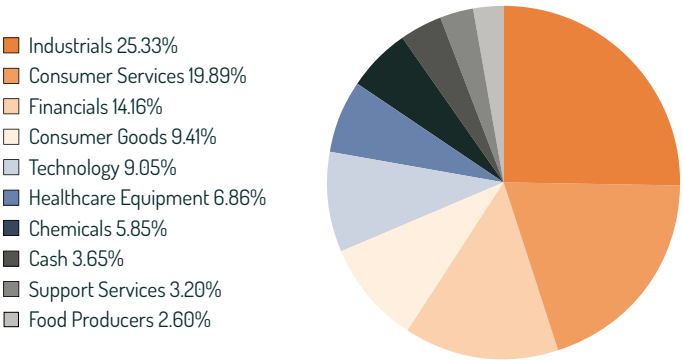
Discrete Year to Quarter End Performance (%)

	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	14.97	20.59	2.51	-	-

Source: 01/11/2017 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation



Top 10 Holdings

		%
1	VESTAS WIND SYSTEMS A/S	5.85
2	TELEPERFORMANCE SE	5.69
3	PARTNERS GROUP	4.82
4	TECAN GROUP	4.60
5	STRAUMANN	4.30
6	AKKA TECHNOLOGIES	4.06
7	SONOVA	3.57
8	GEA GROUP	3.50
9	SYMRISE	3.50
10	KERRY GROUP	3.24

Fund Commentary

The third quarter of 2021 continued with consistent engagement despite the lull of the summer holidays. Engagement statistics remain very similar to previous periods with the average time between one contact with our portfolio companies and another sitting below four months, which is important as the corporate agenda is becoming more complex with additional ESG disclosures and an increased focus on decarbonisation which will require significant extra resource. We find that our European companies are prioritising the agenda and there is strong backing from the directors who understand the need for action now. Reporting will take a significant amount of work and preparation and we are encouraging an acceleration of the journey.

The best contributors during the quarter were Akka Technologies, the French engineering consultant, Swiss based Tecan Group, which makes specialized laboratory equipment for the healthcare industry, and Swiss based dental specialist Straumann. Akka Technologies had been struggling as cashflows suffered last year owing to the pandemic but was bid for at a significant premium by Swiss-based recruitment company Adecco during the summer. We are supportive of the bid, and we will decide what to do when the time comes as the bid comes in the form of Adecco shares. Tecan is a leading laboratory instrument manufacturer and given the huge surge in laboratory throughput for clinical diagnostics, they are a hugely important tool as viral testing continues. The significant time saving for laboratory work with Tecan prep and test systems has made for a large positive impact to their order backlog, providing them with a strong revenue stream into the future. They report well on ESG and focus on supply chain governance as well as being a signatory to the UN Global Compact.

In terms of trading, we have used around half the cash to reinvest in the existing holdings having increased our positions in Akka Technologies, well before the bid, and Ion Beam Applications, both of which had been below target weight due to share price volatility. The research pipeline remains strong and despite the strength in European equities we are still able to find interesting opportunities.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD B.E.S.T SUSTAINABLE INCOME FUND

Key Information

Fund Size:	£22.84m
Sector:	IA UK Equity Income
Launch Date:	2-May-06
Managers:	Mark Elliott
Number of Holdings:	30-40
Payment Dates:	Quarterly

Cumulative Performance (%)

A- IA UK Equity Income [25.38%]
B- CFP Castlefield B.E.S.T Sustainable Income General [16.15%]

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-1.65	2.87	9.81	21.84	10.73	16.15
Sector	-1.27	2.34	7.48	32.67	9.61	25.38
Quartile	3	2	1	4	2	3

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	15.33	-12.38	21.67	-11.93	3.91
Sector	14.74	-10.73	20.07	-10.54	11.32
Quartile	2	3	2	3	4

Discrete Year to Quarter End Performance (%)

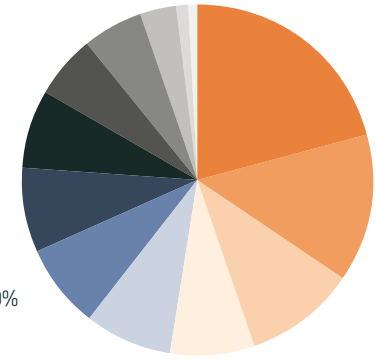
	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	21.84	-11.00	2.11	-4.74	10.12

