



# Enhanced Ethical Portfolios

Autumn 2010

**KING & SHAXSON**  
ethical investing





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## Introduction

Our discretionary management service provides professional investment management for the ethical investor. The five 'Enhanced Ethical Portfolios' are designed to meet the majority of financial and ethical needs including:

- Capital preservation
- Capital growth
- Income
- Social Change
- Environmental innovation

Although most investments are held for the long-term, we monitor portfolios on a daily basis and can make changes as circumstances dictate, acting both quickly and efficiently, so investors can delegate the management of their investments to an experienced and reliable manager whom they can trust.

Our portfolios constitute comprehensive investment management and include the following:

- Asset allocation
- Investment selection
- Ongoing monitoring
- Changing investments
- Six monthly valuations
- Ethical reporting
- ISA wrappers
- Consolidated administration
- Consolidated Tax Statement

This report covers the reasoning behind our portfolios. We explain our investment rationale, and include descriptions of the investments so that you have a clear understanding of why we have selected the individual stocks.

## Investment Objectives

The investment objectives of each portfolio are designed to provide a range of risk approaches and income levels to cater for the vast majority of investors needs. These needs range from those that require a high level of capital protect to those where a high level of risk is acceptable.

The objectives for each of the five Standard Ethical Portfolio are included on the individual product sheets on pages 7 to 11.

## Ethical Approach

The portfolios are designed to meet the majority of ethical investor's concerns, but as the portfolios include a number of collective funds and also aim to spread the risk of investing in a tightly defined area, there are some ethical compromises. Having said this we aim to make portfolios as 'ethical' as possible within the investment constraints of each portfolio.

## Avoidance

The portfolio avoids significant involvement in:

- Armaments
- Human rights abuses
- Poor environmental management
- Tobacco
- Alcohol
- Intensive farming

## Social & Environmental Solutions

However, the portfolios are distinguished by a tilt toward thematic investments which finance solutions to social and environmental challenges such as:

- Renewable energy
- Environmental efficiency
- Public transport
- Healthcare
- Microfinance
- Social property
- Resource management
- Sustainable forestry
- Water

Some of these thematic investments do not have specific ethical avoidance criteria, but by their very nature, are largely engaged in socially or environmentally positive activities. We have highlighted any potential ethical issues where they exist.

## Social & Environmental Leadership

Non-thematic investments have a bias towards companies that exhibit best social and environmental practice in their industry. General ethical funds are only selected if they demonstrate a rigorous ethical screening and research policy and employ comprehensive and rigorously applied exclusion criteria.

## Ethical Classification

We have classified each stock to help you understand the ethical make-up of the Fund:

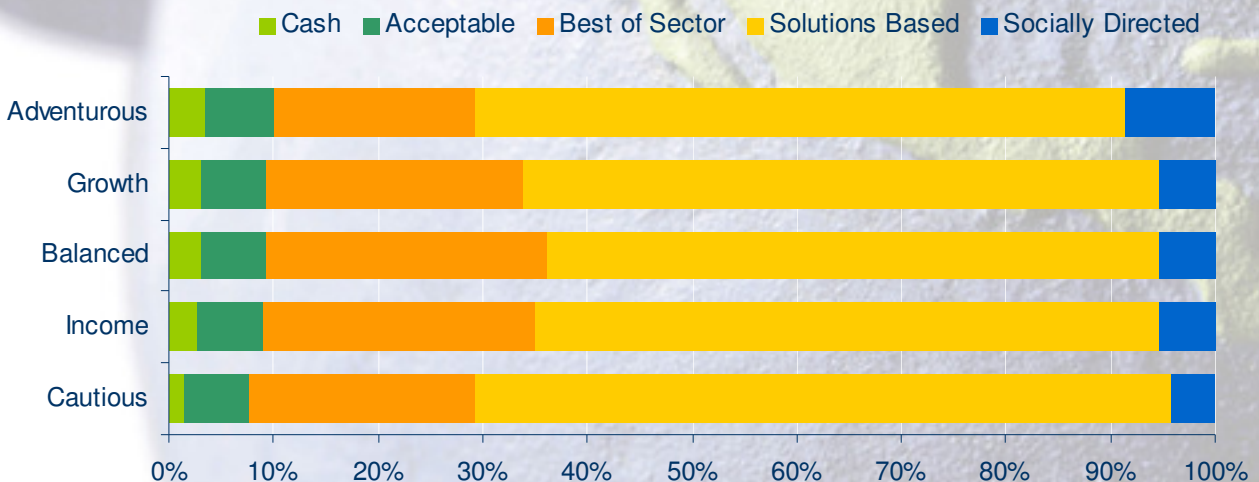
**Acceptable:** companies that meet the exclusion criteria but whose products or services are not of direct social or environmental benefit, and which are no more than 'ethically neutral'.

**Best of sector:** companies that demonstrate environmental or social leadership in their industry, but whose products or services are of no direct social or environmental benefit.

**Solutions-based:** companies whose products or services are of direct social or environmental benefit.

**Socially directed:** companies which fulfil a particularly important social or environmental function, and where the risk/reward ratio may be unattractive were it not for the social return.

