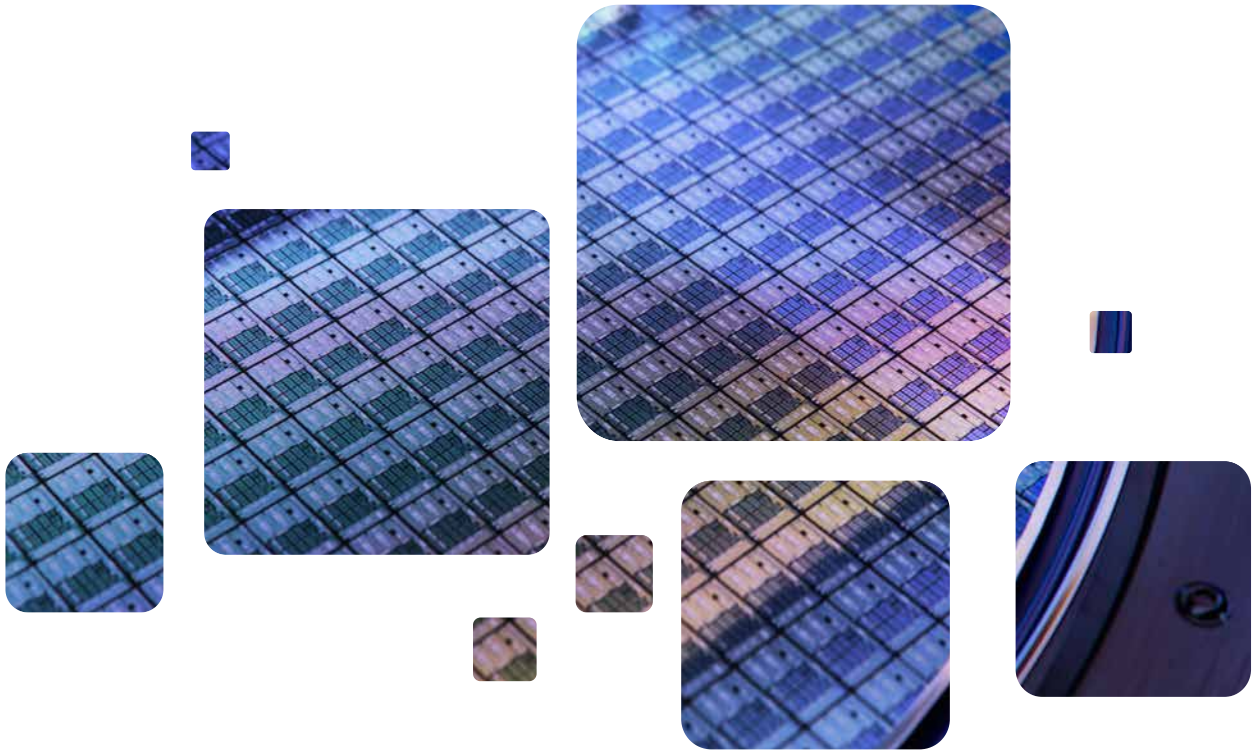
PORTFOLIO FUNDS QUARTERLY

Q1 2024

In this report...



The information is this document was accurate on the date of production. Please note on 2nd December 2024 the naming and marketing rules under the Sustainable Disclosure Requirements (SDR) came into effect and therefore there were changes made to fund names and disclosures. These changes will be reflected in the next version of this document.

CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

In these pages three months ago, we talked about the outbreak of conflict between Israel and Hamas which has unfortunately widened to neighbouring countries and to the Red Sea, threatening one of the world's busiest shipping lanes and leading to negative consequences for world trade."

In these pages three months ago, we talked about the outbreak of conflict between Israel and Hamas which has unfortunately widened to neighbouring countries and to the Red Sea, threatening one of the world's busiest shipping lanes and leading to negative consequences for world trade. Russia's invasion of Ukraine and the ensuing war is now into its third year with no sign of resolution, despite the blood and treasure expended on both sides.

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We also referred last time to the number of elections taking place this year, with more than 40 countries which together represent over 40% of the global population potentially voting. To nobody's surprise, Vladimir Putin won the Russian Presidential election. More interesting was the outcome of the poll in Taiwan, a world centre for the manufacture of semi-conductors, which produced a hung parliament but a consensus on distancing the country politically from Beijing. Right at the end of the period, Turkish voters delivered a blow to President Erdogan and his AK Party in local and mayoral elections, as he lost control of the major cities in the more affluent west of the country.

Regular readers of this market commentary will know that we like to highlight the anniversaries of events that have affected markets. On 11th March, 2020, after about three months of disquieting news, the World Health Organisation declared COVID-19 a global pandemic. Four years on, the world economy is still recovering and is also changed forever. It is also one year since the collapse of Silicon Valley Bank (10th March, 2023) and the rescue of the venerable Credit Suisse (15th March, 2023), both perhaps victims of higher and more volatile interest rates.

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The US has entered election year and Americans are likely to be faced with the unedifying sequel to Biden vs. Trump – "Four Years Older." The world looked at its TV screens in shock after a ship crashed into the Francis Scott Key Bridge in the port of Baltimore, destroying the bridge and causing several deaths. In investment markets, the US Federal Reserve is adopting a cautious approach to reducing interest rates as eradicating the last 1% or so of "excess" inflation is proving more difficult that they thought. Interest rate cuts that were expected in March are now more likely in June.

