

MULTI-ASSET SUSTAINABILITY PROCESS

2024

A person in a red swimsuit is hanging upside down from a rope, suspended in the air. The background is a dramatic sky with large, billowing white clouds against a deep blue backdrop. The person's legs are spread wide, and their arms are holding onto the rope. The overall scene conveys a sense of freedom, risk-taking, and achievement.

HELPING CLIENTS MEET
THEIR INVESTMENT GOALS IN
A SUSTAINABLE WAY



Within our pacific sustainable portfolios, the team aim to achieve two goals

1 **CREATE DIVERSIFIED, TRULY
MULTI-ASSET PRODUCTS THAT CAN
DELIVER RETURNS FOR CLIENTS**

2 **IMPLEMENT EVERYTHING
WITHIN THE PORTFOLIOS
IN A SUSTAINABLE MANNER**

“

We believe that these two goals are not mutually exclusive and we can build portfolios with long-term return potential that provide true diversification but still meet stringent sustainable criteria.

”

WILL THOMPSON
Chief Sustainability Officer

COMMITMENT TO RESPONSIBLE INVESTING

As a business, Pacific Asset Management (PAM) applies a firm-wide sustainability culture. Our philosophy is that everything we do should, to some extent, be viewed with a sustainable mindset.

This means we don't segregate sustainability and investment decision making, all of our investment professionals are responsible for both.

As well as being a proud signatory to the UN Principles for Responsible Investment (UN PRI), our independently managed tool – EnlightenESG – aims to educate and provide guidance in assessing client ESG preferences and help make better choices.



Principles for
Responsible
Investment

enlightenESG™
Sustainability meets Suitability



TRULY MULTI-ASSET, GENUINELY SUSTAINABLE INVESTMENT PROCESS

We aim to deliver sustainable portfolios that focus on a balanced exposure to the best companies in terms of their Environmental, Social and Governance (ESG) characteristics.

Our risk-focused approach seeks to ensure sustainability does not trump suitability – this means principles of diversification are combined with a liquidity focus and an awareness of concentration risk when constructing portfolios.

Macro asset allocation and the identification of key themes are the key drivers of multi-asset alpha.

Fund selection, while critical, serves as a tool to best replicate the asset allocation strategy, both tactically and strategically. We use a variety of products to achieve this, from open-ended and closed-ended funds to ETFs or tools to take a more factor-orientated focus.

As well as investing in traditional sustainability-orientated assets, such as equities and fixed income, an additional layer of diversification comes in the form of alternative assets – those that are non-correlated with equities and bonds and don't have any hidden beta. Such vehicles include relative value bonds or macro rates strategies.

OUTSTANDING RECORD OF SUSTAINABLE MULTI-ASSET INVESTING

Our highly experienced PAM Multi-Asset solutions team has an outstanding track record of sustainable multi-asset investing, dating back to 2012.

The team has **50+** years' combined industry experience across sustainable multi-asset, equities, fixed income, absolute return and alternative risk premia strategies.

IDENTIFYING THE BEST SUSTAINABLE INVESTMENTS

We analyse and compare potential investments using globally recognised sustainable frameworks. In addition, any asset managers we invest with must be UNI PRI Signatories and exclude controversial actives ie Weapons, Tobacco, Alcohol, Gambling, etc.

1

The Global Sustainable Investment Alliance (GISA) is a globally recognised framework which classifies the universe of sustainable products against seven styles of sustainable investing:

While no individual fund is likely to meet all seven criteria, this framework allows the team to identify the best investment options across these sustainable styles while avoiding concentration risk.

2

An in-house sustainability dashboard has been developed using True Value Labs ESG scoring system, which provides additional real-time metrics on individual stocks and bonds.

While our multi-asset portfolios don't invest in individual securities, this data is used to aggregate scores on a fund basis, enabling us to compare the funds on our watch list, as well as compiling further data on individual companies, themes and sectors.

3

Next, we consider style/factor exposure. Many sustainable investments are naturally orientated towards growth or long duration, to account for these intrinsic biases we use analysis to ensure our portfolios align with our tactical allocation strategy and are not exposed to any unintended style/factor concentrations.



Ultimately, we want to make sure all of our holdings bring something unique. By looking beyond a fund's key holdings to include factor biases and a diverse set of sustainable styles, we believe we can minimise crossover and clustering in sustainable themes.

*GISA's seven styles of sustainable investing:

NEGATIVE SCREENING	POSITIVE SCREENING	STEWARDSHIP & VOTING	SUSTAINABLE THEMES	IMPACT INVESTING	ESG INTEGRATION	NORMS-BASED SCREENING
The exclusion of sectors, companies or practices based on specific criteria.	Investments selected for positive ESG performance relative to peers.	Use of shareholder power to influence corporate behaviour.	Investment in themes related to sustainability issues.	Investment with the intention to generate social and environmental impact.	The explicit inclusion of ESG factors into financial analysis.	Screening of investments against minimum standards of business practice.

