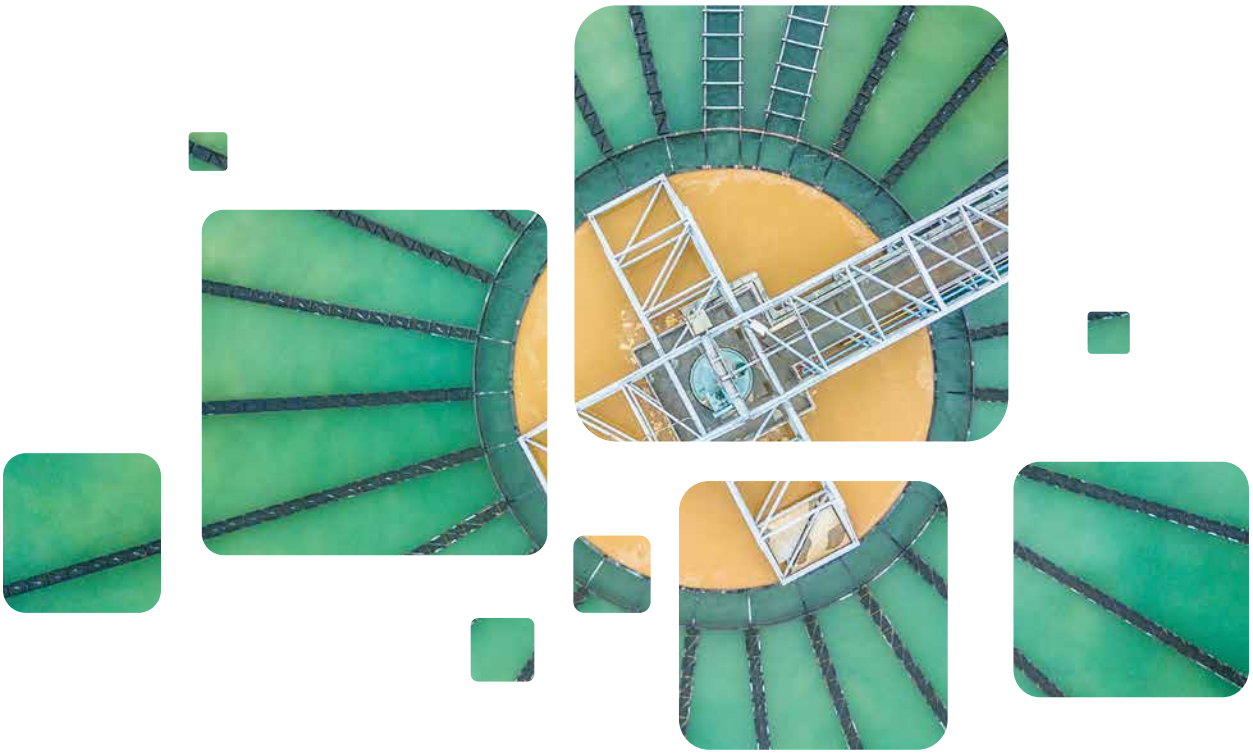
SUSTAINABLE FUNDS QUARTERLY

Q1 2022

In this report...



CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

An unhappy combination of factors affected the first quarter of 2022; Russia's invasion of Ukraine, the lingering pandemic plus an extremely challenging energy market in Europe which contributed to dramatic rises in inflation, with all the damage that does.

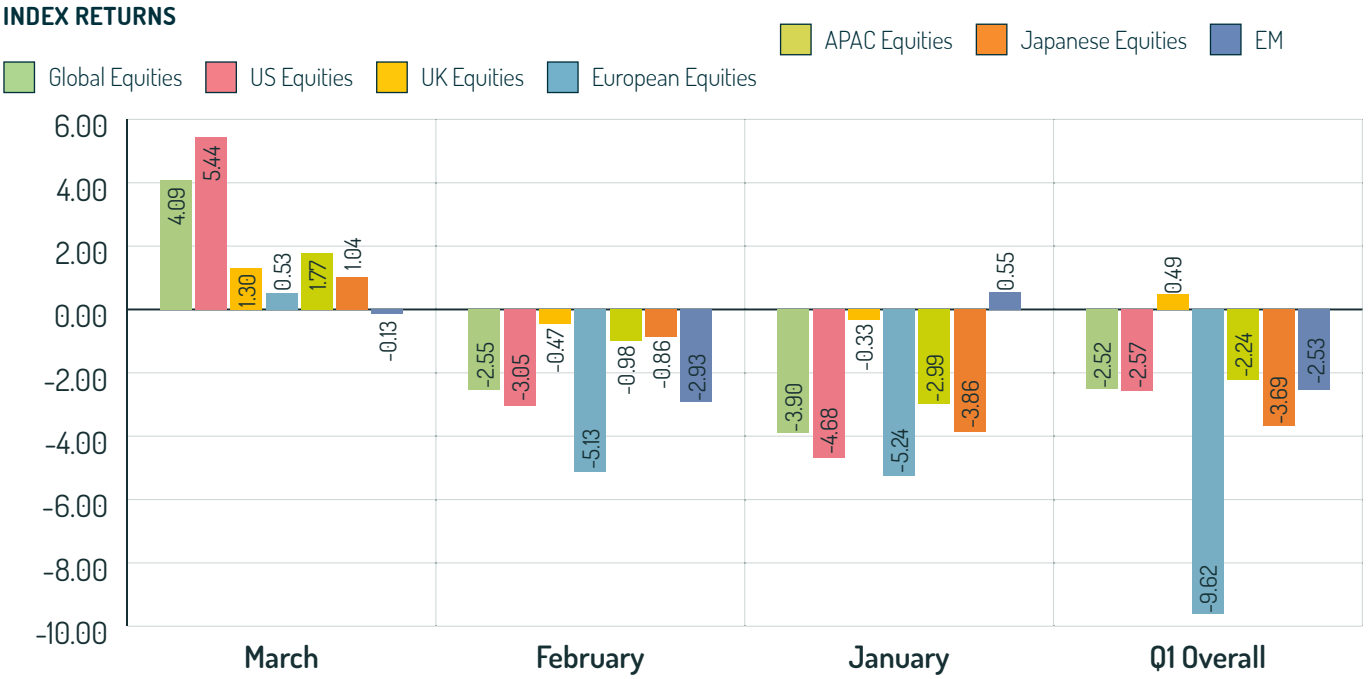
> Russia's deplorable actions forced up already rising energy and commodity prices to extreme levels.

Russia's deplorable actions forced up already rising energy and commodity prices to extreme levels, exacerbating the surge in inflation, supply chain disruption and the risks to global growth. Oil and natural gas prices were very volatile. They spiked early in March before falling back, with Brent oil ending the month at $103 per barrel and European gas prices at €121 per megawatt hour, up 33% and 55% respectively since the start of this year[1].

The present investing backdrop is therefore full of uncertainty. The war in Ukraine has exacerbated prevailing market challenges and has given central banks a headache; do they tighten policy to address inflation or hold off on further policy moves until the growth consequences of the war become more evident? Having seen US inflation hit 7.9% in February[2], UK inflation rise to 6.2%[3] and the Euro Area hit 7.5% in March[4], the US Fed, the Bank of England and the ECB have all opted for the former approach and we have already seen

1. https://am.jpmorgan.com/gb/en/asset-management/per/insights/market-insights/market-updates/monthly-market-review/
2. https://tradingeconomics.com/united-states/inflation-cpi
3. See footnote 1
4. See footnote 1

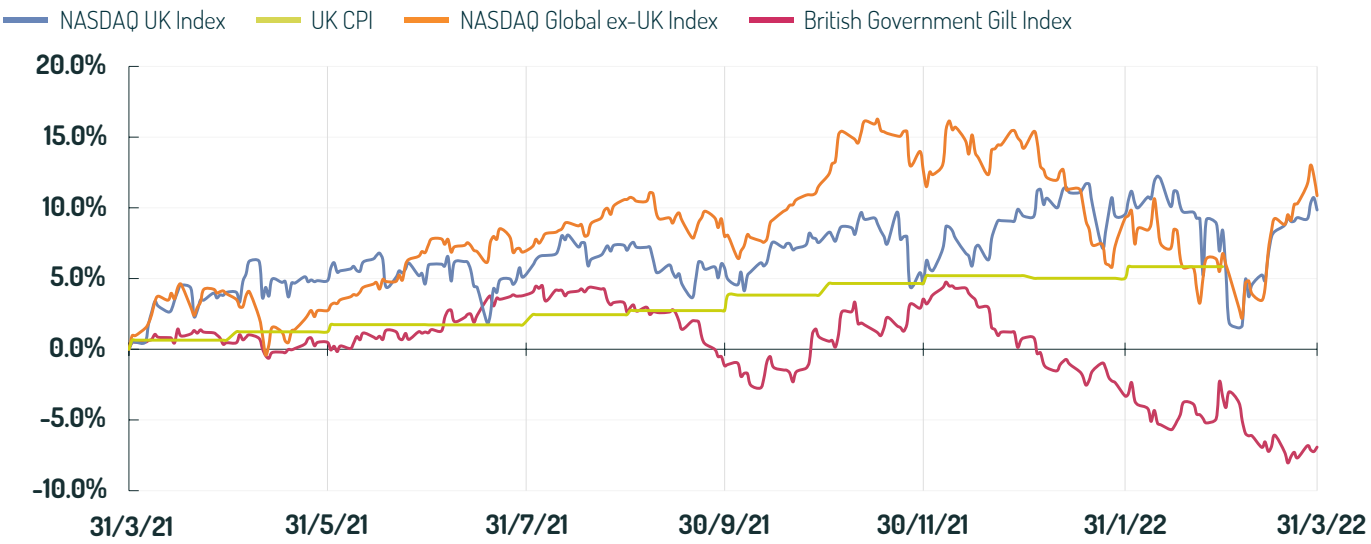
INDEX RETURNS



Source: Financial Express

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

ASSET CLASS PERFORMANCE



Sources: Castlefield, Pershing and Alpha Terminal from 31/3/21 to 31/3/22
Past performance is not necessarily an indicator of future performance. Returns are not guaranteed. With investment your capital is at risk.