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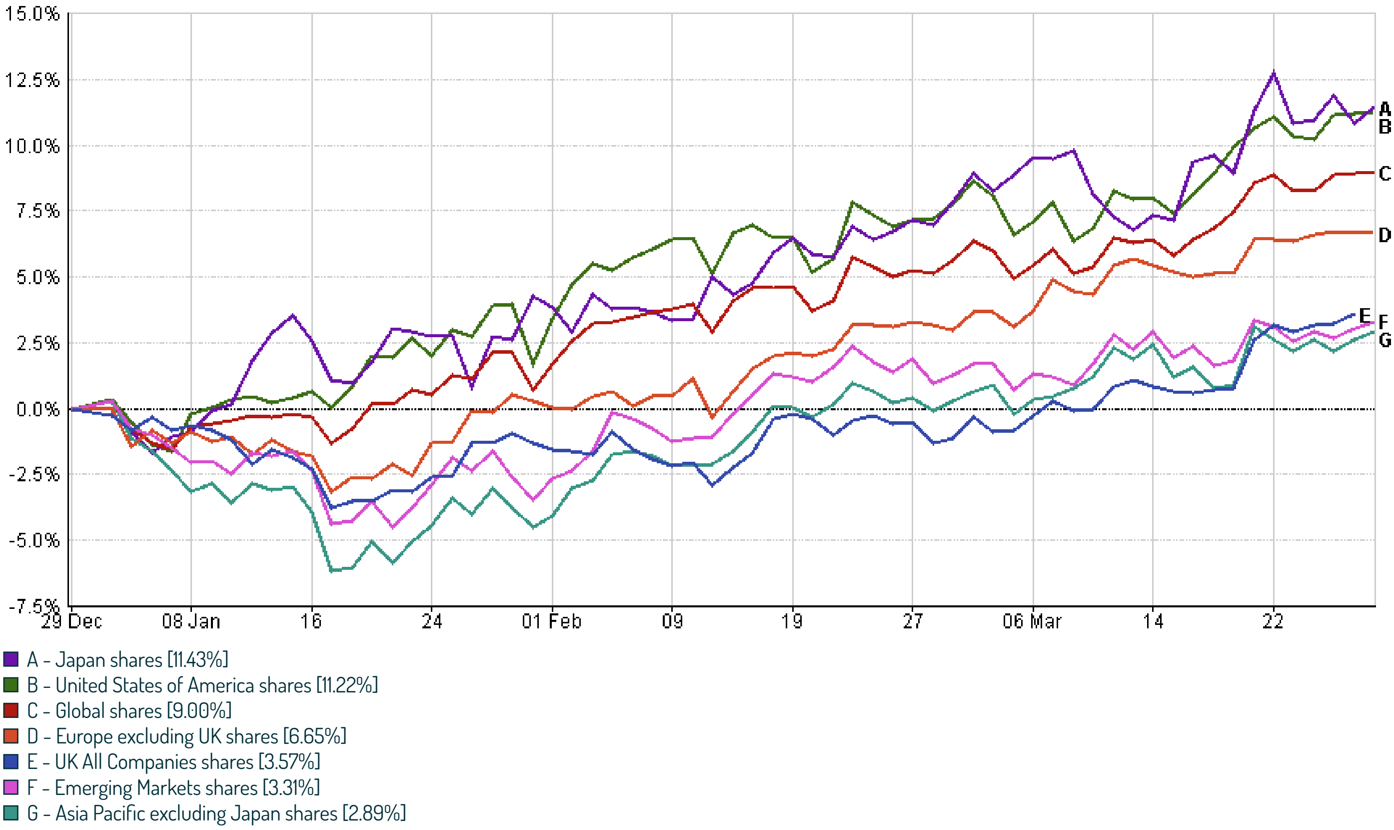
Index Returns



29/12/2023 - 29/03/2024 Data from FE fundinfo2024

and politics, with the Budget not really moving the needle for voters. The Eurozone has proved reasonably resilient over the last few months, although there are some concerns about the performance of the normally reliable Germany which, we believe, was the only G7 economy to contract in 2023.

What has been pleasing is the emergence from the economic deep-freeze of Japan, something we mentioned in previous quarterly updates. After seventeen years, the Bank of Japan finally raised interest rates above zero in March, just as the cherry blossom came out. This move by the BoJ came after Japanese employers increased wages for many workers to help them deal with higher prices in the shops.

As ever, China is hard to read. Anecdotal evidence from the companies we own and which have exposure to China paints a mixed to gloomy picture, especially for domestic Chinese consumption. It is notable that the normally stern-faced President Xi Jinping was seen in the news looking relaxed while hosting a group of American businessmen (no women) in Beijing in an attempt to strengthen Sino-US relations and boost inward investment.

As is often the case, markets marched to their own drumbeat and shrugged off many of the concerns described above, as investors sought to take on a little more equity risk in the first quarter of 2024.

> "The final quarter of 2023 saw strong performances across the major global equity indices and this momentum continued into Q1 this year, with many bellwether indices close to all-time highs."

The final quarter of 2023 saw strong performances across the major global equity indices and this momentum continued into Q1 this year, with many bellwether indices close to all-time highs. The London Stock Exchange top 100 Index is up 3% so far this year and tested 8,000 points right at the end of the quarter, while the major Index in Tokyo and the S&P 500 both reached new peaks, the latter driven by the share price performance of Nvidia and the other big US tech stocks.

The global Index returned 9.0% over the quarter, while the United States of America Index also moved ahead by 11.22%. The Japan Index progressed by 11.43% in Q1. After a fallow period last year, equity markets in the Eurozone performed well, with the Europe excluding UK Index up 6.65% this quarter, while the domestically focused UK All Companies Index performed satisfactorily, advancing by 3.57%.

ADVISORY COMMITTEE SUMMARY

SUMMARY: Here, we summarise the discussion points from the External Advisory Committee meeting held in February which covered topics such as the incoming fund labelling scheme, changes to fund holdings and the use of estimated data.

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The February 2024 Advisory Committee meeting began by welcoming a new member, Gilbert Stephenson, representing the trustees of the Evangelical Fellowship of Congregational Churches where he is a trustee. It was also the last committee meeting for the Committee's Chairperson, Becky O'Connor, as her tenure comes to an end. Becky has been a thoughtful contributor to the Committee over the past six years and we have been grateful for her input.

The Committee received an update on CML Microsystems, a semiconductor business held in the Castlefield's UK Smaller Companies Fund. CML has recently acquired a US business and we have been monitoring the revenue figures of the combined entity to ensure that it remains compliant with our screening policy. The Committee was also updated on CML's governance structure, which has been an ongoing topic of engagement for Castlefield over the past year.