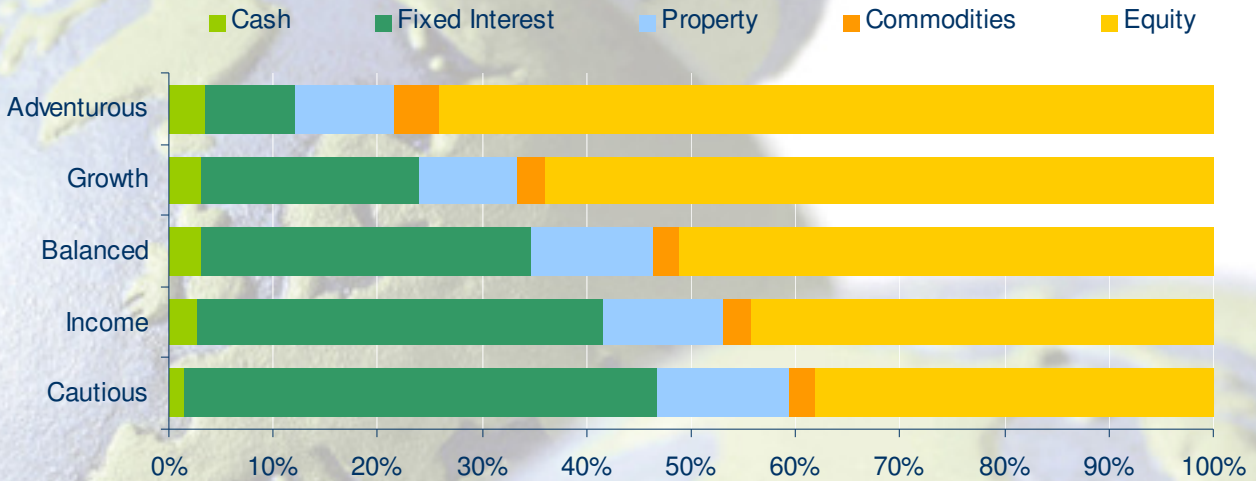
The current breakdown of the portfolio\* is as follows:



\*Source: King & Shaxson Capital Limited 31 August 2010

## Asset Allocation\*

The principle of asset allocation follows the simple adage of not putting all your eggs in one basket. Studies have shown that 90% of a portfolio's performance may be determined by asset allocation rather than stock selection. We therefore determine an appropriate asset allocation to match the risk profile of the portfolio and make adjustments to this over time as changing circumstances dictate.

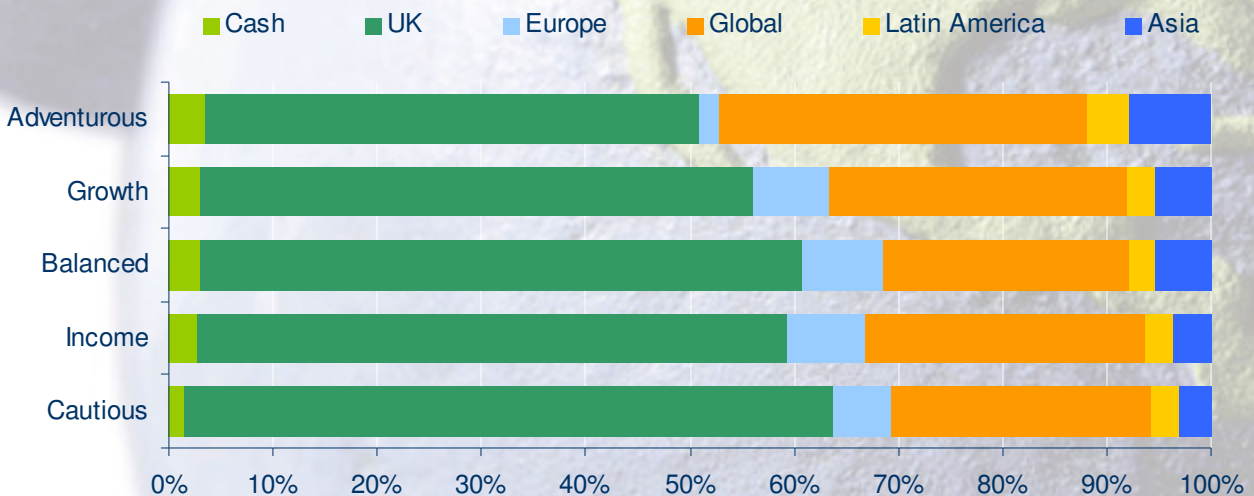


\*Source: King & Shaxson Capital Limited 31 August 2010

We will also diversify the currencies held and the portfolio includes investments held in Euros, US Dollars and other currencies.