> As this year unfolds, we expect regular incremental increases in base rates to try to keep a lid on inflation, especially if the conflict in Ukraine drags on.

some rate rises. As this year unfolds, we expect regular incremental increases in base rates to try to keep a lid on inflation, especially if the conflict in Ukraine drags on. We would not be surprised to see rates rise to 2.5% in western economies by the year end.

All this bad news had a detrimental effect on equity markets in Q1, with US indices recording their worst January since 2009 and officially hitting correction territory (a 10%+ decline) in February[5]. UK and Euro Area markets followed a similar trajectory, but all recovered reasonably well in March. Intraday market volatility has been dramatic and stock selling was, for a time, indiscriminate, as we often see during periods of big market swings[6]. Growth stocks were at the epicenter of the pain amid fears of rising rates and a slowing economy.

With regard to the performance of key equity indices during this challenging period, they all went on something of a round trip in Q1 2022; the broad US market recorded a decline of around 2.6% for the quarter ending March 31st, 2022, although it delivered an increase of 18.8% year-on-year[7]. Euro Area markets saw a decline of around 9.6% in from Jan-March 2022, although they were ahead by 3.1% on a one-year view. The UK index of all shares was marginally up (0.5%) over the three-month period, and up around 13.0% year-on-year[8].

In fixed income markets, Government bonds were adversely affected by the rise in interest rate expectations, a consequence of inflation and more hawkish communications from central banks. Fortunately, we are underweight fixed income investments.

As we look forward to the rest of 2022 and beyond, we seem to be emerging from the investment climate that has prevailed since the global financial crisis which began in 2008-9. That was marked by low to moderate economic growth, alongside low inflation and very low interest rates. The new environment is still evolving but is likely to feature historically more normal levels of inflation and interest rates.

Against this backdrop, we see our bottom-up stock selection process, with ESG analysis ingrained, becoming even more important and valuable as companies deal with this new paradigm. Let us see how things unfold this year while hoping for an early end to the bloodshed in Ukraine.

5. https://www.blackrock.com/us/individual/insights/taking-stock-quarterly-outlook
6. See footnote 5
7. Source: FE Fund Info 2022
8. Source: FE Fund Info 2022

THEMATIC REVIEW

RESISTING THE SIREN CALL

After experiencing the covid pandemic over the past couple of years, the nature of which none of us might actually have considered could happen in our lifetimes and was simply the stuff of disaster movies, it might've seemed even more unimaginable to consider a military invasion on European soil. Yet that is what we've seen and are living with currently. The limits of the post-World War II order are being tested while no-one is yet to outline a satisfactory means of achieving accountability and justice for the war crimes we're now seeing increasing evidence of. My task here though is not to write about a megalomaniac dictator and the barbaric devastation he is causing, rather it's to identify what it has triggered in ways that have affected, and may affect in future, your investments.

In that investment sense, one of the most striking features has been how quickly certain people and companies in the industry have been to exclaim how the implications of the Russian invasion show how short-sighted and misguided investors such as us and you, our clients, are in adopting the approach we do. A series of articles and even opportunistic investment bank seminars have sprung up to argue this point and in the case of the latter, to set out how environmental, social and governance (ESG) focused investing should really be done. If only we'd known! Thankfully, we now have these enlightened experts to show us the error of our ways and the good news is that it's simple – we simply need to start investing in oil & gas and armaments companies, so long as we pick the ones with good ESG credentials.

So, it seems that the solution to the murderous Putin regime is to invest in "greening" companies – aka best-in-class, no matter how environmentally or socially damaging their business models are. It's even been possible to join a discussion on considering anew ESG in the Defence sector. In my opinion, this is nothing short of the last hurrah of the part of the industry with heads obstinately and stubbornly buried in the sand and in denial of how the markets and the world are moving. It speaks volumes at how quickly following the invasion such commentaries appeared; true colours have been shown.

If the above carries a hint of an emotive streak through it, it's with good reason, because if good reason had been applied earlier then we might not have found ourselves in this situation. Let's take climate change: if the science had been heeded years ago, policies to reduce the importance of fossil fuels in the energy mix could have been pursued with greater vigour and intensity. Here in the UK, if (as noted in this section last time) fuel duty hadn't been frozen for twelve successive years by the government, perhaps consumer behaviour would've adapted and reliance on cars might have decreased; that in turn might've meant that the impact of surging energy prices in recent weeks and months would be predicted to have less of a damaging effect on personal finances. Instead, we've reached the situation where fuel duty has had to be cut to try and shield consumers from some of the increased cost; the hard decision was ducked for many years and the consequence now will be counter-productive in tackling the threat of climate change.

Furthermore, given the evidence of the oil industry knowing about climate change and suppressing the output of its own scientists, and given the protracted dragging of heels in adapting their business models, it seems a tall order to trust them to provide the necessary solutions at present simply because they might have the resources to produce a thick and glossy annual sustainability report. Fossil fuel companies must have an important part to play in changing the energy mix to help achieve the required brake on increasing emissions, it's simply that evidence of them doing so meaningfully seems scant at present and they've yet to earn the benefit of the doubt.

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It boils down to this: it's not the time to reverse course and embrace investment in environmentally damaging industries; rather, it's the time to redouble the support for renewable energy.

As for ESG and the Defence sector, that's an even more tenuous argument to try and draw out. I confess to having been an Aerospace & Defence analyst much earlier in my career, being so during the second Gulf War. The same arguments used then have come out again now, arguing for defence stocks to be bought because of the demand for munitions and so on. Two decades later and arch short-termism is still rife. In some quarters there seems to be a misconception that investing with values to the

fore somehow implies denying the possibility of a standing army; that's not the case. However, there's a vast difference between a nation's right to defend itself and seeking to invest in the manufacturers of systems, missiles and ammunition whose products inevitably find their way into undesirable hands. That's without even considering the corruption and cost over-runs that are regular bedfellows of the sector and which impair investors' capital on a regular basis, something which we have no desire to do for our clients. It's true that the invasion of Ukraine is triggering structural changes geopolitically, be that the rapidly announced increase in German defence spending or open discussion in Japan as to whether American nuclear military capability could be hosted on her territory, however that's no reason to need or want to invest in the sector. Good long-term returns have been and will hopefully continue to be achieved without doing so.

Turning back to the environment and to the domestic situation, it seems that dogma is still a hurdle to overcome. Onshore wind is the cheapest of the renewable technologies and it could supply plentiful energy; however, its growth has effectively been stymied in recent years by the Government and while the development of offshore wind has been positive, we can't ignore the refusal to encourage more onshore development. It's doubly frustrating when the possibility of fracking is raised again as a possible solution to weaning ourselves off Russian energy dependence and fossil fuels in general. When government ministers reference that some people feel onshore wind turbines spoil views, it ignores the reality that climate change spoils many people's lives when their homes and businesses are flooded repeatedly and are likely to continue to be so in future. Or when lives are lost in increasingly intense storms and heatwaves. Fracking is not the answer to that. It really doesn't need to be this hard and it beggars belief that with each passing year of disrupted and extreme weather, the dots won't be joined by those in power with the ability to speed the change required. Worse still is the reality that the dots have been joined by many, yet they wilfully choose to ignore them.

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The importance of getting the energy system right is shown in the concern at present over the impact on household finances from the increasing cost of all energy sources. We've referenced previously the awful hardship faced by those who will have to choose between heat and food, a choice which many more will be facing given the scale of energy price increases. This will have long-term harmful effects on society and it seems far from certain that the temporary measures announced by the Chancellor will stave off the suffering that the present worsening squeeze will bring.

When we consider the environmental and social damage occurring at present, it cannot be the answer for investors to turn to those companies with direct involvement in the causes of that damage. Call it greening or greenwashing, that path is not the one to take. From the origins of ethical investing through to the current broader focus on ESG, it's taken many years to get to where we are now. It's no surprise that pockets of resistance to change remain and their siren calls must be ignored. Ulysses instructed his men to tie him to the mast, so he wasn't swayed, and we face the modern-day equivalent. Only then can we navigate today's waters successfully and continue to seek improved standards for the less fortunate and a safer, cleaner environment for all.

Written by
Simon Holman

COP 15 - BIODIVERSITY

The highly publicised COP 26 summit in Glasgow in October 2021 has somewhat overshadowed a second event dedicated to biodiversity – COP 15.

What is biodiversity?

The OED cites it as the noun depicting the variety of plant and animal life in the world or in a particular habitat, a high level of which is usually considered to be important and desirable. The antonym of biodiversity is homogeneity. Take a walk through any woodland and you will immediately notice a strange thing. Woods with different and diverse species of trees and plants echo with the sound of bird and insect life. Ancient woodlands of oak, beech, elm and birch all cooperate and collaborate in harmony with each other, creating a sustainable and ideal environment. Whereas in a monoculture forest, of say eucalyptus or Norway spruce, whose purpose is always commercial, there is an absence of life. Almost no noise.

> Despite government commitments made in 2010, biodiversity has further declined over the past decade. More than 4,000 species are threatened with extinction.

Despite government commitments made in 2010, biodiversity has further declined over the past decade. More than 4,000 species are threatened with extinction, representing 28% of all species under assessment. That includes 41% of amphibians, 26% of mammals, 34% of conifers, 13% of birds 37% of sharks and rays, 33% of reef corals and 21% of reptiles[1].

The COP 15 summit has been postponed three times because of the COVID pandemic and has been split into two phases. The first phase took place virtually last October, and the second phase later this year in April/May is expected to be a face-to-face meeting in Kunming at which world leaders will conclude negotiations on a framework. The first draft of the post-2020 framework, released by the United Nations has called for protection of at least 30% of global land and sea areas by 2030, in what is being called the 30x30 target and is supported by a coalition of 60 countries[2]. The key issues to be discussed at this year's COP15 summit include financing and implementation.

Its targets also include the reduction of pesticide usage by more than two-thirds by 2030, abolishing plastic waste and originating funding for focus on biodiversity to at least US$200 billion a year[3]. We often see China as a macro polluter, and with good reason, but credit where it's due, during the first meeting China promised to donate 1.5 billion yuan (c.US$230m) to create a new fund helping developing countries protect global biodiversity[4].