Next, the Committee reviewed the new holdings in, and divestments from, Castlefield's Sustainable fund range. The majority of activity has taken place in the European Fund due to the recruitment of a new fund manager, with new holdings including a number of large-cap companies such as global pharmaceutical company Sanofi, and multinational financial services company Allianz. Following this, the Committee provided us with feedback on our proposed topics for engagement in 2024.

Castlefield uses an independent data provider to assess the performance of our fund range on a range of ESG metrics and we asked the Committee for their thoughts on the use of estimated data. While the Committee were supportive of reporting on this data, the importance of transparency where relying on estimations and examining the robustness of estimation methodologies were reiterated.

> The Committee also received an update on how Castlefield is planning to implement the new labelling scheme for sustainable funds (Sustainable Disclosures Requirements – SDR) which will tighten up regulation around misleading claims and reduce the risk of greenwashing."

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Finally, the meeting closed with ideas from Committee members for future thought spanning topical issues like biodiversity and Artificial Intelligence (AI).

Written by
Eleanor Walley

FOSSIL FUEL FINANCING: ESCALATING ENGAGEMENT

SUMMARY: The green transition must be facilitated by the banking sector, and to do so, ambitious action must be taken to prohibit financing for harmful activities such as the expansion of fossil fuels. In recognition of this, we recently implemented an escalation process in our Voting Guidelines for companies involved in the facilitation of new fossil fuel projects.

Here at Castlefield, we work extremely hard on behalf of our clients to invest thoughtfully, supporting companies which are contributing to an economically and socially more sustainable future. Not only do environmental, social and governance (ESG) considerations make sense for the environment, properly sustainable operations are linked with better economic performance, therefore ESG associated risks and opportunities have become central to the mission of most financial institutions.

The green transition will be impossible without the deployment of large amounts of private capital. Deloitte notes that the missing piece in the green energy transition is finance and estimates that:
to achieve net-zero greenhouse gas emissions by 2050 will likely require an annual global investment in the energy sector ranging from US$5 trillion to more than US$7 trillion —yet less than US$2 trillion is currently being invested on a yearly basis.[1]

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Banks have an important role in society as financial intermediators and providers of payment services and will play a key role in marshalling the funding necessary to meet the world's environmental goals.

Financial stability has been a challenge for banks over the past twenty years. Along with their customers, banks around the world suffered heavy damage, both financially and reputationally (see RBS and HBOS), during and in the aftermath of the global financial crisis. In March 2023, we saw Silicon Valley Bank and Credit Suisse get into serious trouble.

As large organisations, banks must consider not only their own ESG footprint, but also the ESG risks and opportunities they face as a lender.

Fossil Fuel Financing

In the excellent Banking on Climate Chaos report, published by Bank Track,[2] fossil fuel financing by the world's 60 largest banks has reached USD $5.5 trillion in the seven years since the adoption of the Paris Agreement in December 2015. The report features 60 banks, of which 49 (82%) say they are committed to Net Zero emissions and yet, many still fund the extractive industries.

While our exposure to the banking sector is small, fossil fuel funding is nonetheless an important topic for us and for our clients. We were recently approached by a client who had published a set of climate expectations for the asset management industry, encouraging asset managers to escalate engagement against companies facilitating new fossil fuel projects.

We have since formalised an escalation process in our voting guidelines, which is further detailed overleaf.

1. Financing the green energy transition (deloitte.com)
2. BOCC_2023_vF.pdf (bankingonclimatechaos.org)

Voting Escalation Process

On behalf of a coalition of asset owners, one of our clients approached us, outlining a set of climate expectations for the asset management industry to establish a minimum standard for action necessary to meet the goals of the Paris Agreement. We have since agreed to ramp up our engagement efforts on the facilitation of new fossil fuel funding and have updated our voting guidelines to reflect this.

We are implementing an escalation process applicable to companies operating in sectors which facilitate new fossil fuel projects (i.e. banks, insurance, or utilities). First, we will engage with the relevant companies prior to the AGM to inform them of the changes to our guidelines and obtain the relevant information. Following this, we will assess whether the company is involved in the facilitation of new fossil fuel projects. If we deem the company to be involved, our voting process is as follows:

- The first step would be to vote against the Chair of the Audit or ESG Committee
- The next escalation would be to vote against all Audit/ESG Committee members
- The final step would be to vote against the report & accounts

In any instance where we do not receive a response, we will assume that new fossil fuel projects are being facilitated by the company and will vote accordingly.

Engagement Example: Santander

Santander is held in our Sustainable European Fund under our 'Financial Resilience & Inclusion' theme, recognising the contribution the Bank makes towards increasing access to financial services, including the provision of specific products and services to those who are financially vulnerable and promoting financial education.[3] While the social benefit of financial empowerment is clear, the Group is also committed to achieving net-zero carbon emissions by 2050 by prioritising five high-emitting sectors to which it has material exposure.[4]

After contacting Santander ahead of the AGM, we assessed the company's existing approach on fossil fuel financing. The company's Environmental, Social and Climate Change (ESCC) policy sets out standards for investing in, and providing financial products and services, to companies and customers engaging in sensitive activities.[5] Prohibited funding falls under four main categories: Oil & Gas, Power Generation, Mining & Metals, and Soft Commodities (i.e. forestry plantations). The policy does demonstrate a positive direction of travel – for example, Santander prohibits financing for new upstream oil and gas clients, oil upstream greenfield projects, as well as controversial activities like arctic drilling and fracking.[6]

Although the company has begun to establish appropriate targets, and performs better than the majority of its peers in the 'Banking on Climate Chaos' report, Santander must level up its ambition before we are confident that it is ceasing to facilitate new fossil fuel projects altogether. As such, we reached the decision to vote against the non-executive director (NED) up for re-election on the Sustainability Committee and we will continue to engage with the company to keep the pressure on, using our escalation process to take necessary further action if required.

Written by David Gorman & Barney Timson

3. https://www.santandercib.com/press-room/santander-named-best-bank-financial-inclusion-euromoney
4. PowerPoint Presentation (santander.com). Page 17.
5. do-environmental-social-and-climate-change-risk-policy-en.pdf (santander.com)
6. PowerPoint Presentation (santander.com). Page 15.