## Geographical Distribution\*

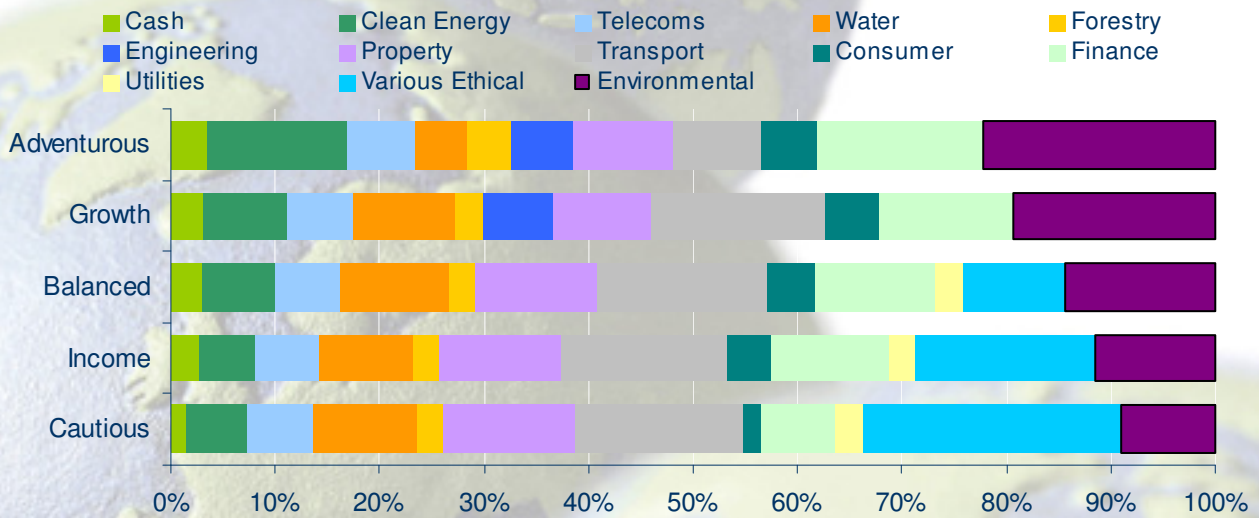
The portfolio is globally distributed to make the most of opportunities throughout the world. The UK component of the portfolio also includes stocks which are based in the UK but derive much of their earnings from overseas, so the true exposure to global economies is higher than that stated below.



\*Source: King & Shaxson Capital Limited 31 August 2010

## Sector Distribution\*

We endeavour to spread the portfolio amongst different sectors of the economy, so that individual components of the portfolio do not rise and fall in tandem.



\*Source: King & Shaxson Capital Limited 31 August 2010

## Cautious Portfolio

A "Cautious" risk portfolio seeks to provide a high level of capital protection whilst allowing investors the ability to achieve long-term growth (10 years). The portfolio is suitable for risk-averse investors whose financial temperament cannot tolerate much variation in performance. This portfolio is for example purposes only and we make no warranty that the portfolio will include the investments listed.

Stock	Ethical Classification	Industry/Theme	Geographic	
<b>FIXED INTEREST</b>				<b>45.15%</b>
Aegon Ethical Bond Fund	Solutions Based	Various Ethical	UK	7.67%
Anglian Water Bond	Solutions Based	Water	UK	5.29%
F&C Ethical Bond Fund	Solutions Based	Various Ethical	UK	9.61%
DWM Microfinance Fund	Socially Directed	Finance	Global	4.21%
Network Rail 1.75% I/Linked	Best of Sector	Transport	UK	5.26%
SNCF Bond	Solutions Based	Transport	Europe	5.57%
Standard Life Ethical Bond	Solutions Based	Various Ethical	Global	7.54%
<b>PROPERTY</b>				<b>12.65%</b>
British Land	Best of Sector	Property	UK	4.48%
INPP	Best of Sector	Property	UK	4.55%
Medicx Fund	Solutions Based	Property	UK	3.62%
<b>EQUITIES</b>				<b>36.51%</b>
<b>Transport</b>				
Firstgroup	Solutions Based	Transport	UK	3.49%
<b>Energy &amp; Energy Efficiency</b>				
iShares Clean Energy ETF	Solutions Based	Clean Energy	Global	2.74%
National Grid	Best of Sector	Utilities	UK	2.57%
Scottish & Southern Energy	Solutions Based	Clean Energy	UK	3.06%
<b>Finance</b>				
Aviva	Best of Sector	Finance	UK	3.00%
<b>Environmental Funds</b>				
Impax Asian Environmental	Solutions Based	Environmental	Asia	3.13%
Jupiter Ecology	Solutions Based	Environmental	Global	2.83%
Osmosis ETF	Solutions Based	Environmental	Global	2.99%
<b>Other</b>				
Kingfisher	Best of Sector	Consumer	UK	1.75%
<b>Water</b>				
Lyxor World Water ETF	Solutions Based	Water	Global	4.75%
<b>Telecommunications</b>				
Vodafone	Acceptable	Telecoms	UK	6.20%
<b>CASH</b>				<b>5.69%</b>
<b>TOTAL</b>				<b>100.00%</b>

## Income Portfolio

An "Income" portfolio seeks to provide both capital appreciation and enhanced income by investing in a diversified portfolio of assets that have a bias towards income generation. The portfolio is suitable for those whose financial situation can tolerate a moderate level of volatility in performance. This portfolio is for example purposes only and we make no warranty that the portfolio will include the investments listed.