In the latest IPCC report published at the end of February 2022, roughly half of living organisms assessed in the report are moving to higher ground or gravitating towards the poles. 14% of assessed species will face high extinction risk if global warming reaches 1.5C and almost 30% will face extinction at 3°C[5].

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The importance of a biologically diverse planet cannot be overstated. It is essential for the processes that support all life on our planet and is a global problem that needs a global solution. Protecting 30% of the planet is a good start but we should all be calling on political leaders to aim higher and

Written by Rory Hammerson

1. https://www.iucnredlist.org/
2. https://www.un.org/sustainabledevelopment/blog/2021/07/a-new-global-framework-for-managing-nature-through-2030-1st-detailed-draft-agreement-debuts/
3. Ibid
4. https://www.economist.com/china/2022/02/17/china-is-trying-to-become-a-champion-of-biodiversity
5. https://www.ipcc.ch/report/ar6/wg2/

COLLABORATIVE ENGAGEMENT: FAIRR

At Castlefield, we are proud to be members of the Farm Animal Investment Risk and Reward (FAIRR) collaborative investor network. The initiative raises awareness amongst investors and company management teams of the many ESG risks associated with animal agriculture. The work conducted by FAIRR helps us quantify these risks as part of our investment process and as members, we are able to support FAIRR in showing companies that investors do care about these issues and see an urgent need to address them.

This quarter, we have signed up to the next phase of FAIRR's engagement on Sustainable Proteins, which encourages food retailers to diversify their sources of protein. As investors, we see an over-reliance on animal-based protein as a risk. Alternative protein sources are rapidly growing in popularity and we want to see our investee companies taking advantage of the opportunities presented in this space to not only drive growth but also as a means to reduce their environmental impact.

We have also signed up to the second phase of the Working Conditions engagement. This engagement is targeting companies in the meat sector. While this is an area to which we have very limited exposure in portfolios, it is a topic we feel is worthy of support. We have signed letters send to 7 companies, asking them to reassess aspects of their governance structure which would empower workers to reduce the health and safety risks inherent in the industry and address the structural labour risks prevalent in the sector.

"Castlefield joined FAIRR in November 2018, and since then have been an active and supportive member of our network. As a key participant in our Sustainable Proteins engagement, they have helped call on food companies such as Morrisons to diversify their protein sources. Castlefield were also a key participant in FAIRR's antibiotics engagement, which asks global food companies to limit antibiotic use in their supply chains. An awareness of ESG risks and opportunities is at the very core of Castlefield's organisation. They are alert to the urgent need for a systemic transformation within the global food system, as well as their responsibility as stewards of capital to use their influence to make that change happen."

FAIRR

The Next Generation of Investors

As part of our ongoing commitment to promoting sustainable investing, our Head of Research David Gorman gave two lectures on ESG investing to university students this quarter. On 22nd February, he spoke to third year undergraduates at the University of Manchester who are taking an option in Applied Practical Investing and, on 15th March, he gave the same lecture to MSc Finance students at Northumbria University in Newcastle. David has been asked back to give another lecture on the same topic to graduate students at Alliance Manchester Business School in May.

It is pleasing to see that ESG considerations are making their way into the thoughts of the next generation of savers and investors.

NEW HOLDINGS

Positive Theme:
Cyber & Digital Security

New Holding: Gamma Communications Plc

Held in: Castlefield B.E.S.T Sustainable UK Opportunities Fund

We recently invested in AIM-listed Gamma Communications PLC in the Castlefield B.E.S.T Sustainable UK Opportunities Fund. The company provides digital technology and services essential to modern communications, known in the industry as UCaaS, or Unified Communications as a Service. The company's services include telephone systems for businesses as well as audio, video and web conferencing technology and instant messaging.

As the pandemic required individuals and businesses around the world to lock down and work from home where possible, workplace communication tools such as Microsoft Teams were widely adopted. Gamma provides the digital 'plumbing' to optimise systems like MS Teams, as well as the technology to help clients make the most of their customer contact centres. Gamma delivers solutions that support organisations ranging from micro-companies, through SMEs and up to large enterprises, to communicate, collaborate and offer a better experience for customers and service users.

From an ESG standpoint, Gamma fits our positive investment theme of Cyber and Digital Security. In recent years, new data security regulations (such as GDPR in the UK) have been introduced globally to enhance the protection of personal information, reshaping corporate behaviour around data usage and security. With regard to the environment, Gamma made its first commitments in 2006 and is now a fully certified CarbonNeutral® organisation.

Positive Theme:
Environmental
Management

New Holding: Renewi Plc

Held in: Castlefield B.E.S.T Sustainable UK Smaller Companies Fund

Within our Castlefield B.E.S.T Sustainable UK Smaller Companies Fund, we recently initiated a position in Renewi, a Benelux- and UK-focused waste-to-product business. Renewi collects, sorts, and recycles waste materials covering a broad range of activities within the economy, including hospitals, factories, offices, shops, and restaurants. In doing this, it plays an essential role in creating new product from old, with the old being anything from mattresses and fridges to road surfaces.

The Group, as we know it today, was created through the 2017 merger of UK-listed Shanks Group plc and the Dutch company Van Gansewinkel. The objective of the merger was to create a leading waste-to-product business with greater scale and geographical presence, capability, and expertise in terms of turning waste into valuable new products.

Although already better than most, Renewi has set targets to increase the volumes it recycles, from 65% now to 75% by 2025. Capital investment into technology will deliver new innovative treatment methods and expand the production of secondary raw materials out of the stream of current incinerators or landfills. Although there is more to do here too, as Renewi's primary purpose for existing is to maximise recycling, this puts it in an excellent place from an environmental perspective and aligns well with the regulatory push favouring recycling over incineration, and secular shift towards the circular economy. Given these tailwinds and a well-articulated, sensible investment plan and strategy, it should be set to benefit.

COLLABORATIVE ENGAGEMENT: SHAREACTION'S HEALTHY MARKETS INITIATIVE

Unilever

Last year, we embarked on an engagement with Unilever in collaboration with ShareAction's Healthy Markets Initiative. This collaborative engagement initiative unites investors and asset owners under the common goal of addressing the obesity crisis.

While we continue to see Unilever as sustainability leaders in many areas, there were concerned that they were less active in considering their progress towards a healthier product portfolio. By some metrics, Unilever fared quite well – they ranked second on the 2018 Access to Nutrition Index of major global food and drink manufacturers having been judged to have a robust and comprehensive strategy covering most aspects of nutrition and health[1]. However, while its nutrition policies may be market leading, the company's product portfolio and associated sales continue to be predominantly linked to its least healthy food and drink product categories. Within the same ATNI report, data showed that only 10% of Unilever's global food and drink sales derived from healthier products[2].

> While Unilever's nutrition policies may be market leading, the company's product portfolio and associated sales continue to be predominantly linked to its least healthy food and drink product categories.

As they increase the proportion of healthy products in their portfolio, food and drink manufacturers have a significant opportunity both to improve the population's health and to future-proof their business[3]. It was with this in mind that we engaged with the company ahead of their 2021 AGM, submitting a question about their long-term plans to ensure an increase in healthier food sales to the Board of Directors in collaboration with ShareAction, EQ Investors and Polden Puckham Charitable Foundation. We did receive a response, outlining the company's Future Foods strategy but believed that we should continue our engagement to encourage Unilever to do more in terms of reporting and setting targets for the future.

This resulted in the co-filing of a resolution at the company's AGM for 2022. The resolution would have been put to a shareholder vote and required Unilever to increase disclosure about their sales of 'healthier' products[4], as well as set targets for 2030 with annual progress reports.

During and following the process of filing the resolution, we continued our dialogue with Unilever. The company was keen to see an agreement before the AGM that would result in the withdrawal of the resolution and after many constructive conversations, we reached a commitment from the company that we deemed sufficient. Unilever has agreed to publish annual assessments of the health profile of its products on a global basis, as well as for 16 major markets. It will now measure the sales of its products against government-endorsed Nutrient Profile Models as well as its own internal metrics in what will be a new benchmark for public reporting. It also agreed to set new targets for growing the proportion of its healthier products by October ahead of its 2023 AGM[5].

> It will now measure the sales of its products against government-endorsed Nutrient Profile.

We believe that this transition towards increasing revenues from healthier products is essential for the company's long-term success as well as being a critical way in which Unilever can positively impact their consumer base. This step represents a significant achievement in our engagement efforts with the company, and we will continue to work with the Healthy Markets Initiative to hold Unilever to these commitments.

1. https://accesstonutrition.org/index/global-index-2018/scorecards/unilever/
2. Ibid
3. ShareAction. A Healthy Investment: The Importance of Prioritising Health in the Food and Drink Manufacturing Sector. July 2020.
4. Classified as healthier in accordance with government-endorsed nutrient profiling models.
5. https://shareaction.org/news/unilever-shareholder-campaign-secures-industry-leading-transparency-on-nutrition

ORPEA

We were faced with a difficult decision over one of our European companies early this year. As they describe on their website, Orpea is a world leader in global dependency, long-and medium-term physical and psychiatric care[1]. These include long-term care facilities (nursing homes), post-acute and rehabilitation clinics, psychiatric care clinics and home care. Orpea's primary objective has always been to provide quality care and their mission is to care for and support dependent people who have chosen to live in the Group's facilities by respecting their comfort, dignity, individuality and autonomy. Continually improving the quality of care to ensure the wellbeing of residents and patients is at the very heart of Orpea's strategy.

> French care of the elderly is as difficult as anywhere else, but the revelation that politics have become enmeshed in business have morphed from a story about operational failures to something far more concerning.

