

# The CCLA Better World Global Equity Fund

Invest for a world of Good



## About us

CCLA has been managing investments on behalf of non-profit organisations since 1958. Our primary aim is to make good investments for our clients.

Yet, for CCLA, the good runs deeper than solely financial returns. Our starting point is that investment markets will only be as healthy as the environment and communities that support them. Therefore, we have a duty to focus on some of society's most pressing challenges in order to build a future that can continue to support the generation of positive returns for our clients.

How we invest our money can shape our world – from businesses and economies, to culture, our cities and our life expectancies.

Good Investment at CCLA means building lasting, long-term financial security. It means using our voice to engage with companies and government policy makers on issues that matter.

Let's do a world of  
**Good together.**

## Introduction

CCLA, the home of Good Investment, has opened its unique approach to individual investors for the first time.

Investing responsibly and incorporating environmental, social and governance (ESG) factors into investment decisions has guided our commitment to engage for positive change on the world's most pressing issues, from climate change to modern slavery and mental health.

Our Better World range of funds is ideal for investors who want to harness the power of investment markets to have a positive impact on society and the planet. The funds build on CCLA's history of pioneering sustainable investment for charities, churches and local authorities.

### The CCLA Better World Global Equity Fund

The CCLA Better World Global Equity Fund was launched in response to demand from trustees and those working with our not-for-profit clients wishing to invest their own money in the sustainability strategies with which they have grown familiar.

Launched in April 2022, the CCLA Better World Global Equity Fund aims to achieve long-term growth in capital and income by investing in high-quality companies from around the world. The fund is managed in line with CCLA's Good Investment philosophy and approach to investing for a better world as outlined in CCLA's Better World policy.

### INVESTING WITH CCLA

#### Save with purpose

Investing is an effective way to put your money to work and potentially build wealth. Our approach to investing responsibly is to deliver positive change.

#### Invest in our collective future

Healthy markets require a healthy future, and CCLA is pushing for progress to meet the world's sustainability challenges.

#### Target systemic issues

CCLA seeks to be a catalyst for change in the investment industry. By actively addressing sustainability challenges, we aim to limit risks before they negatively impact on the performance of our investors' assets and the function of society.

### Contents

Our principles for Good Investment	3
Investment approach	4
Portfolio information	7
CCLA's Better World policy	8
At a glance	9
Invest with CCLA	10

Images courtesy of Koestler Arts.

Cover: *Sun Rise*  
Hackney and Islington Probation Service,  
Bronze Award for Painting 2016,  
Monument Trust Scholar 2015

Page 5: *A Break from the World*  
HM Young Offender Institution Aylesbury.

Koestler Arts is the UK's leading arts charity. It is nationally respected for its ground-breaking work using the arts as a catalyst for positive change in the lives of people within the criminal justice system and in the public's perception of their potential.

[www.koestlerarts.org.uk](http://www.koestlerarts.org.uk)

# Our principles for Good Investment

We believe we have a duty to go beyond the boundaries of traditional investor engagement and work with others in the investment industry to address systemic risks that threaten communities, the environment and ultimately investment markets.

We achieve this through the following three principles.



## Act

We act as an agent for ‘change’ because investment markets can only ever be as healthy as the environment and communities that support them.

We do this by:

- using our ownership rights to improve the sustainability of the assets in which we invest
- bringing investors together to address systemic risks that have not had the attention that they require
- seeking to be a catalyst for change in the investment industry.

By helping to accelerate progress in meeting the major sustainability challenges the world faces, we can limit risks before they negatively affect the performance of our investors’ assets and the function of society.



## Assess

We assess ESG standards because we believe that a combination of legislation, regulation and changing societal preferences will impact negatively on the most unsustainable business models.

We avoid investing in companies that have uncompensated, unwanted, unwarranted and unmitigated ESG risks as evidenced by:

- poor management and weak corporate governance
- having an unacceptable social and environmental impact
- not demonstrating a willingness to improve through investor engagement.