Stock	Ethical Classification	Industry/Theme	Geographic	
<b>FIXED INTEREST</b>				<b>38.77%</b>
Aegon Ethical Bond Fund	Solutions Based	Various Ethical	UK	9.65%
Anglian Water Bond	Solutions Based	Water	UK	5.32%
DWM Microfinance Fund	Socially Directed	Finance	Global	5.30%
Network Rail 1.75% I/Linked	Best of Sector	Transport	UK	5.30%
SNCF Bond	Solutions Based	Transport	Europe	5.61%
Standard Life Ethical Bond	Solutions Based	Various Ethical	Global	7.59%
<b>PROPERTY</b>				<b>11.58%</b>
British Lands	Best of Sector	Property	UK	4.51%
INPP	Best of Sector	Property	UK	3.43%
Medicx Fund	Solution Based	Property	UK	3.64%
<b>EQUITIES</b>				<b>42.69%</b>
<b>Transport</b>				
Firstgroup	Solutions Based	Transport	UK	3.51%
<b>Energy &amp; Energy Efficiency</b>				
iShares Clean Energy ETF	Solutions Based	Clean energy	Global	2.76%
National Grid	Best of Sector	Utilities	UK	2.59%
Scottish & Southern Energy	Best of Sector	Clean energy	UK	2.47%
<b>Finance</b>				
Aviva	Best of Sector	Finance	UK	4.03%
F&C Asset Management	Best of Sector	Finance	Europe	1.85%
<b>Environmental Funds</b>				
Impax Asian Environmental	Solutions Based	Environmental	Asia	3.68%
Jupiter Ecology	Solutions Based	Environmental	Global	4.74%
Osmosis ETF	Solutions Based	Environmental	Global	3.01%
<b>Water</b>				
Lyxor World Water ETF	Solutions Based	Water	Global	3.59%
<b>Telecommunications</b>				
Vodafone	Acceptable	Telecoms	UK	6.24%
<b>Other</b>				
Holidaybreak	Best of sector	Consumer	UK	2.46%
Kingfisher	Best of sector	Consumer	UK	1.76%
<b>CASH</b>				<b>6.96%</b>
<b>TOTAL</b>				<b>100.00%</b>

## Balanced Portfolio

A “Balanced” risk portfolio seeks to provide a balance between capital appreciation and income enhancement by investing in a diversified portfolio of asset classes over the long-term (10 years). The portfolio is suitable for those whose financial situation can tolerate a moderate level of volatility in performance. This portfolio is for example purposes only and we make no warranty that the portfolio will include the investments listed.

Stock	Ethical Classification	Industry/Theme	Geographic	
<b>FIXED INTEREST</b>				<b>31.48%</b>
Aegon Ethical Bond Fund	Solutions Based	Various Ethical	UK	9.74%
Anglian Water Bond	Solutions Based	Water	UK	5.38%
DWM Microfinance Fund	Socially Directed	Finance	Global	5.35%
Network Rail 1.75% I/Linked	Best of Sector	Transport	UK	5.35%
SNCF Bond	Solutions Based	Transport	Europe	5.66%
<b>PROPERTY</b>				<b>11.71%</b>
British Land	Best of Sector	Property	UK	4.56%
INPP	Best of Sector	Property	UK	3.47%
Medicx Fund	Solutions Based	Property	UK	3.68%
<b>EQUITIES</b>				<b>49.44%</b>
<b>Transport</b>				
Firstgroup	Solutions Based	Transport	UK	3.55%
<b>Energy &amp; Energy Efficiency</b>				
iShares Clean Energy ETF	Solutions Based	Clean Energy	Global	4.19%
National Grid	Best of Sector	Utilities	UK	2.61%
Scottish & Southern Energy	Solutions Based	Clean Energy	UK	2.74%
<b>Finance</b>				
Aviva	Best of Sector	Finance	UK	4.07%
F&C Asset Management	Best of Sector	Finance	Europe	2.00%
<b>Environmental Funds</b>				
Impax Asian Environmental	Solutions Based	Environmental	Asia	5.31%
Jupiter Ecology	Solutions Based	Environmental	Global	4.79%
Osmosis ETF	Solutions Based	Environmental	Global	4.34%
<b>Other</b>				
Holidaybreak	Best of Sector	Consumer	UK	2.49%
Kingfisher	Best of Sector	Consumer	UK	2.22%
<b>Water</b>				
Lyxor World Water ETF	Solutions Based	Water	Global	4.83%
<b>Telecommunications</b>				
Vodafone	Acceptable	Telecoms	UK	6.30%
<b>CASH</b>				<b>7.37%</b>
<b>TOTAL</b>				<b>100.00%</b>

## Growth Portfolio

A "Growth" risk portfolio seeks to have a higher bias towards capital appreciation and income enhancement and will adopt a higher risk profile than a balanced risk portfolio. The portfolio is suitable for those whose financial situation can tolerate a moderate to high level of volatility in performance. This portfolio is for example purposes only and we make no warranty that the portfolio will include the investments listed.