Until January this year, Orpea was renowned as a beacon of discipline in the European healthcare space. French care of the elderly is as difficult as anywhere else, but the revelation that politics have become enmeshed in business have morphed from a story about operational failures to something far more concerning. An article in France's most trusted newspaper Le Monde revealed that investigative journalist Victor Castanet had spent years writing a book exposing some of the practices of the group which had remained hidden from view[2]. Speaking with 250 contacts including families and staff, he tells of a level of care that is horrifying. The book is called Les Fossoyeurs (The Gravediggers) and like its title, this story smells bad. There is also a political angle which possibly points to an explanation as to the timing of the revelation. Xavier Bertrand (Minister of Health under Nicolas Sarkozy) was linked to Orpea over the approval of 'friendly' buildings permits. His political ambitions for the French presidency tumbled in tatters having lost the primaries to another right-wing candidate last year.

Our immediate reaction was to sell as the investment case, predicated on quality care in a difficult industry, was clearly in question. Before taking what might have been a knee jerk reaction, we wanted to hear what the company had to say. We contacted the company, but no reply was immediately forthcoming. Company statements refuted the 'violent' accusations and made the usual denials[3]. These were later tempered, with a statement that Orpea do not condone this sort of conduct, requesting two independent assessments of the allegations. Although a positive sign, our attempts to speak with the company came to nothing. As a small shareholder on the register, we then decided to speak to a larger investor with whom we occasionally collaborate on various issues. They too had been unable to speak with the company. When news like this hits the wires and the company doesn't engage with us to explain itself, we were left feeling that not only was the investment case in mortal danger, but that any potential lifeline was not forthcoming. We sold the stock from the portfolio.

> Our attempts to speak with the company came to nothing.

1. https://www.orpea-group.com/le-groupe/qui-sommes-nous/our-business
2. https://www.lemonde.fr/idees/article/2022/01/24/deja-il-y-avait-cette-odeur-de-pisse-terrible-des-l-entree-extraits-des-fossoyeurs-une-enquete-sur-le-business-du-grand-age_6110747_3232.html
3. https://www.newcontact.eu/secure/media/com_newcap/files/files/PR_ORPEA_240122_EN.pdf

PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

Sarasin Responsible Global Equity

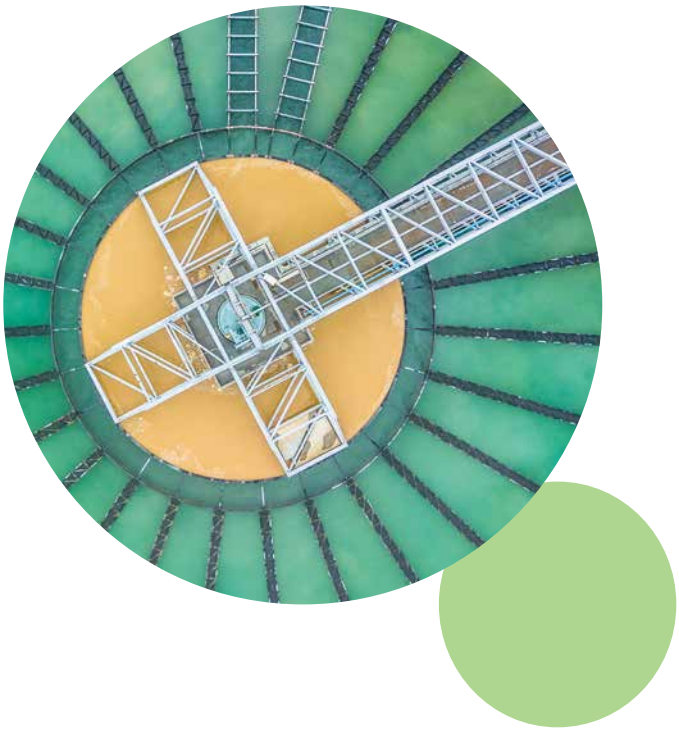
Sarasin Responsible Global Equity is a global equity fund with the main aim of providing growth over a rolling 5-year period through investing in companies that provide environmental and social solutions whilst maintaining strong standards of governance. The fund operates a multi-thematic framework which seeks to identify long-term sustainable growth trends and the companies best positioned to take advantage of them. This results in a concentrated portfolio of high conviction stocks that are aren't constrained by the benchmark. The combination of macro-economic analysis, which influences the main themes, with the stock selection skills of the analysts, has proven to be a successful investment process for Sarasin across a variety of global equity funds and over a number of years.

What we like about this fund is that in conjunction with the positive multi-thematic approach, Environmental, Social & Governance (ESG) and climate analysis are integrated into the stock selection process. Every existing and future holding is assessed using a traffic light methodology which ranks performance against a list of relevant ESG issues. Over 135 separate data points are analysed, and based on these, a red, amber or green light is awarded for the ESG categories. These are then used to provide an overall rating for the company on a scale of A-E. Sarasin are also very active asset owners and regularly engage with investee companies on a number of sustainability issues.

Intertek

Intertek is one of the names in the CFP Castlefield B.E.S.T. Sustainable UK Opportunities fund, which forms a portion of core exposure to UK equities across both Portfolio funds. It's a FTSE-100 listed firm with over 43,000 employees in 100 countries that specialises in assurance, testing, inspection, and certification of products, processes, and systems. Intertek helps clients to meet quality, health, environmental, safety and social accountability standards for virtually any market around the world. The company is an industry leader and the total sustainability assurance program that management launched in 2019 holds Intertek to the same high standards to which they certify their clients.

We like the strong social credentials that Intertek displays and believe that the company works very hard to maintain their social license to operate. Quality assurance can help bring innovative products or services to market quicker through reliable testing and inspection during the development phase, ensuring that the regulatory requirements will be met. Additionally, reliable testing and inspection makes sure that products are safe for consumers to use. Increasingly, disclosure of key sustainability information will be vital for companies that wish to display their sustainability credentials and measure their impact on the world around them. The third-party verification of this information that Intertek provides gives investors an additional layer of comfort in the data produced. Intertek can play an important role in the encouragement and normalisation of greater levels of disclosure through increasing accessibility. The position in Intertek also keeps with our positive investment theme of safety and regulatory compliance.



NX Filtration

NX Filtration is a Dutch nano-filtration company that was recently added to the CFP Castlefield B.E.S.T. Sustainable European Fund, which forms a key component of the Portfolio Funds' exposure to global equities. The patented nano-filtration technology allows customers to produce pure water, treat wastewater and reduce their water footprint by filtering out small particles that cause contamination including hormone and medicine residue. NX Filtration sell its filtration membrane bodies to companies and local government customers globally in two business areas, clean municipal water and sustainable industrial water.

Water scarcity and quality are major environmental issues that are becoming increasingly more prominent due to climate change. The ability to treat wastewater and transform it into high quality water for both drinking and industrial use can help to offset future shortages. Additionally, wastewater discharge can also pose a threat to the environment because of antibiotic resistant bacteria, viruses and other substances which can contaminate ecosystems and cause health complications if passed into drinking water. We like NX Filtration because not only does it help to increase access to a fundamental human right, it does so in a way that is less energy intensive than the alternative methods. The membranes have a much smaller carbon footprint compared to other water treatment methods and also help to significantly reduce the use of chemicals in operations. The company is still small, with only 69 staff, and still to post a profit, but so far, its technology is helping to solve a very real and growing problem, and we believe that management have the ability to scale up and make a difference.

Smart Metering Systems

Smart Metering Systems (SMS) is one of the recent additions to the CFP Castlefield B.E.S.T. Sustainable UK Income fund, which forms part of the Portfolio funds' exposure to UK equities. SMS installs and manages smart meters and carbon reduction assets to facilitate effective energy management; it receives rental income from every operating smart meter they install, which generates stable but growing sales. Given the highly supportive regulatory background for SMS, and the strong growth in operating margins, SMS can afford to pay an attractive dividend. There are also opportunities for further revenue growth through the existing order book and other energy related operations such as grid scale battery storage.

Given the focus on energy efficiency and carbon reduction, SMS has strong environmental credentials and is already playing a big part in the UK's sustainable energy transition. It also fits perfectly into our positive theme of resource efficiency. Smart meters are essential for the establishment of a smart energy grid. Smart grids will allow two-way communication between consumers and the energy network, enabling real-time, automatic responses to changes in electricity demand. Better data on the country's energy use allows network operators to better monitor demand and ensure generation is prepared to match it, making the grid more stable and efficient. This reduces the costs required to fortify the grid meaning that this reduction can be passed onto customers in the form of lower energy bills. Given the current energy crisis and significant price hikes, anything that can help can only be a positive.

SPOTLIGHT ON THE PORTFOLIO FUNDS – OUTLOOK

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

As we began 2022, we were considering the interplay of rising energy prices, inflation, potential interest rate rises and what the implications of the omicron variant's spread meant for the path of the pandemic and potential economic recovery. The unexpected development turned out to be the invasion of Ukraine by Russia, providing a destabilising influence on markets (at least in the initial stages) on top of the human horror that's been played out on our screens ever since.

Sitting now in early April, the over-riding sense is of the need to weather the current storms before markets can make further progress. Interest rates rising will add to the pressures on the cost of living, where the huge jump in energy costs is perhaps the most visible part of the problem but by no means the only one. Once again, the outcome is going to be regressive in nature and tighten the squeeze on the poorest levels of society.

So, in the near-term, equity markets may mark time at best while investors see what the ultimate impact will be of recent inflationary pressures. However, events in Ukraine should only serve to emphasise the need to reduce dependence on Russian fossil fuels and strengthen the emphasis on renewable energy generation. That should offer opportunities for the fund to pursue for the long-term.

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

There's an old investing cliché that markets often climb a wall of worry and that might've been appropriate to invoke here, were it not for the fact that they've already rallied strongly since the initial shock of the Russian invasion of Ukraine. In essence, investors in aggregate have taken the view that the conflict will be contained rather than escalate, and that the economic fallout can be managed.

It's a plausible outcome, of course, although perhaps somewhat optimistic as at the time of writing. We say that because it's worth remembering that investors have enjoyed a very good run since the lows seen at the peak of the growing pandemic fear and many markets have hit new all-time highs. That's worth bearing in mind when we consider the pressure on consumer spending – particularly acute here in the UK – and on company profit margins from their rising input costs. Those pressures are already being seen in the tempering of some of the commentary provided by the Bank of England, mindful of a domestic economy in a more fragile position than that of the United States.