Source: 30/09/2016 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation

- Financials 20.88%
- Industrials 13.81%
- Technology 10.06%
- Consumer Goods 7.96%
- Renewable Energy 7.93%
- Support Services 7.82%
- Health Care 7.76%
- Consumer Services 7.39%
- Utilities 5.78%
- Infrastructure 5.51%
- Real Estate Investment Trusts 3.39%
- Telecommunications 1.13%
- Cash 0.58%



Top 10 Holdings

		%
1	UNILEVER	5.38
2	CITY OF LONDON INV	5.02
3	STRIX GROUP PLC	4.80
4	NATIONAL GRID PLC	4.20
5	EMIS GROUP	4.17
6	GLAXOSMITHKLINE PLC	4.10
7	TYMAN	3.73
8	ASTRAZENECA	3.66
9	PAYPOINT PLC	3.56
10	GREENCOAT UK WIND PLC	3.49

Fund Commentary

The Castlefield B.E.S.T Sustainable Income Fund returned +2.87% for the quarter, compared to the IA UK Equity income sector, which returned +2.34%.

UK equities continued higher through the early part of the quarter before concerns about inflation stoked by energy prices and labour scarcity in some key sectors saw markets retreat back to close the period up a relatively modest amount. Against this backdrop, key contributors included the payments provider Paypoint up 26.9% on a positive response to proposals it had put forward to allay competition concerns and software stock EMIS was up over 21% following a strong set of interim results in the period. The takeover battle for Morrison's supermarkets also resulted in further gains for the portfolio after the initial approach to take the group private was made in the preceding quarter. Morrison's shares added a further 19.4% as private equity firm Fortress joined the battle to take the group private. After a period of offer and counter-offer, the takeover went to an auction process that closed just after the quarter-end and resulted in the original bidder, Clayton Dubilier & Rice fielding the successful bid. The conclusion of the bid will see Morrison's disappear from public markets and the battle to take it private touched on many of the themes that are central to the way that we approach investment. The issue of treating other stakeholders fairly was a key part of the discussions, with the private equity suitors having to engage with the pension trustees on the funding of the group pension scheme. Morrison's has enjoyed a reputation for responsible sourcing and fresh produce within the sector and it remains to be seen how the new owners commit to sourcing, healthy nutrition and supporting their supply chains in the future. These issues continue to move up the corporate agenda and remain a central part of our engagement activity with other investee firms.

During the period we added a new holding to the portfolio, Smart Metering Systems. As its name suggest, the group connects, owns, operates and maintains metering systems and databases on behalf of energy suppliers, as well as delivering metering, energy management and utility connection services directly to energy consumers. They are increasingly involved in the development of grid-scale battery energy storage, a vital component of the energy grid as more renewable electricity generation assets feed into the network. Based on the projections for the rate at which the nation requires more of these storage facilities to become operational, there is a substantial growth opportunity ahead. The group has an opportunity to pivot itself away from being a service company in a niche where the rate of new meter installs is dwindling to a become a player in the transition to smart and low-carbon energy systems.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD B.E.S.T SUSTAINABLE UK OPPORTUNITIES FUND

Key Information

Fund Size:	£30.11M
Sector:	IA UK All Companies
Launch Date:	1-Jun-07
Managers:	Mark Elliott
Number of Holdings:	30-40
Payment Dates:	Quarterly

Cumulative Performance (%)

A- CFP Castlefield B.E.S.T Sustainable UK Opportunites General [44.73%]
B- IA UK All Companies [38.48%]

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-2.34	2.41	11.11	30.35	17.38	44.73
Sector	-1.80	2.70	8.47	32.38	15.46	38.48
Quartile	3	3	1	2	2	2

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	17.66	-5.53	17.07	-0.80	9.79
Sector	14.80	-6.01	22.24	-11.19	13.99
Quartile	1	2	4	1	4

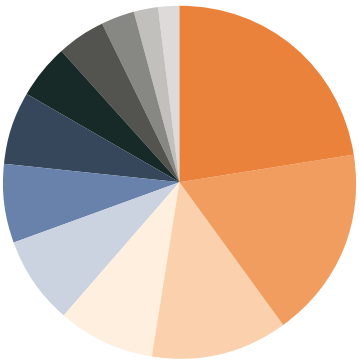
Discrete Year to Quarter End Performance (%)