16 Apr 2024

INVESTOR COALITION ON FOOD POLICY: 2024 STRATEGIC FOCUS AREAS

SUMMARY: The Investor Coalition on Food Policy acts as an effective conduit to facilitate dialogue between investors and policy makers. Here, we set out the Coalition's strategic focus areas for 2024; encouraging greater business transparency and accountability; and emergent risks and opportunities for investors.

As sustainable investors, it's important to invest in companies that positively contribute to society and the environment. This is why we're delighted to be part of the Food Foundation and Investor Coalition on Food Policy, working alongside other investors allows us to amplify our voice on important topics such as transitioning towards a healthier and more sustainable food system. By collaborating with the coalition, we aim to push for improvements in corporate reporting on health and sustainability metrics, as well as delving into topics like the transition to plant-based proteins.

"With the population forecast to grow to roughly 9.7 billion by 2050, the food system will need to accommodate a sharp increase in demand over the next few decades."

With the population forecast to grow to roughly 9.7 billion by 2050, the food system will need to accommodate a sharp increase in demand over the next few decades. This will inevitably result growing competition for land, water and energy, which is at odds with the increasing urgency to take action on climate change and reduce the damaging effects of agriculture and food production on the environment. Such concerns appear to be reflected in consumer trends, which exhibit a shift towards healthier and more sustainable diets. However, healthier and more sustainable foods – including plant-based meat and dairy replacements, as well as foods certified as Organic or Fairtrade – are often more expensive than unhealthy foods. Particularly in the context of a cost-of-living crisis, this is a real issue underpinning health inequalities, making the switch to a better diet even more challenging for lower income households.

Recently, I attended a signatory event in London where we discussed the Coalition's two strategic focus areas for 2024. The first focus area is encouraging greater business transparency and accountability, and one of the main aims of the Coalition has been engaging with policy makers on the introduction of mandatory reporting against health and sustainability metrics by food sector companies. In January, we co-signed a letter to the Secretary of State for Health and Social Care, reiterating investor support for the Food Data Transparency Partnership (FDTP) – launched by the government to improve data in the food supply chain. We hope that the Coalition's recommendations will be reflected in the ambitions of the Food Data Transparency Partnership[1], including the view that while voluntary reporting against these metrics could act as a stepping stone, mandatory reporting should be the ultimate end-goal. The second focus area will centre around emergent risks and opportunities for investors, utilising opportunities to engage with policy makers on the topic of Ultra-Processed Foods (UPFs), as well as plant-based proteins.

As investors, we would like to see an improvement in the availability, quality and comparability of data in the food supply chain. This will help us to measure and compare company performance and identify those that are on a positive trajectory towards a healthier and more sustainable product offering. Ultimately, our hopes for the future of the coalition is to work collaboratively with other investors in a push for best practice across the industry.

Written by
Eleanor Walley

1. Food Data Transparency Partnership - GOV.UK (www.gov.uk)

BRITVIC: ENGAGING ON MATERIAL SUSTAINABILITY ISSUES

SUMMARY: At the beginning of the year, we participated in Britvic's stakeholder engagement exercise, providing our views on material sustainability issues to feed into the reformulation of the company's sustainability strategy. Following this, we met with the company to discuss various issues including single-use packaging.

Britvic is a soft drinks manufacturer which is held in our UK Opportunities Fund. It's a company making good, incremental progress at improving its social and environmental impacts and its wide-reaching sustainability programme looks at material topics from calories per serve to the packaging needed for its products.

At the start of 2024, we were approached by Britvic to participate in a stakeholder engagement exercise to provide views on the sustainability issues that the company should be tackling as a priority. We were one of 10 investors contacted, even though we are far from being a top 10 shareholder in terms of the size of our holding. This shows that by asking questions regularly about social and environmental performance, on top of the financials, we become one of the investors that companies consult when they're looking to update their sustainability strategy.

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In terms of the consultation itself, we covered a range of topics. On climate change, for example, we acknowledged that Britvic has a science-based target for reducing emissions, and encouraged the company to continue to consider the impact of global warming on fruit sourcing and supply chain stability. We know that calorie and sugar content is another contentious topic for the company so we suggested that the company do more to ensure that "grab and go" products are sold in single serve portions. Single use packaging and the need to do far more to address this problem formed another key part of the discussion - Britvic has been very transparent about the difficulties it has faced in sourcing high quality PET, and sourcing from countries with good labour standards.

> We encouraged the company to join a new initiative – the 'Business Coalition for a Global Plastics Treaty'- bringing together businesses and financial institutions to tackle the plastic pollution crisis."

Following the consultation, we had a regular meeting scheduled with Britvic's investor relations team and we used the opportunity to raise the issue of plastics again. We encouraged the company to join a new initiative – the 'Business Coalition for a Global Plastics Treaty'- bringing together businesses and financial institutions to tackle the plastic pollution crisis. Their aim is to support the development of a treaty that addresses some of the obstacles that make the responsible sourcing and recycling of plastic difficult. We'll wait to see if Britvic join the coalition, and we hope that this provides clients with an understanding of how we incorporate sustainability questions on an ongoing basis in our conversations with companies.

Written by
Ita McMahon

HEALTHY MARKETS: UNILEVER PROGRESSES TOWARDS ITS HEALTH AND NUTRITION COMMITMENTS

SUMMARY: The Healthy Markets Coalition met with Unilever to discuss progress against its health and nutrition commitments and understand the strategies that will be employed to achieve these, particularly in the context of a change in leadership and strategic direction.