All told, our view for the coming months is a little more circumspect than it was throughout 2021, based on these near-term pressures needing to be worked through over a period of months and from a starting point of equities having recovered solidly. In the meantime, recent changes mean we're comfortable with the fund's potential income generation being on target to meet its objective and enjoying a cushion on top of that too.

VOTING ACTIVITY: Q1 2022

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.

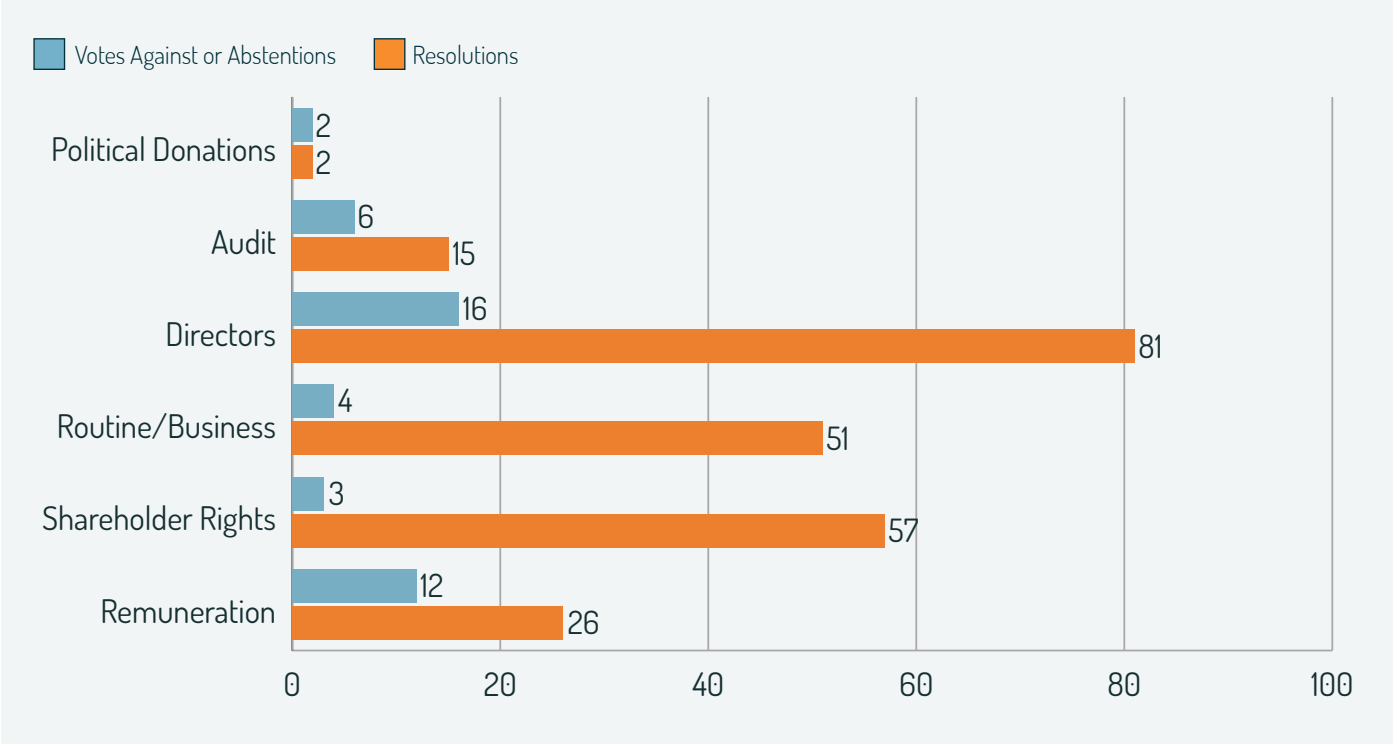
RESOLUTIONS

Number of resolutions where votes were cast For	190	80.9%
Number of resolutions where votes were cast Against	42	17.9%
Number of resolutions where votes were Abstained	3	1.3%

During the quarter, we voted at 22 meetings hosted by our investee companies, with a total of 235 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:



Spotlight on director independence:

Director independence is one reason that could cause us to vote against the election, or re-election, of a non-executive director (NED) is a lack of independence. The UK Corporate Governance Code recommends that at least half of the Board, excluding the Chairperson, should be made up of NEDs who are considered independent and that non-independent directors should not participate in the Audit or Remuneration Committees.

The need for independence on a Board is simple to understand. The purpose of the Board is to oversee a company's management team and must be able to provide adequate scrutiny and challenge and an objective viewpoint. However, determining independence is not always straightforward and can be an area where we disagree with an investee company.

There are a number of key categories where we would view a director's independence being challenged:

- **Tenure**
  As per the UK Corporate Governance Code, we implement a maximum tenure of 9 years within our Corporate Governance & Voting Guidelines.
- **Previous Company Employment**
  If a director has previously been employed by the company within the last 5 years, this could compromise objectivity.
- **Business Relationships**
  Directors who have existing or recent material business relationships with the company could have conflicts of interests which prevent them being considered independent.
- **Remuneration**
  In general, we expect NEDs to receive a fixed fee for their services as any performance-based pay could create a conflict of interest.
- **Family Links**
  Individuals who are related to key employees or directors would not be considered independent.
- **Shareholder Representation**
  NEDs representing key shareholders will not be considered independent because they have a significant financial incentive which may compromise objectivity.

While there can be good reasons for certain non-independent directors to remain on the Board, such as their experience and knowledge of the company or industry, we expect companies to mitigate this by ensuring that the majority of the Board remains independent and these non-independent directors do not have undue influence or sit of any key committees

VOTING GUIDELINE UPDATES 2022

Across our B.E.S.T Sustainable fund range we hold shares directly in over 130 companies. This gives us the right to vote at each company's Annual General Meeting (AGM). We take this obligation seriously and, using online platforms, we aim to review and vote on every ballot paper resolution for every AGM and GM (general meeting).

To ensure that we vote consistently across our holdings, we have developed a set of voting guidelines and we update them annually. Voting gives us the opportunity to make our opinions known to the board, and we have a long track record in voting against, for example, excessive executive pay.

The 2022 revisions to the voting guidelines reflect our stronger stance on board diversity, climate change and director commitments. Ahead of the 2022 AGM season we contacted all our equity holdings to make them aware of the changes, which are summarized below:

1. Diversity

Background: The Parker Review recommends "that by the end of 2021, no member of the FTSE 100 would lack a person of colour as a director."[1] The Review also encouraged FTSE 250 companies to meet this target by 2024.[2] As such, we would like to see a clear, public statement from companies on whether they have met the Parker Review recommendations and to provide data on the percentage of board members from black, Asian or minority ethnic backgrounds.

Our stance: We will now vote against the chairperson of the nominations committee where FTSE100 companies have not met the Parker Review recommendations, or not provided a clear statement on progress towards meeting the recommendations.

For FTSE 250 companies, we will now vote against the chairperson of the nominations committee if they have not provided information on their progress towards meeting the Parker Review recommendations.

Where companies are not explicitly covered by the outcomes from the Parker Review due to their current size or listing venue, we would nevertheless urge Boards to embrace and work towards greater ethnic diversity. We are active investors and will be looking to engage with companies on this issue.

We already have guidelines in place on gender diversity and expect to see 30% female representation at board level. In addition, we strongly encourage companies to disclose data on gender at executive and senior management levels. We may vote against members of the nominations committee if we think there has been insufficient commitment by the board to address diversity in all its forms.

1. https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2020-report-final.pdf
2. Ibid.

2. Climate risk and net zero

Background: The UK government now requires UK listed firms to disclose, on a comply or explain basis, against the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)[1]. This includes providing information on the company's climate risks and how the business model will be impacted by a changing climate[2].

Our stance: We will now vote against a company's Annual Report and Accounts (ARA) and against the audit committee chairperson if the report does not reference climate risk. Our rationale is that a company's audit process is inadequate if it does not address the specific climate risks facing the business.

We are pleased that many of the companies that we invest in have already set net zero targets and we encourage those that have not yet done so to do likewise. In the year ahead we intend to engage with the companies that we invest on the importance of setting ambitious net zero targets.

1. The rule for premium listed companies came into effect for accounting periods beginning on or after 1 January 2021. The rule for standard listed companies applies for accounting periods beginning on or after 1 January 2022. https://www.fca.org.uk/firms/climate-change-sustainable-finance/reporting-requirements#premium

2. https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law

3. Directors' external commitments

Background: Many directors now limit the number of external board roles that they hold at any one time so as to ensure that they have sufficient time to carry out their existing duties in full. We are supportive of this and have had an overboarding clause in our voting guidelines for a number of years. Placing a limit on the number of directorships also brings greater diversity to corporate boardrooms as it forces recruiters to look beyond the typical candidates when searching for new directors.

Our stance: We have updated our voting guidelines for 2022 with a scoring system for director appointments, as per the table below. We will vote against directors that score above 4 points, unless the company proactively provides information to demonstrate that the individual has ample capacity to carry out all existing duties (e.g. by providing an estimate of the number of days per year spent on each role).

Role	Points per role held
Executive at listed business	3
Executive at private business	3
Executive Chairperson	3
Non-executive Chairperson	2
Non-executive Director	1
Non-executive Chairperson (Investment Trust or equivalent)	1
Non-executive Director (Investment Trust of equivalent)	0.6

Our Corporate Governance and Voting Guidelines are available in full on our website.