	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	30.35	-9.54	-0.46	10.33	11.76

Source: 30/09/2016 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation



- Financials 22.73%
- Industrials 17.54%
- Consumer Goods 12.40%
- Healthcare 8.81%
- Technology 8.03%
- Consumer services 7.19%
- Support Services 6.90%
- Chemicals 4.75%
- Media 4.66%
- Telecommunications 2.95%
- Real Estate Investment Trusts 2.21%
- Cash 1.83%

Top 10 Holdings

		%
1	K3 CAPITAL GROUP	5.58
2	CRODA INTERNATIONAL	4.75
3	RELX	4.66
4	RWS HOLDINGS	4.64
5	IMPAX ASSET MANAGEMENT GROUP	4.61
6	TYMAN	4.49
7	EXPERIAN	4.35
8	AVAST	4.22
9	HIKMA PHARMACEUTICALS	4.18
10	EMIS GROUP	3.81

Fund Commentary

The Fund returned +2.41% for the quarter, versus a return for the sector of +2.70%.

The top two contributors were Croda (+16.51%) and EMIS Group (+21.91%). Speciality chemicals group Croda announced its half year results which saw excellent growth across all sectors, from consumer care to life sciences, with sales up 27% on 2020 and now well above 2019 levels. Given this strong performance, the company expects full year profit before tax to be significantly ahead of current market expectations. EMIS, the UK leader in connected healthcare software and systems, also announced its interim results. This demonstrated a positive half, slightly ahead of board expectations. Despite the pandemic, the company has maintained its investment in growth and the infrastructure to support this, making it very well positioned for the future. The other major contributor was cybersecurity software company Avast (+16.61%). Reflecting the current buoyant mergers and acquisitions backdrop in the UK, Avast responded to press speculation in July regarding a possible merger with US peer NortonLifeLock. Then, later in August, the Board confirmed that they had reached agreement on the terms which was to be implemented as a cash and share offer for Avast by NortonLifeLock. As a fast-growing anti-virus software business, we feel the deal undervalues Avast despite the c.66% increase in the shares since we first invested just over two years ago. We have retained the shares to enable us to vote against the deal and would prefer to see management go it alone if a superior deal can't be agreed.

Regarding detractors of note, global medical technology business Smith & Nephew pulled back -16.95% despite its interim results showing a strong recovery. As one of the largest sellers of joint replacements and wound products, the concerns were centred around further pandemic-related delays impacting elective surgery volumes which the Group is well positioned to benefit from.

The sole transaction during the period was the exit of financial and administration service group Equiniti following its recommended takeover from buy-out firm Siris Capital. As referenced last quarter, core revenues have been relatively unaffected by the pandemic, however, some higher margin activities were severely disrupted. With both Equiniti's profitability and share price affected by this it led to, in our view, an opportunistic approach. After some protracted discussion with the Board, Siris agreed a deal announced in late May (at a c.56% premium to the price before press speculation of a bid in February). We therefore opted to sell the position in the market given the limited upside remaining to the agreed price and it being unlikely to receive a competing bid.

Source: Castlefield, Factset, LSE

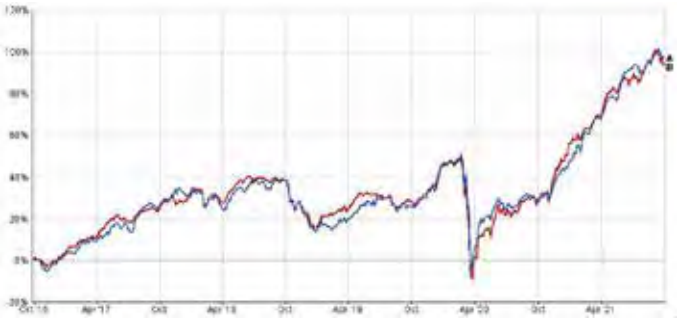
FUND COMMENTARY

CASTLEFIELD B.E.S.T SUSTAINABLE UK SMALLER COMPANIES FUND

Key Information

Fund Size:	£28.53M
Sector:	IA UK Small Companies
Launch Date:	1-Jun-07
Managers:	David Elton
Number of Holdings:	35-40
Payment Dates:	Semi-annual

Cumulative Performance (%)



A - CFP Castlefield B.E.S.T Sustainable UK Smaller Company General Income [97.36%]

B- IA UK Smaller Companies [93.64.%]