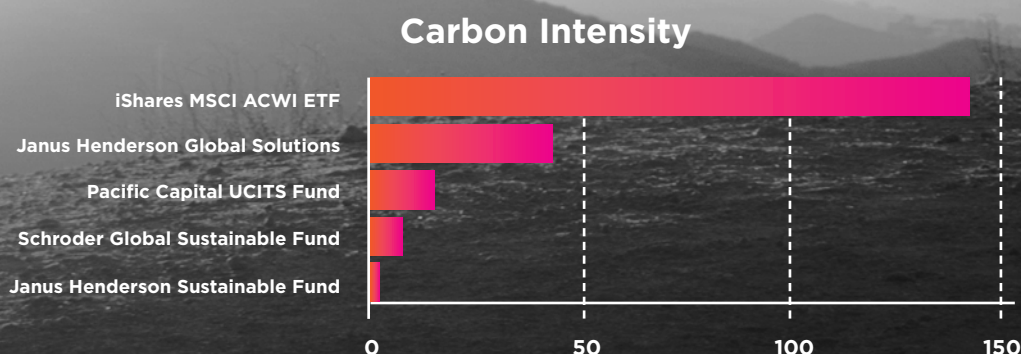
ENGAGEMENT **AND** STEWARDSHIP

As our multi-asset strategies don't invest directly in stocks, **our engagement and stewardship relate to the asset management companies responsible for our portfolio holdings.**

As well as aiding fund selection, our sustainability dashboards also facilitate the monitoring and risk management of all our portfolio holdings as well as those on our watchlist. This data enables us to assess whether these funds are delivering on their stated sustainability objectives – in other words, are they walking the talk!

We use this data to inform our engagement with the managers and firms, pushing for change when needed, and poor outcomes may prompt reductions in our exposure to a holdings or even total divestment.

Our tool can also measure the carbon intensity of different funds – and can be useful for comparison purposes – and can also generate engagement questions.



Our internally generated data is also reinforced by an annual Due Diligence review, which can identify if anything has changed in how the firm views sustainability.

The final weapon in our stewardship armoury is thematic research. While principally this is conducted to support our asset allocation process and identify any sustainability themes for our portfolios. The depth of this research means that we can also highlight whether our holdings are investing in the best solution providers for these themes and whether firms are aware of any significant and impactful thematic changes – such as new regulations or government incentives.

INVESTING TO MAKE **A DIFFERENCE**

Our sustainability process is not just about measuring past performance, but **stress-testing sustainability criteria both in the present and in the future**. We look under the hood of our selected funds, to ensure we understand their key performance, concentration risks, regional allocations, style/factor exposure and sustainability drivers.

Sustainable Balanced

£500K INVESTED EQUATES TO

16 CARS
off the road



SAVE 12 TONNES
of plastic



SAVE 19
long haul flights



In this way, we not only take full responsibility for the holdings within our portfolios but also factor in the sustainability benefits that they deliver.

We acknowledge that such outcomes are not always easy to understand, so we contextualise this data through real-world examples so that our investors can fully appreciate the impact their investments achieve.



MOVE FORWARD

IMPORTANT INFORMATION – FOR AUTHORISED USE ONLY

This document is issued and approved by Pacific Capital Partners Limited (PCP), which is authorised and regulated by the Financial Conduct Authority. This document is intended primarily for internal use, but may be distributed upon request to investment professionals and exempt investors in accordance with the FSMA 2000 (Promotion of Collective Investment Schemes Exemptions Order 2005) for authorised purposes only. It does not constitute advice, an offer or a recommendation to purchase or sell any financial products and you should not rely on the information in making an investment decision. The information and analysis contained herein are based on sources believed to be reliable. However, we do not guarantee their timeliness, accuracy or completeness, nor do we accept liability for any loss or damage resulting from your use or reliance upon of this document. Any opinions expressed reflect our current judgment at the date of this document and are subject to change without notice. Past performance is not necessarily a guide to future performance. This report is not directed to or intended for distribution to or use by any person or entity in any jurisdiction where such distribution, publication or use would be unlawful. This document may not be reproduced (in whole or in part), transmitted, modified or used for any public or commercial purpose without the prior written permission of PCP. Pacific Asset Management is a trading name of PCP.

> GET IN TOUCH:

Pacific Asset Management
74 Wigmore Street, London
W1U 2SQ, United Kingdom

T +44 20 3970 3100
E info@pacificam.co.uk
pacificam.co.uk

P>CIFIC
ASSET MANAGEMENT