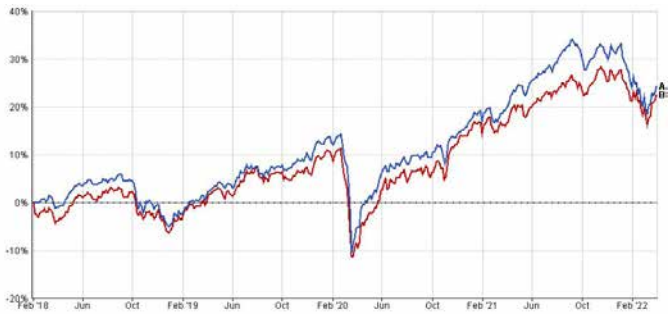
FUND COMMENTARY

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

Key Information

Fund Size:	£60.51m
Sector:	Mixed Investment 40-85% shares
Launch Date:	1-Feb-18
Managers:	Simon Holman and David Elton
Number of Holdings:	30- 40
Payment Dates:	Quarterly

Cumulative Performance (%)



A - CFP Castlefield B.E.S.T Sustainable Portfolio Growth Gen. [24.52%]
B - IA Mixed Investment 40-85% Shares [22.7%]

Source: 1/02/2018 - 31/03/2022. Data from FE fundinfo 2022

	1 Mth	3Mths	6 Mths	1 Yr	3 Yr	Since Launch
Fund	2.33	-6.32	-4.43	3.96	23.01	24.52
Sector	2.78	-3.68	-1.05	5.23	22.42	22.70

Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-6.32	13.63	3.91	17.86	-	-
Sector	-3.68	10.94	5.32	15.78	-	-

Source: FE fundinfo 2022

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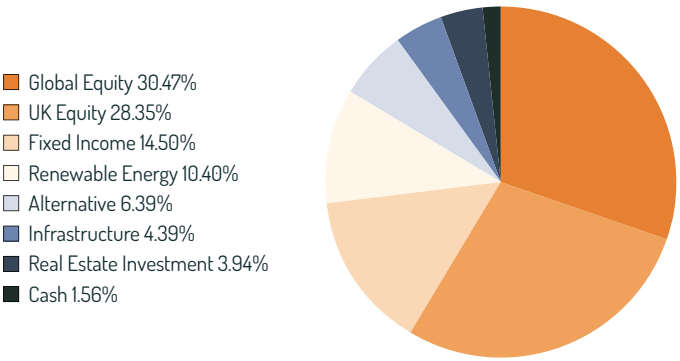
Sector Allocation



Top 10 Holdings

		%
1	CASTLEFIELD B.E.S.T SUSTAINABLE UK OPPORTUNITIES FUND	10.33
2	CASTLEFIELD B.E.S.T SUSTAINABLE UK SMALLER COM FUND	9.57
3	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	8.89
4	CASTLEFIELD B.E.S.T SUSTAINABLE INCOME FUND	8.45
5	CASTLEFIELD B.E.S.T SUSTAINABLE EUROPEAN FUND	7.22
6	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	6.44
7	CASTLEFIELD REAL RETURN FUND	5.23
8	RATHBONE ETHICAL BOND FUND	3.92
9	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	3.54
10	FIRST SENTIER RESPONSIBLE LISTED INFRASTRUCTURE FUNDS	3.37

Fund Commentary

The CFP Castlefield B.E.S.T Sustainable Portfolio Growth Fund returned -6.3% (General shares) in the first quarter of 2022, versus -3.6% for its peers in the Investment Association's Mixed Investment 40-85% Equities sector.

2022 began with investors and markets adopting a more nervous stance after the strong gains of 2021 and the optimism that the worst of the pandemic was finally behind us. Instead, concerns over the increase in the inflation rate and the prospects for interest rate rises in the UK and US made for a more uncertain backdrop. It was following that start to the year that the subsequent invasion of Ukraine by Russia triggered further uncertainty, geopolitical concerns and further surges in energy prices, the latter of which only exacerbated inflationary concerns. All told, the first quarter of the year was an unsettled one.

The fund's infrastructure exposure produced the leading contributions to performance, led by Greencoat UK Wind with +0.23% and closely followed by Gresham House Energy Storage Fund with a contribution of +0.18%. The globally diversified First Sentier Responsible Listed Infrastructure Fund contributed +0.15% whilst the relatively new holding, the Harmony Energy Income Trust, also delivered a meaningful return that produced +0.12% towards fund performance. Given the market backdrop, it was no surprise to see the general equity exposure give back some of the gains earned in 2021. This was particularly true for our own two growth-focused UK strategies, while the trio of global equity funds encompassing the Stewart Investors Worldwide Sustainability, WHEB Sustainability and our own European fund all retrenched and given their larger position sizes, naturally saw the biggest drags on performance.

The main fund activity saw the inception of a position in the Cordiant Digital Infrastructure Fund. While previously our infrastructure exposure had been mainly focused on renewable energy technologies, we've held an open mind on other possible types of infrastructure. Digital infrastructure refers to the technologies that provide the foundation for an organisation's information technology and operations. Sometimes referred to as the plumbing of the internet, examples are data centres and networks, cloud services and software, and security and data encryption. This fund aims to reduce electricity consumption and the carbon footprint of digital industry via its investments and given the structural growth in these areas, that will be an important objective to achieve.

Source: Castlefield, Factset

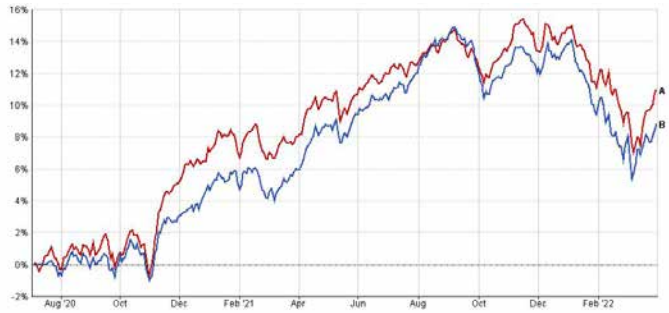
FUND COMMENTARY

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

Key Information

Fund Size:	£13.64m
Sector:	IA Mixed Investment 20-60
Launch Date:	6-Jul-20
Managers:	Simon Holman and David Elton
Number of Holdings:	30- 40
Payment Dates:	Quarterly

Cumulative Performance (%)



- A- CFP Castlefield B.E.S.T Sustainable Portfolio Income Gen TR in GB [8.86 %]
- B- IA Mixed Investment 20-60% Shares TR in GB [10.97 %]

Source: 06/07/2020 - 31/03/2022. Data from FE fundinfo 2022

	1 Mth	3Mths	6 Mths	1 Yr	Since Launch
Fund	1.37	-4.36	-3.04	2.76	-
Sector	1.45	-3.36	-1.61	2.73	-

Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-4.36	8.71	-	-	-	-
Sector	-3.36	7.20	-	-	-	-

Source: FE fundinfo 2022

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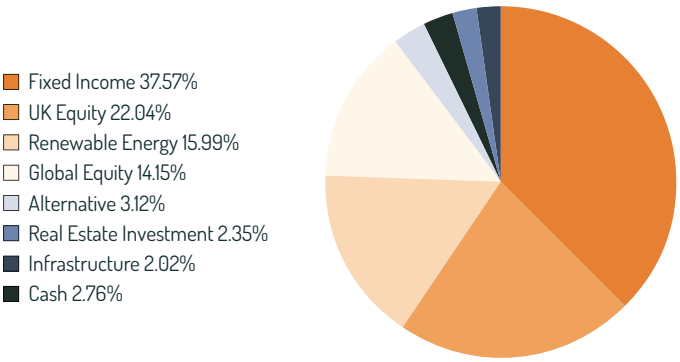
Sector Allocation



Top 10 Holdings

		%
1	CASTLEFIELD B.E.S.T SUSTAINABLE INCOME FUND	17.90
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	12.19
3	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	9.02
4	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	7.97
5	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	4.27
6	CASTLEFIELD B.E.S.T SUSTAINABLE EUROPEAN FUND	3.19
7	GREENCOAT UK WIND PLC	3.00
8	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	2.95
9	RENEWABLES INFRASTRUCTURE GROUP	2.85
10	JLEN ENVIRONMENTAL ASSETS GROUP LTD SICAV GBP	2.82

Fund Commentary

In the first quarter of 2022 the CFP Castlefield B.E.S.T Sustainable Portfolio Income Fund returned -4.4%, versus -3.3% for its peers in the Investment Association's Mixed Investment 20-60% Equities sector.

The first quarter began with investors concerned about inflation and the potential for interest rate rises to follow as policymakers looked to tackle it, before evolving into a broader set of concerns driven by the geopolitical implications of the Russian invasion of Ukraine as well as the further surge in energy prices it triggered in response. Given the expectations for interest rate rises and how far they might go, it's no surprise that the bond funds we hold gave up ground during the period and pulled returns down. Such bond investments need to offer a premium over the "risk-free rate" offered by government debt, meaning a higher yield, and as yields rise so their prices go down. This backdrop was detrimental to performance. The softness in equity markets in general was also reflected in contributions from the equity fund exposure we hold, further pulling returns down.

While the increase in energy prices is posing widespread problems for consumers and industry alike, the higher level of power prices has fed through into a positive trading environment for the renewable energy infrastructure investments the fund has. Positive performance was led by this area, with the trio of Greencoat UK Wind, Gresham House Energy Storage and John Laing Environmental Assets each adding at least +0.2% by way of contribution and collectively generating +0.67% towards performance. Further positive contributions came from Greencoat Renewables and The Renewables Infrastructure Group.

The quarter was relatively busy in trading activity, as we've adjusted various position sizes in order to ensure that the fund can generate comfortably above the targeted 3.0% minimum yield we set out to achieve at the fund's launch. The continuing impact of the pandemic had been squeezing that income generation ever tighter and so it merited some rebalancing to ensure the fund is set fair. This mainly involved increasing the positions held in the renewable energy infrastructure sector, where we hold a series of funds which offer attractive dividend yields and also aim to increase them in line with inflation. We also added a new holding in the form of the Cordiant Digital Infrastructure Fund. It aims to reduce electricity consumption and carbon footprint of digital industry via its investments and given the structural growth in the digital field, that will be an important objective to achieve, while it offers a prospective dividend yield above that 3% level and so fits neatly with our strategy.