Stock	Ethical Classification	Industry/Theme	Geographic	
<b>FIXED INTEREST</b>				<b>21.42%</b>
Anglian Water Bond	Solutions Based	Water	UK	5.02%
DWM Microfinance Fund	Socially Directed	Finance	Global	5.56%
Network Rail 1.75% I/Linked	Best of Sector	Transport	UK	5.55%
SNCF Bond	Solutions Based	Transport	Europe	5.29%
<b>PROPERTY</b>				<b>9.61%</b>
British Land	Best of Sector	Property	UK	3.55%
INPP	Best of Sector	Property	UK	3.00%
Medicx Fund	Solutions Based	Property	UK	3.06%
<b>EQUITIES</b>				<b>66.14%</b>
<b>Transport</b>				
Firstgroup	Solutions Based	Transport	UK	4.04%
<b>Energy &amp; Energy Efficiency</b>				
iShares Clean Energy ETF	Solutions Based	Clean Energy	Global	4.35%
Scottish & Southern Energy	Solutions Based	Clean Energy	UK	3.88%
National Grid	Best of Sector	Utilities	UK	2.85%
<b>Finance</b>				
Aviva	Best of Sector	Finance	UK	5.28%
F&C Asset Management	Best of Sector	Finance	Europe	2.22%
<b>Engineering/Materials</b>				
Johnson Matthey	Solutions Based	Engineering	UK	4.34%
Spectris	Solutions Based	Engineering	UK	2.47%
<b>Environmental Funds</b>				
Impax Asian Environmental	Solutions Based	Environmental	Asia	5.51%
Impax Environmental Markets	Solutions Based	Environmental	Global	4.16%
Jupiter Ecology	Solutions Based	Environmental	Global	5.17%
Osmosis ETF	Solutions Based	Environmental	Global	4.96%
<b>Water</b>				
Lyxor World Water ETF	Solutions Based	Water	Global	5.02%
<b>Telecommunications</b>				
Vodafone	Acceptable	Telecoms	UK	6.54%
<b>Other</b>				
Holidaybreak	Best of Sector	Consumer	UK	2.58%
Kingfisher	Best of Sector	Consumer	UK	2.77%
<b>CASH</b>				<b>2.83%</b>
<b>TOTAL</b>				<b>100.00%</b>

## Adventurous Portfolio

An “Adventurous” risk portfolio seeks to achieve high returns. Investors must be prepared to accept a higher level of risk and volatility in the expectations of higher than average returns over the longer term (10 years). The portfolio is suitable for those whose financial situation can tolerate a higher level of volatility in performance. This portfolio is for example purposes only and we make no warranty that the portfolio will include the investments listed.

Stock	Ethical Classification	Industry/Theme	Geographic	
<b>FIXED INCOME</b>				<b>8.56%</b>
DWM Microfinance Fund	Socially Directed	Finance	Global	4.46%
Triodos Microfinance Fund	Socially Directed	Finance	Global	4.10%
<b>PROPERTY</b>				<b>9.63%</b>
INPP	Best of Sector	Property	UK	3.01%
Medicx Fund	Solutions Based	Property	UK	3.06%
British Land	Best of Sector	Property	UK	3.56%
<b>EQUITIES</b>				<b>74.62%</b>
<b>Transport</b>				
Firstgroup	Solutions Based	Transport	UK	4.04%
Optare	Solutions Based	Transport	UK	2.03%
<b>Energy &amp; Energy Efficiency</b>				
Ceramic Fuel Cells	Solutions Based	Clean Energy	Global	1.77%
Greenko	Solutions Based	Clean Energy	UK	2.11%
Indian Energy	Solutions Based	Clean Energy	Asia	1.15%
iShares Clean Energy ETF	Solutions Based	Clean Energy	Global	4.35%
Scottish & Southern Energy	Solutions Based	Clean Energy	UK	3.89%
National Grid	Best of Sector	Utilities	UK	2.86%
<b>Finance</b>				
Aviva	Best of Sector	Finance	UK	5.30%
F&C Asset Management	Best of Sector	Finance	Europe	1.94%
<b>Engineering/Materials</b>				
Johnson Matthey	Solutions Based	Engineering	UK	4.34%
Spectris	Solutions Based	Engineering	UK	1.65%
<b>Environmental Funds</b>				
Impax Asian Environmental	Solutions Based	Environmental	Asia	6.63%
Impax Environmental Markets	Solutions Based	Environmental	Global	5.21%
Jupiter Ecology	Solutions Based	Environmental	Global	4.98%
Osmosis ETF	Solutions Based	Environmental	Global	5.42%
<b>Water</b>				
Lyxor World Water ETF	Solutions Based	Water	Global	5.03%
<b>Telecommunications</b>				
Vodafone	Acceptable	Telecoms	UK	6.56%
<b>Other</b>				
Holidaybreak	Best of Sector	Consumer	UK	2.59%
Kingfisher	Best of Sector	Consumer	UK	2.77%
<b>CASH</b>				<b>7.19%</b>
<b>TOTAL</b>				<b>100.00%</b>

## Stock Profiles

The brief descriptions below give a very brief ethical rationale for each stock shown in the example portfolios. Full ethical profiles are available on our web site at [www.kingandshaxson.com](http://www.kingandshaxson.com).

### **Fixed Interest Securities (see “Risk Factors” on p.18 for associated risks)**

Fixed interest securities are effectively ‘IOUs’ issued by companies or institutions. As a holder of a fixed interest security, you are entitled to the relatively high level of income, which can be particularly useful if you need income, or it can be re-invested to increase capital returns on capital. The capital value rises and falls depending on interest rates, the perceived creditworthiness of the institution and demand, but the risk involved is usually significantly less than equities, so fixed interest securities are an important part of most investment portfolios.

### **AEGON Ethical Corporate Bond Fund (Acceptable – general ethical fund)**

This long-standing ethical bond fund is predominantly invested in the UK and like all general ethical funds, there are some ethical compromises, with a very high weighting toward financial companies including banks, speciality finance companies and building societies. There is also an emphasis on property companies, especially shopping centres.

### **Anglian Water (Best of Sector – Water & waste-water services)**

Anglian Water provides water to the largest region in the UK (for water services) and is distinguished by its excellence in managing water demand, by all of its bathing waters complying with statutory standards; and by the low leakage rates..