This helps us avoid investments that we anticipate will underperform and, as the market has a poor record of pricing these risks enable us to deliver superior long-term risk-adjusted returns to our investors.



## Align

We invest in a way that is aligned with our investors, as we are the guardians, not the owners, of the assets that we manage. For this reason, we have a responsibility to:

- ensure that our portfolios are aligned with our clients’ objectives, values and beliefs
- report on the outcomes of all our work
- be transparent about everything we do on our clients’ behalf.

By investing in a way that is aligned with our clients we believe we are better able to meet their objectives and offer more than a financial return.



### TOP MARKS FOR CCLA

The Principles for Responsible Investment (PRI) is the world’s leading proponent of responsible investment, supported by the United Nations. The PRI evaluates signatories on how well they incorporate ESG factors into investment decisions.

In the latest assessment, we have been awarded 5 stars by PRI in three categories; our scores are below.

Category	CCLA	Median
Responsible investment policy and process	<b>95%</b>	60%
ESG integration in listed equities	<b>98%</b>	44%
Proxy voting	<b>90%</b>	58%

Reviewed 18 August 2022

This is what we call  
**Good Investment.**

## Investment approach

Our approach to investing in equities is consistent across all our funds and clients. The CCLA Better World Global Equity Fund builds on our expertise, selecting high-quality companies and assets for investment from around the world.

Our equity portfolios are actively managed and diversified both by sector and geography to provide the flexibility to deal with changing market conditions. For more than a decade we have mitigated risk through our global approach, selecting what we believe are the best opportunities irrespective of their location.

Our investment approach focuses on high-quality companies, with recurring, growing cash flows, at valuations that are attractive.

Our approach focuses on

# Quality, Growth & Valuation.

### How we construct a portfolio

Portfolio decisions are the responsibility of the investment team. Our investment team is a collegiate and tight-knit team, they operate a schedule of meetings that provide the backbone to a structured decision-making process and builds in rigour and appropriate constructive challenge to the investment process.

Our robust, tried-and-tested approach ensures that all our portfolios are consistent with our approach to building a Better World. Our team is sufficiently compact and experienced that we can work this way, making timely decisions and implementing them efficiently.

We aim to identify important trends that are driven by fundamental changes in the economy and society, such as evolving consumer behaviour, demographical changes, the development of new technology, and couple this with detailed analysis of each company/prospective investment.

We pay little attention to the composition of any index against which a fund may be compared. We do not have exposure to an asset simply because it is a constituent of an index or due to its market capitalisation. We follow a clear, repeatable investment process that, we believe, identifies quality assets which will help deliver above average growth, trading at attractive valuations.

### What is 'free cash flow' and why does it matter?

We believe that cash flow can often be a much better indicator of financial health than other metrics such as profit or earnings per share. It represents the amount of actual cash entering and leaving the business.

'Free cash flow' gets its name from the fact that it's the amount of cash flow 'free' (i.e. available after paying for all the costs of running the company) for discretionary spending by the management or shareholders of a company.

Because our strategy reflects the 'quality' bias in the assets we select, free cash flows are materially more stable than overall corporate revenues, earnings and distribution.

We aim to create and maintain a portfolio which is well positioned to deliver strong cash-flow based returns over the long-term while being relatively resilient in testing market times.

## The Better World fund, what's built in?

When creating the portfolio, we look to hold a range of companies that:

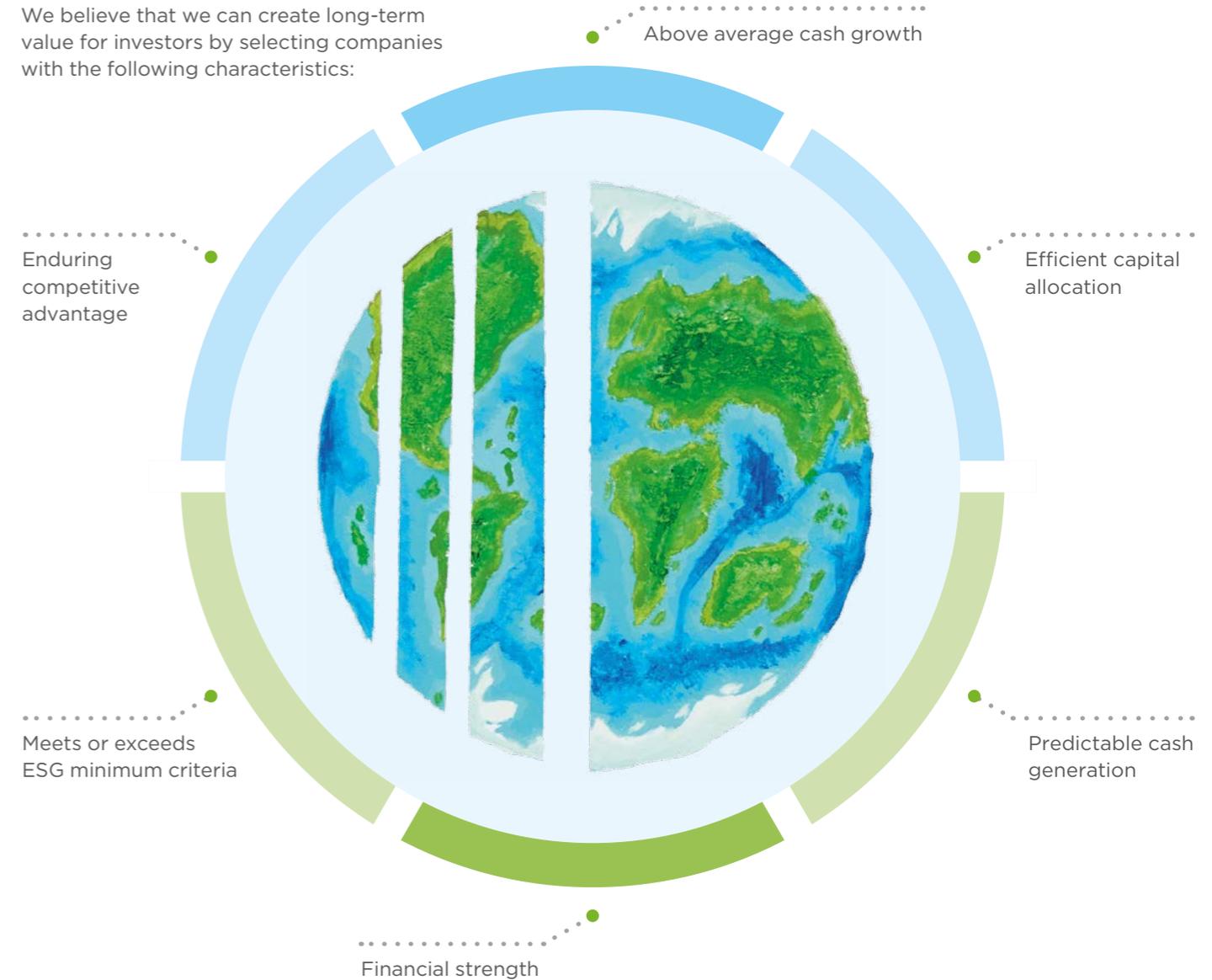
- demonstrate enduring competitive advantages, quantitatively measured on their cash flow return on investment and track record
- have plentiful opportunities for future growth, typically operating in areas of the market less affected by short-term trends
- are positioned in a growing market, making them well placed to increase in value

- a track record of wise capital allocation decisions shown through management's skill to invest and distribute cash flows
- have positive earnings and share price momentum
- have acceptable ESG standards
- are trading at a discount to intrinsic value (a reasonable margin of safety should exist).

### WHAT ARE WE LOOKING FOR?

- Companies with high-quality management teams and strong balance sheets that are well-run and resilient
- Companies with high levels of free cash flow to reinvest in the business
- Companies priced at valuations that are attractive, meaning we want to add the company to our portfolio at a fair price
- Companies operating above our minimum ESG standards
- Companies with growing end markets

We believe that we can create long-term value for investors by selecting companies with the following characteristics:

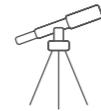


## We can't promise the world but we can promise comprehensive ESG analysis

### Stages of our portfolio construction

We seek to create a well-diversified portfolio. We limit the portfolio's weightings to even the strongest companies, so that we are not relying on a handful of star picks in a concentrated portfolio.