Source: Castlefield, Factset

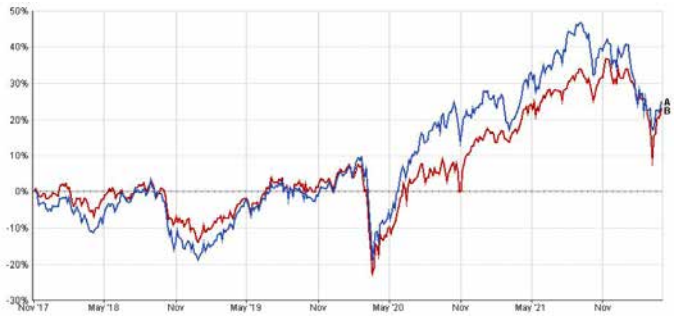
FUND COMMENTARY

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

Key Information

Fund Size:	£21.61m
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 [24.96 %]
B - IA Europe Excluding UK [23.31 %]

Source: 01/11/2017 - 31/03/2022. Data from FE 2022

	1 Mth	3Mths	6 Mths	1 Yr	3 Yr	Since Launch
Fund	1.05	-11.30	-9.80	0.37	37.17	24.96
Sector	3.24	-7.74	-4.25	4.15	31.74	23.31

Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-11.30	11.85	20.42	27.37	-14.53	-
Sector	-7.74	15.76	10.28	20.33	-12.16	-

Source: FE fundinfo 2022

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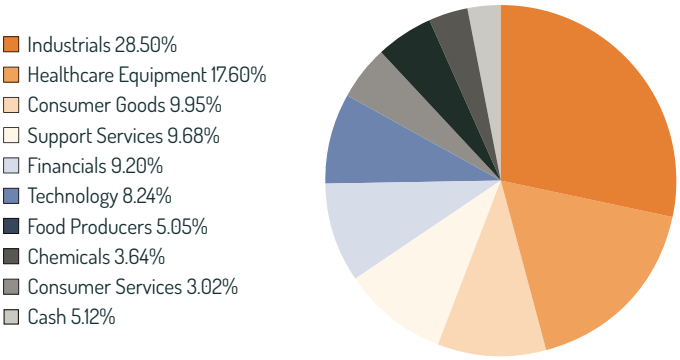
Sector Allocation



Top 10 Holdings

		%
1	TELEPERFORMANCE SE	5.72
2	ACCELL GROUP	4.55
3	VESTAS WIND SYSTEM A/S	4.52
4	SONOVA HOLDING	4.43
5	PARTNERS GROUP	4.34
6	STRAUMANN	4.33
7	AKKA TECHNOLOGIES	3.96
8	CARREFOUR SA	3.84
9	SCHNEIDER ELECTRIC SA	3.68
10	TECAN GROUP	3.67

Fund Commentary

We have continued engaging with portfolio companies during the first quarter of this year, focusing on the topic of Net Zero. We are pleased to see that many of the portfolio companies have started the journey some time ago, with others still positioning themselves, in terms of IT and reporting structures, to provide meaningful targets. We do see a collective sense of accountability and are heartened to see a sense of traction. As engaged investors, we feel our own responsibility to push this agenda forward and use whatever advocacy power we possess to keep companies incentivized to invest in this increased area of progress, which doesn't necessarily bring about short-term shareholder return.

The best contributors during the quarter were Accell Group, the Dutch bicycle manufacturer, French supermarket group Carrefour and Sonova, the Swiss medical hearing device company. Accell is a company we have held since launch as a company going through transformation. New management under Ton Anbeek had made very strong inroads into cost cutting and working capital discipline. Previously Accell had been the focus of a larger Dutch based manufacturer but this year saw the offer from a private equity consortium accepted by the board. Whilst we are pleased to see a strong share price performance, we are sad to see that Anbeek and his team weren't given the opportunity to lead the value uplift themselves. Carrefour is a more recent acquisition, from the summer of 2019. Again, this is a transformational investment case, where cost cutting with a focus on the domestic market has been led by Alexandre Bompard, who has a strong reputation for turnaround stories. The largest task has been to reposition the French hypermarket format, where returns and volumes had been suffering. This is now starting to take shape and we also like the defensive nature of supermarkets during this stage of an economic cycle. Sonova is an example of a high-quality company which is trading at a market premium. Whist defensive growth may be out of favour as a style, Sonova has delivered very strong returns for shareholders due to the highly successful launch of the Paradise platform and also the recent acquisition of the Sennheiser brand and Alpaca audiology. Growth expectations published by the company have exceeded analyst forecasts underpinning returns for shareholders.

Trading remained muted during the period with inflows invested broadly in line with the current portfolio. As a percentage, portfolio turnover remains low single digit over all time periods reinforcing our long-term investment philosophy.

Source: Castlefield, Factset

FUND COMMENTARY

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

Key Information

Fund Size:	£21.28m
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 [21.19%]
B- CFP Castlefield B.E.S.T Sustainable Income General [6.01%]

Source: 31/03/2017 - 31/03/2022. Data from FE 2022

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	1.33	-4.50	-4.71	4.64	10.15	6.01
Sector	2.54	-0.05	3.13	10.84	16.66	21.19

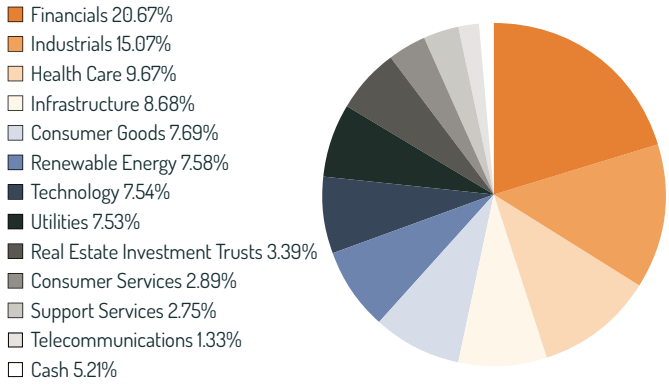
Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-4.50	15.08	-12.38	21.67	-11.93	3.91
Sector	-0.05	18.39	-10.73	20.07	-10.54	11.32

Source: FE fundinfo 2022

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation



Top 10 Holdings

		%
1	NATIONAL GRID PLC	5.93
2	GLAXOSMITHKLINE PLC	5.18
3	UNILEVER PLC	5.01
4	CITY OF LONDON INV	4.71
5	ASTRAZENECA PLC	4.49
6	EMIS GROUP PLC	4.28
7	AVIVA PLC	3.85
8	PHOENIX GROUP PLC	3.49
9	ASSURA PLC	3.39
10	RENEWABLES INFRASTRUCTURE GROUP	3.30

Fund Commentary

The Castlefield B.E.S.T Sustainable Income Fund returned -4.50% for the quarter, compared to the IA UK Equity income sector, which was flat.

UK equities saw substantial sector rotation in the first part of the year, as rising yields in bond markets pointed to mounting concern on inflation and expectations of further interest rate rises grew. In that context, investors switched attention away from some of the steadier companies and sectors in the market and favoured more cyclical names. Manufacturing companies with exposure to raw material prices also started to see the impact from increasing energy and commodity prices, even before the terrible events in Ukraine that started to unfold from late February. The companies in the portfolio that struggled were therefore electrical component manufacturer Strix, instrumentation measurement business Spectris and window and door seal manufacturer, Tyman., Each retreated by between 20-33% during the period, despite in many cases reporting to investors on their full year results in the Q1 and commenting that they had been able to increase prices to offset cost increases, and several had already started to do so in the prior year. It was clear that many investors chose instead to vote with their feet, exiting these stocks and move instead into sectors such as the utility companies, pharmaceuticals, where we have good exposure, and commodity-related stocks, where we maintain no presence. The best performing holdings in the portfolio were electricity distribution group National Grid, renewable energy investment trust Greencoat UK Wind and pharmaceuticals giant AstraZeneca, gaining between 10-18%.

During the period, M&A played a further part in the portfolio returns, although with recent market volatility and increases in bond yields, there has been a slight lessening of activity. We sold Avast in the quarter, crystallising the gains achieved to date, as the bid by fellow anti-virus software group NortonLifeLock continued to make its way through the various regulatory agreements required to complete the deal. We took a new position in Cordiant, a fund established to invest in digital infrastructure assets. These can include telecoms towers, fibre networks and data centres, and we view this emerging asset class as an important driver of returns for the fund, providing a further category of investment that can deliver a high current level of income, but also unlike bonds, has the potential to grow that income over time. Cordiant is a relatively new addition to the wider market, having first listed in early 2021. It carried out an oversubscribed placing in the quarter, in which we participated. In order to avoid becoming over-invested in listed funds of this sort, at the same time we reduced our holding in Greencoat, which had performed very well in the period as it benefited from increases in wholesale energy costs. Unlike many other renewable energy generators, who often sell their output via long term power agreements, Greencoat has some exposure to current rates and has been able to generate some attractive marginal returns which should in turn fund further investment in new renewable generating capacity.

Source: Castlefield, Factset

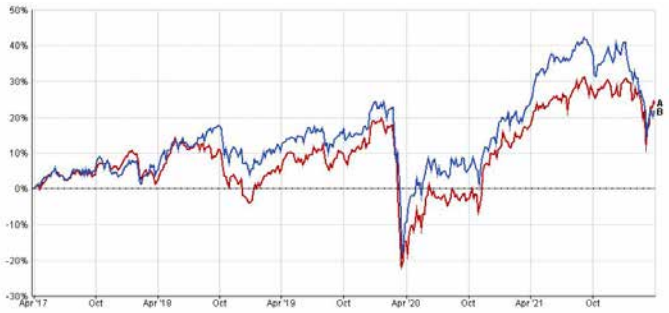
FUND COMMENTARY

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

Key Information

Fund Size:	£25.41M
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 [21.94 %]
B- IA UK All Companies [24.08 %]

Source: 31/03/2017 - 31/03/2022. Data from FE fundinfo 2022

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-2.04	-13.06	-11.35	-1.50	8.99	21.94
Sector	1.61	-4.90	-2.87	5.36	17.51	24.08

Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-13.06	19.96	-5.53	17.07	-0.80	9.79
Sector	-4.90	17.25	-6.01	22.24	-11.19	13.99

Source: FE fundinfo 2022

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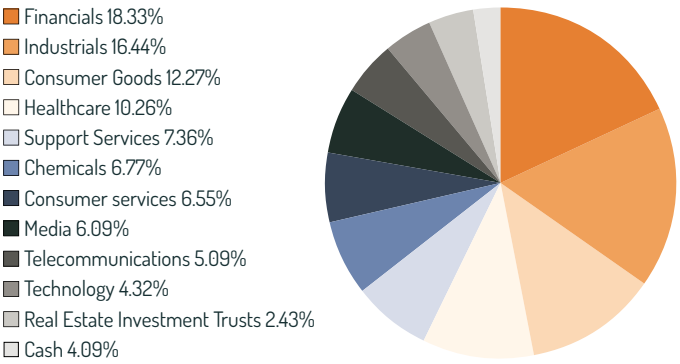
Sector Allocation



Top 10 Holdings

		%
1	RELX	6.09
2	EXPERIAN	4.95
3	CRODA INTERNATIONAL	4.79
4	K3 CAPITAL GROUP	4.76
5	IMPAX ASSET MANAGEMENT GROUP	4.53
6	EMIS GROUP PLC	4.32
7	CLINIGEN GROUP	4.21
8	TYMAN PLC	4.10
9	INTERTEK GROUP	3.98
10	CITY OF LONDON INV	3.74

Fund Commentary

The Fund returned -13.06% for the first quarter of 2022, versus a return for the IA UK All Companies sector of -4.80%.