The Healthy Markets Coalition, coordinated by ShareAction, helps investors collectively engage with companies to promote healthier consumer diets and drive change across the food and drinks industry. One third of all deaths worldwide can be attributed to the overconsumption of certain products including alcohol, tobacco and food and drinks products – the scale of the problem is indisputable.[1]

In 2021, the Healthy Markets Initiative and an alliance of investors filed a resolution at the company's Annual General Meeting (AGM) to increase disclosures around the sale of healthier products. The company engaged in constructive conversations with the Healthy Markets Coalition prior to the AGM, and a sufficient agreement was reached that led to the withdrawal of the resolution. In October 2022, Unilever publicly disclosed its targets and new disclosure practices, pledging to:

- Achieve its target of 85 percent of the 'servings' it delivers to comply with its own nutrient profiling model – the Unilever Science-based Nutrition Criteria (USNC) by 2028.
- Publish annual assessments of the healthiness of its product range on a global basis, as well as for 16 key strategic markets, in line with government-endorsed nutritional criteria and disclose this data in its annual reports.

The most recent engagement took place in March this year, where Unilever presented the Coalition with an update following the second year of healthier sales disclosures. For investors, the aim was to gain a clearer understanding of how Unilever is progressing towards its commitments, particularly in the context of a change in leadership and strategic direction. Currently, 81% of the company's portfolio is compliant with the UNSC signaling good progress towards the 85% target.

Following full year results for 2023, CEO Hein Schumacher stated that sustainability efforts will be honed around Climate, Plastic, Nature and Livelihoods, leading the Coalition to question how exactly health will fit into this revised commitment. Representatives from Unilever on the call reiterated that health and nutrition will remain a key priority in line with the company's ambition to be a "World-Class Force for Good in Food". In order to help people transition to healthier diets, Unilever is committing to an annual €1.5 billion sales target by 2025 from plant-based products, as well as a doubling in the number of products that deliver positive nutrition by 2025.[2]

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We look forward to our continued involvement with the Healthy Markets Coalition, recognizing the pivotal role that food retailers and manufacturers play in influencing consumer health and driving access to healthier products.

Written by
Eleanor Walley

1. ShareAction I Improving people's health
2. The world's food system needs to change I Unilever

VOTING ACTIVITY:
Q1 2024

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 stance. 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; they are made publicly available on our website, as is our full voting history.

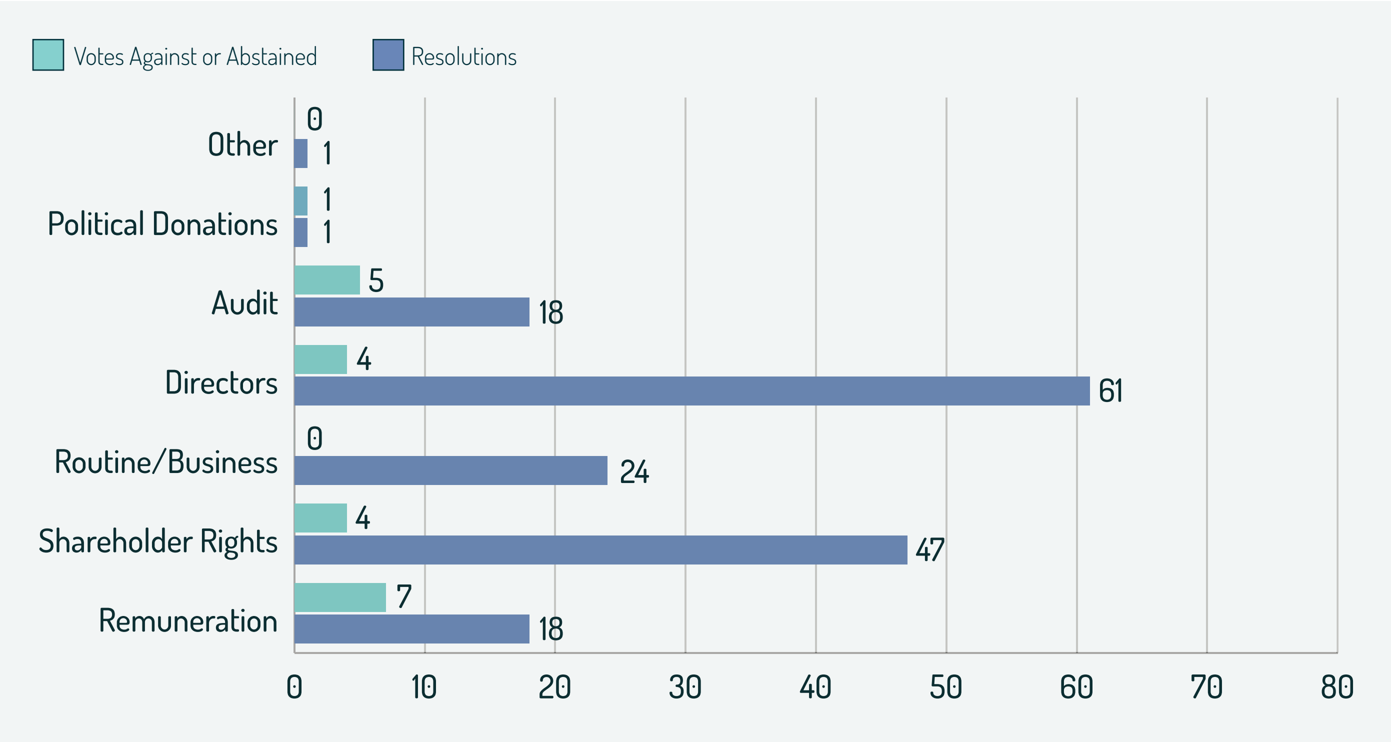
RESOLUTIONS

Number of resolutions where votes were cast For	150	87.5%
Number of resolutions where votes were cast Against	18	10.3%
Number of resolutions where votes were Abstained	3	1.8%

During the quarter, we voted at 15 meetings hosted by our investee companies, with a total of 171 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 this 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:



PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

The Renewables Infrastructure Group

The Renewables Infrastructure Group – TRIG for short – is a great example of how we invest into renewable energy projects for clients. TRIG owns a diversified portfolio of renewable energy generation assets spread across Europe. The model is fairly simple; sizable upfront capital expenditure in developing new assets, followed by 25-plus years of inflation-linked revenue streams arising from power generation and various subsidy revenues.