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-0.40	2.93	18.04	52.09	42.57	97.36
Sector	-2.58	3.79	14.15	51.13	39.86	93.64
Quartile	1	3	1	2	2	3

Discrete Performance (%)

	2021 YTD	2020	2019	2018	2017
Fund	33.12	2.49	25.46	-13.84	30.62
Sector	24.45	6.48	25.34	-11.70	27.18
Quartile	1	3	3	3	2

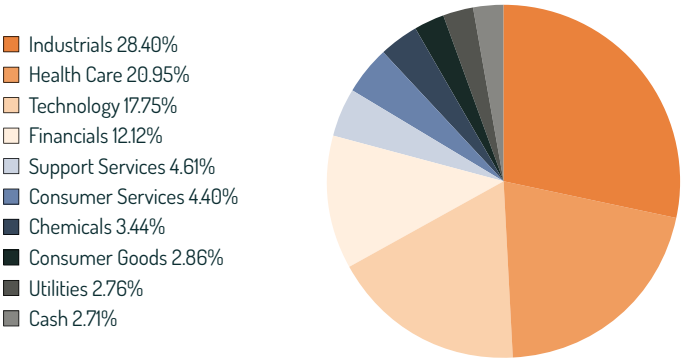
Discrete Year to Quarter End Performance (%)

	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019	Q3 2017 Q3 2018	Q3 2016 Q3 2017
Fund	52.09	2.91	-8.92	9.61	26.29

Source: 30/09/2016 - 30/09/2021. Data from FE 2021

Past performance is not a guide to future performance

Sector Allocation



Top 10 Holdings

		%
1	ANIMALCARE GROUP PLC	4.56
2	EKF DIAGNOSTICS HOLDINGS PLC	4.31
3	THE GYM GROUP PLC	4.06
4	MACFARLANE GROUP PLC	4.01
5	GRESHAM HOUSE PLC	3.97
6	INSPIRATION HEALTHCARE GROUP PLC	3.88
7	TRACSIS PLC	3.88
8	ALUMASC GROUP PLC	3.82
9	PORVAIR PLC	3.60
10	STRIX GROUP PLC	3.41

Fund Commentary

The Fund registered a total return of +2.93%, compared to the sector, which returned +3.79% over the same period.

The highest three contributors were Animalcare (+25.37%), Augean (+28.87%), and Macfarlane (+19.27%). Animal health business Animalcare, delivered very strong half year performance with double-digit revenue and profit whilst the Board expects profitability for the full year to be ahead of current market expectations. Augean, the specialist waste management business, saw its competitive takeover process conclude by way of an auction procedure. The situation began in May when Morgan Stanley Infrastructure announced it was considering making an approach for the company, followed by an offer in July, after which a second party (Eleia) made a higher offer in August. The formal auction in September led to a recommended offer of 372p per share from Eleia. This compared favourably to the initial offer, and the Fund's cost per share of c.56p since initially purchasing in early 2018. Finally, packaging group Macfarlane achieved strong sales growth in the first half of 2021, leading to its full year outlook to be ahead of previous expectations. This was driven by the ongoing structural shift to e-commerce retail, positive contribution from acquisitions and recovery in certain industrial sectors. This was despite the challenges from inflationary pressure and shortages of some materials, demonstrating its resilient business model and effective strategy.

The largest detractor with notable news was Xeros (-40.38%), the sustainable solution provider for the laundry and apparel manufacturing industries. Its interim results saw good growth in licensing income; however, the company has also been impacted by the pandemic, preventing licensees from rolling out some products. Consequently, the assumed breakeven date has slipped by one quarter to Q1 2023. Delays like this are unsurprising to us given Xeros' current stage, and management of such risk is reflected by its smaller position size. We also feel these results do not reflect its longer-term potential; particularly given the momentum behind the environmental issues its technology solve.

Regarding transactions, we exited financial and administration service group Equiniti following its recommended takeover from buy-out firm Siris Capital. While core revenues have been relatively unaffected by the pandemic, some higher margin activities were severely disrupted. With both Equiniti's profitability and share price affected by this it led to, in our view, an opportunistic approach. After some protracted discussion with the Board, Siris agreed a deal announced in late May (at a c.56% premium to the price before press speculation of a bid in February). We therefore opted to sell the position in the market given the limited upside remaining to the agreed price and it being unlikely to receive a competing bid.

Source: Castlefield, LSE, Factset

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