### **F&C Ethical Bond Fund (Acceptable – general ethical fund)**

This fund builds on the heritage of the stewardship funds and utilises the same ethical team which is one of the most long-standing in the business. This fund is largely invested in high quality credit, with a high weighting in financials, notably European development banks.

### **France Telecom (Best of Sector - Telecommunications)**

This telecommunications operator is known in the UK for its broadband offering Wannadoo and Orange, the mobile phone company; but it operates in over 200 countries worldwide from Senegal to Poland and Japan. France Telecom has a well-developed social responsibility programme which addresses all of the key ethical issues for its business.

### **Network Rail (Solutions based – rail infrastructure)**

Network Rail is an engineering company formed to maintain, improve, and upgrade every aspect of the railway infrastructure, including the track, signalling systems, bridges, viaducts, tunnels, level crossings and stations. The company is limited by guarantee, has no shareholders and is accountable to members and run by a PLC style board who do not receive dividends or share capital.

### **SNCF (Solutions based – rail transport)**

SNCF is the French national rail company. As well as running the fast and notoriously smooth running TGV service, SNCF also operates the train system throughout France, including the maintenance of the rail infrastructure, European trains and a freight service. The Company is publicly owned by the French Government.

### **Standard Life Ethical Bond Fund (Acceptable – general ethical fund)**

This fund (as of 31 August 2010) is predominantly invested in international bonds, notably in European investment banks, and because of this, the credit quality is correspondingly high. The overwhelming majority of the fund is invested in financials, notably development banks, with a much smaller proportion invested in telecommunications and utilities.

### **Microfinance (see “Risk Factors” on p.18 for associated risks)**

Microfinance addresses the problem of the poor in the developing world having no access to finance. It does this by lending to the poor for productive purposes (egg loan for farming equipment). Historical repayment rates are much better than those experienced by typical high street banks.

### **Microfinance bonds (Socially directed – microfinance)**

The principle behind the microfinance bonds is that of securitisation. In effect this means packaging small microfinance initiatives so that much larger financial institutions can invest in them, thereby getting the best of both worlds: channelling 'big money' to 'little money' in the developing world, getting money to where it is really needed.

### **Triodos Microfinance Fund (socially-directed – microfinance)**

Triodos is a pioneer in microfinance and an established track record in running such funds. This fund invests in microfinance banks throughout the world, providing capital so that they can lend more to the actual borrowers.

### **Property (see “Risk Factors” on p.18 for associated risks)**

A proportion of the portfolio is invested in various commercial property trusts and stocks. Most commercial property funds invest in a mixture of office, light industrial and retail premises and can produce a good yield by virtue of the rental income. We prefer to invest in property that has a social purpose where the rental income is relatively secure, being underpinned by public finance. However we also invest in a general property fund to spread the risk and for the attractive rental income.

### **British Land (Best of Sector – Property)**

British Land is a real estate investment trust owning large out of town retail premises and London offices. Its portfolio includes superstores, shopping centres, retail warehouses and major London offices. As such the company has a large carbon footprint but it has taken this seriously, having committed to becoming carbon neutral by 2020. It has also engaged in carbon foot printing for new developments with all new office developments having achieved BREEAM Excellent standards. 86% of development waste is re-used or recycled, whilst the company is seeking to move to zero managed waste to landfill by 2012.

### **International Public Partnerships (Solutions-based – social infrastructure)**

This fund invests in infrastructure with a social purpose. The focus is on schools, police stations, hospitals and health centres; not only in the UK, but also in Australia, Europe and Canada.

### **MedicX (Best of Sector – property fund)**

This is an investment in special purpose properties leased to GPs or Primary Healthcare Trusts, which are more fit for purpose than existing buildings. The company has over 10 years experience in the field and has experimented with green building in Cambridgeshire, where distinctive green building techniques have been used.

### **Equities (see “Risk Factors” on p.18 for associated risks)**

Equities or shares are simply investments in companies, with the total return comprising dividend income (what the company pays out of its profits once or twice a year to its shareholders) and capital appreciation by virtue of an increasing share price. Either dividend income can be taken to provide an income or it can be re-invested to increase total returns. Larger company shares in the UK can bolster the income of a portfolio and are generally less volatile than their smaller company counterparts. However, they tend to be less focused on solutions to environmental and social challenges.

Despite the uncertainty that surrounds the equity markets we still feel that equities offer excellent longer-term growth and income possibilities for any portfolio. Our choice of moderate-risk equities is mostly in FTSE 350 companies (i.e. the largest 350 UK listed companies). We have maintained an income bias in our selection as we feel dividend income will be an increasingly important investment consideration for the next few years.

## TRANSPORT

### **Firstgroup plc (Solutions-based – Transport)**

Firstgroup is the UK's largest bus operator with the majority of its bus operations in urban areas, and it is also a major train operator through a number of franchises. The company has well developed corporate social responsibility policies, which focus on safety, customer service and environmental management.

### **Optare (Solutions-based – Transport)**

Optare is a UK manufacturer of buses. Significantly, the company has been a leader in developing low-floor buses which are easier to access for those with physical disabilities and has also been at the forefront of developing low emission hybrid buses.