The relatively predictable and repeatable revenue generation lends well to the provision of attractive and sustainable income distributions, with the trust's dividend yield tipping a little over 7.4%[1] (at the time of writing) well covered by underlying cash flows. Where cash flows run in excess of those required to meet dividend commitments – which is often the case – TRIG's management team has an excellent track record of reducing debt and reinvesting surplus capital back into the portfolio to provide modest capital growth and the prospect for growing distributions to shareholders over time.

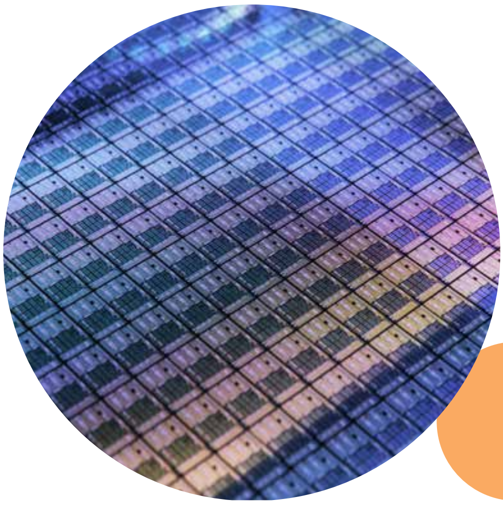
In addition to the compelling financial returns, TRIG also delivers a meaningful environmental benefit, with the trust's assets generating 6 terawatt hours of clean, renewable electricity in 2023 alone. That's a little over 2 per cent of the UK's annual consumption for the same year.

1. Figure based on closing share price 04/04/24, dividend information www.trig-ltd.com

CFP Castlefield Sustainable European Fund

It's been some time since we've written about our Sustainable European Fund, and there's plenty to update you on. As many of you will have seen from our update at the time, longstanding friend and partner of the firm, Rory Hammerson, decided to leave us last summer following a change in personal circumstances that has seen Rory's time taken up in endeavours outside of the investment world. This provided us the opportunity to welcome James Buckley as lead manager for our Sustainable European Strategy. James joined Castlefield from Cantor Fitzgerald, where he worked as Head of Equity Research. Prior to joining Cantor Fitzgerald, James was Head of European Equities at Barings for over 14 years.

James manages our exposure to European equity with a 'global leaders' mindset, focusing on those businesses with established, defensible business models and attractive underlying economics, whilst maintaining a sharp eye on valuation. James' approach aligns with Castlefield's 'B.E.S.T.' framework, combining attractive business fundamentals with a clear focus on sustainability operational and Business practices across our three key, non-financial areas of focus; Environmental & Ecological, Social, and Transparency & Governance. Below we take a closer look at some of James' highest-conviction holdings.



ASML Holding N.V.

ASML Holding N.V. (originally Advanced Semiconductor Materials Lithography) describes itself as "the most important technology company you've never heard of", reflecting its relatively low profile as an IT hardware supplier, rather than a consumer-facing tech company like Apple or Facebook. Originally a joint venture between two Dutch businesses - technology conglomerate Koninklijke Philips N.V. (Philips, to most of us) and Advanced Semiconductor Materials (ASM) – ASML gained its independence in 1988. After a long history of innovation, ASML became an invaluable part of our modern world with its pioneering work in Extreme Ultraviolet (EUV) lithography, a critical piece of the semiconductor value chain that is responsible for delivering even greater miniaturisation of transistors; the building blocks of our computer-powered world.

ASML's ultra-high powered lithography machines essentially allow chip manufacturers to 'print' the outline of their semiconductor designs onto silicon wafers, which then form the basis of microchips. These lithography machines, as they are known, are highly sophisticated yet reliable pieces of equipment that need to be able to deal with the ever-shrinking designs of chips, while still being able to cope with the high production volumes demanded by chip-manufacturers. As such, the latest, most sophisticated models sell for $200m-$300m each. Astonishingly, ASMLs machines are so reliable that their older machines are often still in use, put to work producing less sophisticated chipsets, so the company estimates that 95% of all the lithography machines they have ever sold are still in use.

It's not hyperbole to describe these machines as some of the most complex industrial technologies humanity has ever created. At the heart of their operation lies the EUV light source, a critical component generated by pulsing lasers at tiny droplets of molten tin, each roughly 25 microns in diameter — roughly the size of a speck of dust — 50 thousand times per second. The resulting light is reflected using mirrors of such extraordinary precision that they'd be capable of targeting a golf ball placed on the surface of the moon.

Cairn Homes PLC

Cairn Homes is a leading Irish housebuilder well-positioned to deliver high-quality, environmentally-conscious homes to a structurally undersupplied Irish housing market. Cairn's focus is on building entire communities in areas where the shortage of affordable family homes is most acute. This can be best demonstrated through their new Seven Mills development; a new garden town for Dublin.

Sustainability runs through everything built by Cairn. With their residential developments, there's a critical focus on the carbon footprint and water efficiency of the homes they build, and the green space around them for those that live there. As part of their Seven Mills development, they've also planned for 300,000 square feet of LEED (Leadership in Energy and Environmental Design) accredited commercial space to serve these new communities.

Cairn is a leading voice to promote sustainability in the built environment, acting as a founding partner of The Supply Chain Sustainability School Ireland, an industry-supported resource that has been established to provide training, extend knowledge and support best practices on sustainability issues in the Irish built environment industry.

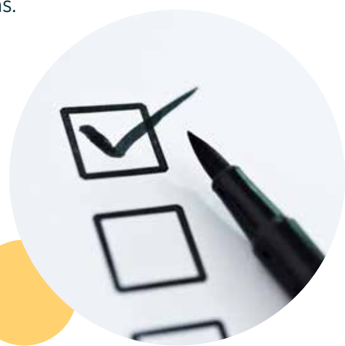
SPOTLIGHT ON THE PORTFOLIO FUNDS – OUTLOOK

CFP Castlefield Sustainable Portfolio Growth Fund

The challenging start we've seen to 2024 is in part a reflection of the strong performance portfolios enjoyed in the final quarter of last year. After a brief reversal at the end of last year, many of the themes that have proved a headwind to the Portfolio Growth Fund – narrow market leadership driven by a small number of US technology companies, alongside a ratcheting higher of long-term interest rates, to name a few – re-emerged in the first quarter.