The performance during the period reflects the continuation of rotation in equity-market leadership where higher margin, less cyclical groups ceded ground to the more "value" end of the market where we intentionally have less exposure. Specifically, we saw holdings such as translation group RWS Holdings (-42.08%), sustainability focused asset manager Impax (-31.63%), and chemicals group Croda (-22.13%), which have added substantially to overall Fund returns in the recent past, falter in the early stages of 2022 as many investors stepped back from these companies and their associated sectors and looked to reinvest into industries that had been shunned more recently. Whilst there has been much renewed focus on commodity sectors, banks and aerospace stocks, particularly in light of the terrible events in Ukraine, these industries typically embed higher leverage, exhibit greater margin volatility and have less pricing power than the companies that we seek out. The ESG screens that we employ reinforce the characteristics that we choose for sound business reasons.

Regarding transactions during the period, we sold our holding in software business Avast after it was bid for by NortonLifeLock (NLL) of the US last year. NLL are the developers of Symantec antivirus software and intend to build a globally recognised IT security group. During the early stages of the deal, there had been the prospect of NLL obtaining a listing in the UK, allowing us an ongoing interest in the business. That became less likely as the deal progressed and we sold in early 2022 for cash in preference to receiving US-listed stock. The acquisition marks the close of a relatively short spell as a listed business, with Avast only joining the stock market in 2018, and we first bought their shares in 2019. The gain from our initial purchase in 2019 and exit following the bid was over 80%, however the acquisition is another case of a large UK tech group being snapped up by a global peer.

With the proceeds from the Avast sale, we invested in Gamma Communications. Gamma provides telephone systems for businesses as well as audio, video and web conferencing technology and instant messaging. It delivers the digital "plumbing" to make these internet-enabled communications as well as optimise systems like Teams for businesses. With firms focusing on the flexibility of their systems, where employees may be based at home or the office, the need for safe, scalable and reliable IP phone systems is likely to grow further. All of Gamma's markets are at an early stage in their growth trajectories and we expect adoption of cloud solutions across Europe to grow rapidly over the next five years.

Source: Castlefield, Factset

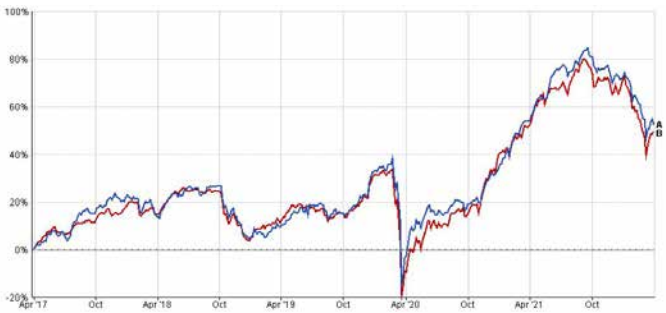
FUND COMMENTARY

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

Key Information

Fund Size:	£28.84M
Sector:	IA UK Small Companies
Launch Date:	1-Jun-07
Managers:	David Elton
Number of Holdings:	40-50
Payment Dates:	Semi-annual

Cumulative Performance (%)



- A - CFP Castlefield B.E.S.T Sustainable UK Smaller Companies General Income [52.74 %]
- B - IA UK Smaller Companies [49.69 %]

Source: 31/03/2017 - 31/03/2022. Data from FE fundinfo 2022

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-1.46	-12.03	-15.53	-0.29	38.56	52.74
Sector	0.28	-12.82	-13.89	-1.71	33.77	49.69

Discrete Performance (%)

	2022 YTD	2021	2020	2019	2018	2017
Fund	-12.03	27.83	2.49	25.46	-13.84	30.62
Sector	-12.82	22.92	6.48	25.34	-11.70	27.18

Source: FE fundinfo 2022

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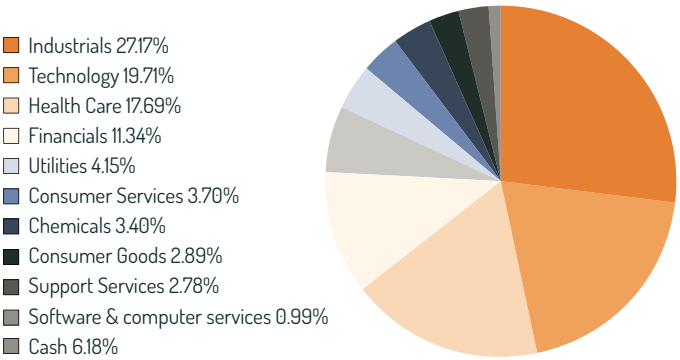
Sector Allocation



Top 10 Holdings

		%
1	TRACSIS PLC	4.26
2	GRESHAM HOUSE PLC	4.03
3	MACFARLANE GROUP PLC	4.00
4	INSPIRATION HEALTHCARE GROUP PLC	3.82
5	THE GYM GROUP PLC	3.70
6	ALUMASC GROUP PLC	3.63
7	MPAC GROUP PLC	3.61
8	ANIMALCARE GROUP PLC	3.60
9	PORVAIR PLC	3.42
10	MATTIOLI WOODS PLC	3.17

Fund Commentary

The first quarter was one of further market rotation of both size and sector. Smaller companies in general underperformed their larger peers whilst the best performing sectors included portions of the market our process actively avoids such as oil & gas and mining. This was, in part, driven by the awful events in Ukraine which led to risk aversion from investors as well as giving a boost to commodity prices. The Fund registered a total return of -12.03%, compared to a sector return of -12.82%.

In terms of positive contributors to performance, our purchase of niche telecoms testing equipment provider Calnex Solutions got off to a good start as it upgraded market expectations and returned +20.00%. There are multiple long-term structural drivers for the telecoms test instrumentation market, from the adoption of 5G to cloud migration and the general growth of data creation. It has a strong financial track record of profitable, cash generative growth, which we think should perpetuate. We've been following the company since its IPO in 2020 and believe the current valuation does not reflect its growth prospects and quality of the business. Renewable energy supplier Good Energy (+9.28%) announced full year results and the disposal of its generation asset portfolio. The transaction was completed at a premium to net book value and is part of its ongoing strategic shift to decentralised energy and mobility services. Gresham House (+3.33%), the specialist alternative asset manager, delivered exceptionally strong profit and AUM growth in 2021 with the latter growing by 65%, driven by strong fundraising, targeted acquisitions, and performance.

The top three negative contributors were EKF Diagnostics (-42.40%), Strix Group (-33.44%), and The Gym Group (-23.61%). Global medical device manufacturer EKF saw revenues increase +25% for the year, importantly driven by a return to growth from the core business. However, it also reset expectations on Covid-19 testing products, which saw some investors move on. Like many, Strix, the global leader in kettle safety controls, cited headwinds from rising costs. Nevertheless, the company has been able to increase prices to offset these rises and made good progress towards its medium-term guidance of doubling turnover by 2025. The Gym Group, the operator of low-cost gyms, continued its strong recovery, with relatively less inflationary exposure. Management also sees significant opportunity for future growth from an accelerating pipeline of new sites and rebranding. We took advantage of these weaker share prices and added to all three positions during the period.

As well as the purchase of Calnex, we also initiated a position in waste-to-product company Renewi whilst exiting veterinary services provider CVS Group, with the latter having grown above our core universe range. On Renewi, its primary purpose for existing is recycling and playing a part in the secular shift towards a more circular economy. This long-term tailwind, coupled with an improved balance sheet and a well-articulated strategy, sets Renewi up well for an improvement in earnings, which we feel is being overlooked by the wider market.

Source: Castlefield, Factset

MEET THE TEAM

Alison Newall

Chartered MCSI

Associate, Investment Management

Daniel Lonsdale

BSC (Hons), IMC, ACSI

Manager, Investment Management

David Gorman

MA (Hons), MBA, Chartered MCSI

Partner, Investment Management

Ita McMahon

BA (Hons), MA, IMC

Associate, Investment Management

Mark Elliott

Mchem (Hons), Chartered MCSI, CFA

Partner, Head of Investment Management

Rory Hammerson

MA (Hons), CEFA

Partner, Investment Management

Amelia Overd

MA (Hons), IMC, ACSI

Manager, Investment Management

Barney Timson

BSc (Hons), MSc

Executive, Investment Management

David Elton

BSc (Hons), IMC, Chartered MCSI, CFA

Partner, Investment Management

India Harkishin

BA (Hons)

Executive, Investment Management

John Eckersley

BA (Hons), MBA, Chartered FCSI, Chartered Wealth Manager

Managing Partner

Mike Heron

Chartered MCSI

Executive, Investment Management

Simon Holman

MA (Hons), MSc, CFA, Chartered MCSI, ASIP

Partner, Investment Management

CASTLEFIELD

THE THOUGHTFUL INVESTOR

8th floor,
111 Piccadilly
Manchester M1 2HY
0161 233 4551
Castlefield.com

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