## ENERGY & ELECTRICITY

### **Ceramic Fuel Cells (Solutions-based – fuel cells)**

CFCL is an Australian developer of fuel cell systems that deliver reliable, energy efficient, high quality, low-emission electricity from natural gas, LPG, methane and other alternative and renewable fuels. The company is initially focused on products that can be manufactured into small-scale on-site power generators.

### **Greenko (Solutions based – renewable energy)**

Greenko is the fastest growing alternative energy producer in India, a country where rapidly increasing energy demands and energy security needs are creating a real need for such energy. The company generates energy from wind, hydro and biomass sources.

### **Indian Energy (Solutions-based – wind energy)**

Indian Energy is an owner and operator of wind farms in India. At present India has a peak power deficit of 15%, with renewable capacity (most of which is wind) set to treble from 2009 to 2017.

### **Ishares Clean Energy ETF (Solutions-based – clean energy)**

This is a low cost way of gaining exposure to renewable energy companies via an exchange-traded fund. Unlike most other such funds, this one has little exposure to ethically controversial companies who also happen to operate in the renewable energy business and has exposure to all three main clean energy generators.

### **National Grid (Best of Sector – electricity and gas transmission)**

National Grid is one of the world's largest utilities which transmits electricity and gas in both the UK and US. National Grid has well developed policies on corporate responsibility which was developed in 2002 with the help of more than 4,000 stakeholders from a variety of backgrounds in the UK and the US including employees, government, pressure groups, media, investors, customers and regulators.

### **Scottish & Southern Energy plc (Best of Sector – electricity provider)**

Scottish & Southern is the UK's largest generator of renewable energy and has a leading environmental record in the utilities sector. The company generates 90% of its energy from natural gas, a tiny amount from oil and the rest from renewables.

## FINANCE

### **Aviva (Best of Sector – Insurance & Investment)**

Aviva is one of the world's largest insurers, providing general insurance and Life, Pensions and savings products. Aviva's investment management arm engages with the companies in which it invests on social and environmental issues, and is one of the key players in the Socially Responsible Investment market, and the insurer was an early leader in planning for climate change.

### **F&C Asset Management (Best of Sector – investment)**

F&C manages the investment funds of Friends' Provident and is the home of the renowned corporate social responsibility team behind the Stewardship Funds, the first ethical fund in the UK. The company seeks to influence the companies in which they invest where they perceive that they can make a difference on environmental or social grounds.

## ENVIRONMENTAL FUNDS

### **Impax Asian Environmental Markets Fund (Solutions based – environmental technology fund)**

The fund is one of a few environmental funds offering exposure to Asia, which faces major environmental challenges, and therefore offers major opportunities for companies offering solutions to these challenges. Investments are made in quoted companies in the fields of water treatment and pollution control, waste technology and resource management, and utilise alternative and efficient energy sources.

### **Impax Environmental Fund (Solutions based – environmental technology fund)**

The fund invests in quoted companies which provide, use, implement or advise upon technology-based systems, products or services in environmental markets. This breaks down into alternative energy and energy-efficiency, water treatment and pollution control, and waste technology and resource management.

### **Jupiter Ecology (Solutions-based – social and environmental fund)**

The Jupiter Ecology fund was the first environmental equity fund to be launched in the UK. It is still regarded as a leader in the field, with a focus both on environmental technologies and to a lesser extent, social solutions.

### **Osmosis Climate Solutions ETF (Solutions-based – environmental fund)**

This exchange traded fund aims to track the performance of the Osmosis Climate Solutions Index through investing in the 100 constituent Index stocks. The Index provides access to global companies which derive 50%+ of their revenues from products or services focused on the efficient use of natural resources and the mitigation of climate change.

## ENGINEERING/MATERIALS

### **Johnson Matthey (Solutions-based – pollution control, fuel cells)**

Johnson Matthey is a speciality chemicals company focused on precious metals, catalysts and speciality chemicals. Over half of Johnson Matthey's products have a major beneficial impact on the environment, especially the fuel cell materials, and catalytic converters businesses.

### **Spectris (Solutions-based – control engineering)**

Spectris is a diverse engineering company whose products result in significant environmental benefits. These include the detection of hazardous materials and soil contaminants, safety controls and reduced consumption of fuel at power stations

## WATER

### **Lyxor World Water ETF (Solutions-based – water fund)**

This fund is a low-cost means of investing in water companies and unlike most other water funds, the fund holdings meet most ethical investor concerns with screening being undertaken by SAM, a respected sustainable investment research institution.

## TELECOMMUNICATIONS

### **Vodafone (Acceptable – telecommunications)**

Vodafone is a truly global company with operations in many countries from China to Egypt and Kenya. The company recognises the responsibilities incumbent upon such an influential company, with an environmental management system that is both comprehensive and targeted.



## CONSUMER

### **Kingfisher (Best of sector – retailer)**

The company is a household name through its B&Q DIY retail network, and has additional DIY interest in Europe. Kingfisher is notable for its strong environmental and ethical sourcing policies.

### **Holidaybreak (Best of sector – camping holidays)**

Holidaybreak is an outdoor leisure company including Eurocamp and Keycamp, Explore adventure travel and outdoor education through PGL and other brands. The company has instituted a number of environmental initiatives and Explore was awarded 'Best responsible tour operator' at the Virgin Responsible Tourism Awards.