2024 holds a number of key events that will likely steal headlines as the year continues to evolve. Two key political events we'll be keeping under watch are the elections set to take place in the United Kingdom and United States. While we expect there to be a great deal of noise around both events, we believe the broad market impact is likely to be muted. Typically, election years tend to drive something of a policy vacuum, with businesses continuing to do what they do best – create value for shareholders – unfettered by an active legislative backdrop. There are some key policy battlegrounds that we are keeping a close eye on, however, support for green infrastructure central amongst them.

In addition to political events, 2024 continues to look like a key year for a change in interest rate regimes. The past 24 months have seen a – sometimes painful – transition to a higher interest rate world to tackle generationally-high inflation. Strong progress on delivering sustained disinflation has been a vital step on the path toward policy normalisation. While we don't expect rates to fall precipitously – something that would be consistent with challenging macroeconomic conditions – we do believe that modest reductions in interest rates will deliver a boost to asset values, alongside ordinary, sustained growth in corporate earnings. Altogether, we see a constructive environment for our portfolio companies to deliver compelling, inflation-beating returns.



CFP Castlefield Sustainable Portfolio Income Fund

Performance over the quarter shows that we were perhaps overly optimistic in our assessment of the direction of travel for interest rates in last quarter's outlook piece. Quarter-to-quarter we do expect a good deal of movement in rate expectations, however, as we closed out March, the exuberance markets displayed at the end of last year seems to have evaporated entirely. In the excitement of Q4, expectations were high. Cuts from the US Federal Reserve were expected as early as March of this year (needless to say, they didn't materialise) and global central banks were destined to follow suit in short order. We're now seeing markets row back from their lofty expectations for cuts,, and questions are being raised as to whether or not 2024 will be the year after all. As you may come to expect, we take a more neutral view. We still see scope for modest interest rate cuts beginning this year, though aren't depending upon it.

We see natural income as a more powerful reason to be optimistic about the outlook for our stability assets, which represent a large portfolio of our Portfolio Income Fund's assets. Starting yields remain at levels not often seen in recent history. We're also seeing a great deal of value in many of the renewable energy assets that the portfolio owns on our clients' behalf, with discounts to Net Asset Values pushing expected returns into the low teens in some instances. Although portfolio values have been buffeted for some years as interest rates climbed to tackle stubbornly persistent inflation, this downward pressure on prices appears to be close to running its course. We believe that the forward-looking risk-adjusted returns look more attractive today than they have in the history of the strategy.

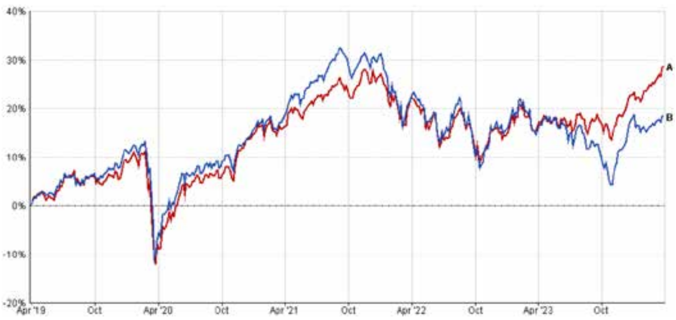
FUND COMMENTARY

CFP Castlefield Sustainable Portfolio Growth Fund

Key Information

Fund Size:	£71.32m
Investment Association Sector	Mixed Investment 40-85% shares
Launch Date:	1st February 2018
Managers:	Callum Wells & Simon Holman
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 40-85% Shares [28.73%]
B - CFP Castlefield Sustainable Portfolio Growth G Income [18.38%]

Source: 31/03/2019 - 31/03/2024. Data from FE fundinfo 2024

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	1.54	-0.23	7.63	1.98	0.05	18.38
Sector	2.79	4.17	10.18	10.16	10.65	28.73

Discrete Performance (%)

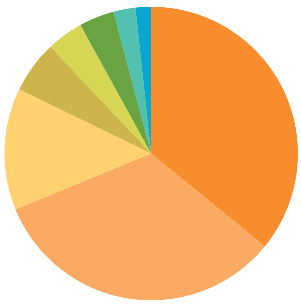
	2024 YTD	2023	2022	2021	2020	2019
Fund	-0.23	2.85	-12.14	13.63	3.91	17.86
Sector	4.17	8.08	-10.04	10.94	5.32	15.78

Source: FE fundinfo 2024

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

- Global Equity, 35.89%
- UK Equity, 32.89%
- Fixed Income, 13.43%
- Alternative, 5.75%
- Renewable Energy, 4.03%
- Real Estate Investment, 3.86%
- Infrastructure, 2.44%
- Cash, 1.71%



Top 10 Holdings

	Top 10 Holdings	%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	13.60
2	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	11.27
3	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	9.16
4	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	8.02
5	LIONTRUST SUSTAINABLE FUTURE ICVC UK ETHIC FUND	8.02
6	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	7.22
7	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	6.62
8	RATHBONE ETHICAL BOND FUND	4.95
9	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	4.93
10	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	4.87

Fund Commentary

After a strong end to 2023, performance for Q1 2024 was more muted. Familiar challenges re-emerged as a rebound in interest rate expectations weighed on growth-oriented sustainability strategies and on the fund's listed infrastructure holdings, while UK equities suffered relative to certain international peers. The CFP Castlefield Sustainable Portfolio Growth Fund returned -0.23% (General share class) in the first quarter of 2024, versus +4.17% for its peer group. The fund predominantly owns assets focused on delivering capital growth, however, it also owns a number of income-generating assets. The assets are covered in greater detail in our overview of the Portfolio Income Fund.

Relative performance this period was more challenging and can be attributed to three different causes; the relative underperformance of UK equities; our exposure to long-duration renewable infrastructure assets; and specific challenges around the portfolio's exposure to Battery Energy Storage System (BESS) assets. The first two factors are relatively high-level and were discussed in our previous commentary. We do expect relative performance to be buffeted from quarter-to-quarter (as we've seen these past two quarters) by prevailing market interest rates and the relative attractiveness of UK equities in a global economy. The third contributor – our exposure to BESS assets – is more specific in nature and warrants further explanation.

