Purposeful • Money

PORTFOLIO PROCESS

Our portfolio process is made up of 6 stages, these are

Establish mission and values

- In this first stage we establish a clear investment strategy
- To ensure that all funds are fully divested
- All members of the investment committee have a clear understanding of the aims and objectives
- Establish a clear asset allocation strategy
- To invest in funds who support activities that make a positive impact on society
- To avoid funds that invest in companies with activities that harm society or the environment
- Use our influence to encourage funds to improve their management of ethical issues through engagement

Initial screening of ethical funds

We will research for all funds that are considered 'ethical'. There are around 3500 funds in the entire investment universe and we conduct a few assessments to filter out all the funds that are considered ‘ethical’, this needs to be further inspected to screen out funds that have labelled themselves as socially responsible but have no real underlying criteria to support this. Ongoing monitoring of the 'ethical' universe will continue to ensure that all socially responsible funds are considered.

Asset allocation

The remainder of those ethical funds that have undergone the initial screening are then assigned into separate ‘baskets’ according to their asset classes, the asset class categories are as follows: Fixed Interest, UK Equities, International Equities, Thematic, Other.

• Cautious Portfolio	40-50
• Cautious Medium	50-60
• Medium	60-70
• Medium Adventurous	70-85
• Adventurous	85-110

Asset allocation is the process of dividing an investment between different asset classes in order to spread risk through diversification. To benefit from diversification you need to invest in assets that behave differently from one another. Some assets have little or no relation with one another (known as low correlation) whereas others are inversely connected meaning that they move in opposite ways to one another (called negative correlation).

There is an agreed strategy to utilise thematic funds, where possible as they focus on investing in companies that have a positive influence on social issues rather than relying on negative screening alone.

PORTFOLIO PROCESS

Further screening for fossil fuels

Each portfolio is then analysed to ensure that there is no investments held in oil or gas exploration or extraction companies. Rather than rely on the Fund Managers to confirm or otherwise whether this is the case, we undertake a thorough scrutiny of all the stock that is held in the selected funds to ensure that they meet our criteria.

Reviews of all holdings in the funds will be conducted to determine whether such companies exist in the portfolio. If an exploration or extraction company is found the fund will be excluded from consideration until evidence is provided to prove the contrary. Communication will be maintained with fund houses to notify them that we will consider utilising the fund in the future when they are exploration and extraction free.

Fund selection

All the remaining funds in the asset classes have been screened twice to ensure that they meet our 'ethical' standards. The funds now undertake a further selection process based on the following criteria:

- Performance over 1, 3 and 5 years
- Risk Profile
- Fund manager history and performance
- Annual charges

Additional considerations: No more than 1 fund from each fund house is allowed in each market sector within any portfolio. Funds that have more than one year track record will only be considered.

Ongoing portfolio management

In order to maintain the portfolios the following regular assessments will be undertaken:

- Every quarter the portfolios will be audited to sure that they remain fully divested. Any fund that is no longer divested will be removed from the portfolio.
- Ongoing research will be undertaken to assess new ‘ethical’ funds for consideration.
- Quarterly assessment of the asset allocation to ensure that the strategy meets with the stated aims, objectives and risk profile.