## Risk Factors

### Equity Securities

Investments will include equity securities and equivalents of issuers in multiple jurisdictions, including issuers in emerging markets, of any market capitalisation (e.g. small, mid or large). Equity securities may include common and preferred stocks and warrants and equivalents (including convertible securities). As a result of investments in equity securities, the Portfolio will be exposed to the risks typically associated with equity investing. These risks include the general risk of broad market declines and specific risks relating to an issuer, such as management performance, financial leverage, financial position, industry problems and reduced demand for the issuer's goods or services.

### Fixed Income Securities

Investments will include fixed income securities of corporate and government issuers in multiple jurisdictions. Such fixed income securities are not required to satisfy any minimum rating standard and may include instruments that are in poor standing and that have predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Fixed income securities are subject to the risk that the issuer may default on the payment of principal and /or interest. The prices of fixed income securities are inversely affected by changes in interest rates and thus are subject to the risk of market price fluctuations. In addition, changes in the credit ratings of a fixed income security or in the perceived ability of the issuer to make payments of principal and interest also may affect the security's market value.

### Property Funds

Investments will include property and land through holding investments in property funds. Property and land can be difficult to sell so the fund may not be able to react to prevailing market conditions by selling/cashing in these holdings when they would like to. This may result in shares in the property fund losing value. In extreme circumstances, trading in the property fund could be suspended. A further risk to the value of a property fund is that the value of the property is often a matter of the valuer's opinion rather than fact.

### Commodities

Investments in commodities whether by funds or via companies substantially involved with them may expose investors to risks not typical of other investments. Companies associated with commodities and the funds invested in them may have assets in less developed countries which have political, legal and social systems that are less stable than those found in developed countries or markets. The assets of the companies, the commodities and derivatives associated with them may be subject to or affected by conditions such as drought, flood, weather, disease, trade embargo, war or political unrest etc which may substantially affect their value. Commodity funds may hold physical assets which may not be insured and subject to risks associated with high value items.

### Emerging Markets

Investments in emerging markets may expose investors to risks not typically associated with similar investments in more developed markets. The classification of a country as an 'emerging market' is generally based on the relative economic, political and social development and is by necessity subjective. Some of the risks associated with emerging markets are similar to those affecting more developed economies but the undeveloped nature of an emerging economy may mean that they are more pronounced or have a longer and deeper effect. Country risk covers such factors as natural disasters which may have a greater effect on the economy and financial systems of an emerging market. The less well-developed financial systems may mean that financial instability is more common and may be more exaggerated both by internal factors such as inflation or external factors such as changes in currency values. Many emerging markets experience rapid and significant changes in political control which may result in unpredictable changes of economic policy. Settlement, custodial and clearing systems may not be fully developed and investors may be subject to political intervention or risks arising from less developed systems and standards. Emerging companies may not be as economically stable as companies in more developed countries and as well as potentially subject to political intervention may have enhanced risk in terms of failure to meet their obligations.

### Liquidity Risk

Not all securities or instruments invested in by us will be listed or rated and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. We may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

## Foreign Exchange Risk

Assets may be denominated in a currency other than Sterling and changes in the exchange rate between Sterling and the currency of the asset may lead to a depreciation of the value of the Portfolio as expressed in Sterling.

## Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

## Absence of Regulation

We may from time to time deal with you or for you in circumstances in which the relevant transaction is not regulated by the rules of any investment exchange and we may deal for you on an exchange which has not been recognised or designated by the FSA. The protection offered by such limited supervision may be less effective than if full supervision was exercised by a regulator in another jurisdiction.

## Annual Charge from Capital

We take the annual management charge from capital. Because of this, the capital of the Portfolio may be reduced over time if the fund's growth does not compensate for it. Also, any capital growth the Portfolio produces will be reduced by the charge. Please remember that the value of investments and the income arising from them may fall as well as rise and is not guaranteed.

## General Information

### Company Information

King & Shaxson Ethical Investing is a division of King & Shaxson Capital Limited. King & Shaxson Capital Limited (Company Reg. No. 2863591) is a member of the London Stock Exchange. The company's Registered Office is 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS. The company is registered in England and is part of the PhillipCapital Group. King & Shaxson Capital Limited (FSA Reg. No. 169760) is Authorised and Regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Request for further information from King & Shaxson Ethical Investing can be made in writing, by phone or by email to any of the contact details listed below. Please ensure all communications are in English.

### Conflicts of Interest

The companies within the King & Shaxson (K&S) Group provide a wide range of services to many sectors within the financial markets. As such, K&S, or a company with whom it has an association, may from time to time have interests which conflict with its client's interests or with the duties that it owes its clients. These include conflicts arising between the interests of K&S, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients themselves.

K&S has established procedures which are designed to identify and manage such conflicts. These include organisational and administrative arrangements to safeguard the interests of its clients. A key element of this policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another.

### Valuations & Performance

The company provides valuation statements and consolidated tax vouchers on a semi-annual basis, usually in the months of April and October. These will be posted to the client. Performance is measured against the FTSE All-Share Index and the MSCI World Index.

Clients may check the performance of their portfolio on a daily basis by using the online client login page on the company's website.

## Fees & Charges

### Fixed Charges

Annual Fee	1.0% (minimum of £800 p.a.)
Dealing Fee	£15 per transaction

### Other Charges

IFA annual fee	0 - 1%
IFA initial fee	0 - 3%

### For further information please contact

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