For several years now we've invested in grid-scale battery systems, which deliver value by "demand shifting," essentially the process of buying excess energy when it's cheap – when the wind is blowing, say – and selling it when it's expensive – for example, in the early evenings when household energy use peaks. In addition to demand shifting, batteries can provide certain "ancillary services" to the grid in order to improve the way it delivers power to homes and businesses. In the earlier years of BESS as an investable asset, the returns to batteries were overwhelmingly driven by ancillary services revenue. Over time, batteries have become victims of their own success. Far from delivering the bulk of earnings to battery operators, the ancillary services market is now fiercely competitive, with prices tumbling as a result. While this dynamic was expected to come to pass, the speed and magnitude at which these declines have occurred have surprised many, as the demand-shifting revenues that were expected to take their place have failed to materialise. Consequently, prospects for the sector are too commoditised and uncertain to deliver the returns we hope to generate for clients. As of the end of the quarter, we've divested all of our clients' exposure to BESS assets, with the proceeds invested in a broad portfolio of established renewable infrastructure.

Source: Castlefield, Factset

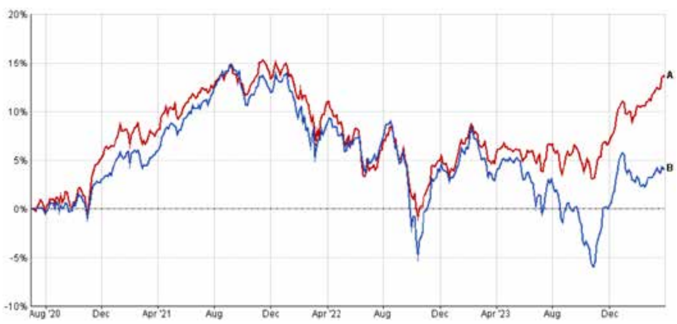
FUND COMMENTARY

CFP Castlefield Sustainable Portfolio Income Fund

Key Information

Fund Size:	£13.32m
Investment Association Sector	Mixed Investment 20-60% shares
Launch Date:	6th July 2020
Managers:	Callum Wells & Simon Holman
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 20-60% Shares TR in GB [13.79%]
B - CFP Castlefield Sustainable Portfolio Income G Income [4.24%]

Source: 06/07/2020 - 31/03/2024. Data from FE fundinfo 2024

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	Since Launch
Fund	1.11	-1.43	5.84	0.48	-1.60	4.24
Sector	2.38	2.49	8.28	7.71	5.34	13.79

Discrete Performance (%)

	2024 YTD	2023	2022	2021	2020	2019
Fund	-1.43	2.53	-9.38	8.71	-	-
Sector	2.49	6.81	-9.47	7.20	-	-

Source: FE fundinfo 2024

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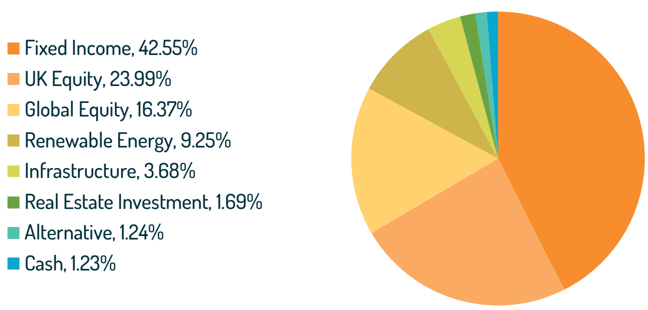
Sector Allocation



Top 10 Holdings

		%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	18.84
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	13.06
3	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	12.81
4	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	8.91
5	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	4.47
6	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	4.32
7	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	2.85
8	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	2.83
9	GREENCOAT UK WIND PLC	2.70
10	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	2.60

Fund Commentary

The strong moves lower in interest rates that drove stand-out performance in Q4 largely reversed in Q1 2024. The CFP Castlefield Sustainable Portfolio Income Fund returned -1.43% in the first quarter of 2024, versus +2.49% for its peer group. The Portfolio Income Fund predominantly owns stable, income-generating assets, but it also owns a number of more growth-oriented investments. The assets are covered in greater detail in our overview of the Portfolio Growth Fund.

Inflation and interest rates dominated investment narratives in the first quarter. The ebullient mood that took hold of bond markets in the final two months of 2023 was short-lived, with market movements providing tacit acknowledgement that expectations had, perhaps, overestimated the timing and quantum of anticipated interest rate cuts. We find the Chicago Mercantile Exchange's (CME) 'FedWatch' tool an excellent way of tracking market expectations. As we closed out Q4 2023, markets had "priced in" an 88% probability of one or more interest rate cuts at the Fed's March 20th meeting but, by early February, that probability had fallen to just below 20%.

While the interest rate sensitivity of the portfolio was a challenge in the period, our exposure to corporate bonds served us well. Credit spreads (the margin above sovereign interest rates that credit investors earn for taking on the additional risk) continued to tighten. As spreads tightened and yields reduced, bond investors enjoyed a commensurate increase in the price of their securities. As concerns over an interest-rate-driven recession recede, markets have become increasingly confident in the prospects for corporate borrowers.

In the fund, the main event was the divestment of our exposure to Battery Energy Storage System (BESS) assets, with the proceeds allocated to a broad portfolio of established renewable infrastructure.

In addition to the negative contribution from BESS assets, major detractors from performance were our holdings in listed infrastructure, particularly those focused on renewable energy. While we've spoken a lot about the interest rate sensitivity of these assets, another major factor influencing performance was the normalisation of energy pricing. Following the energy crisis, the rapid normalisation of energy costs has been welcome in UK households, but came at a cost to shareholders of energy-generating assets. Nevertheless, we still see this asset class as a fundamentally attractive investment opportunity in securing the future of Britain's renewable energy supply.

Source: Castlefield, Factset

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