Developing trends and shifting market conditions are taken into consideration, so the make-up of the portfolio will continue to evolve over time, but the principles which underly our choices remain the same.



#### 1 Screening the universe

Using multiple data screens to reduce the investment universe to a long list of potential companies and investment ideas.



#### 2 Prioritisation/idea generation

Sector and industry reviews combined with company research to reduce the long list to a sub-set of companies based on the fundamentals of the individual company.



#### 3 Portfolio construction and risk management

Approximately 80 companies



#### 4 Company/investment analysis

Proprietary modelling, assessment of risk and return potential



#### Reject

Weak business, poor allocator of capital, industry in decline, unsustainable returns

OR



#### Add

Clear investment thesis, considered better investment from a reduced risk or higher potential returns perspective

OR



#### Watch

Like the business, don't like the valuation

### ASSESSING ESG

Integrating ESG considerations into investment processes can help mitigate risk and has the potential to improve long-term financial outcomes.

We believe that companies with strong governance are less likely to provide unpleasant surprises; equally, companies that are aware of their impact on wider stakeholders are less likely to face political or regulatory pressure. Such companies are also better positioned to withstand – and even benefit from – shifts in the market environment.

# Portfolio information

For the latest information, please see the fact sheet on our website.

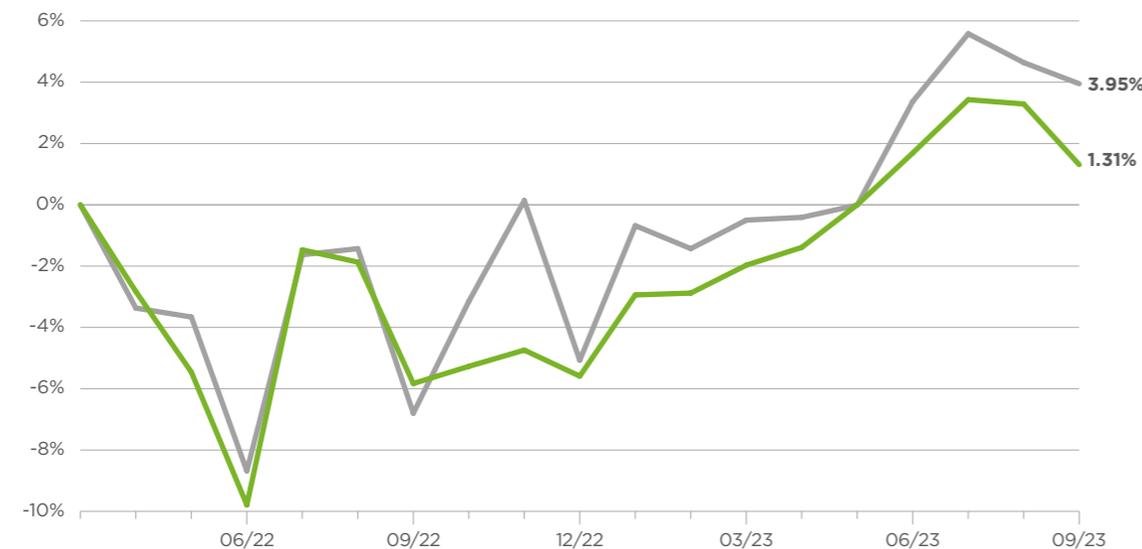
## Discrete returns

12 months to 30 September (%)	2019	2020	2021	2022	2023
<b>CCLA Better World Global Equity Fund</b>	-	-	-	-	<b>7.57</b>
Comparator benchmark	-	-	-	-	11.54

## Cumulative returns

Returns (%)	1m	3m	1yr	3yrs	5yrs	Since launch 8/4/22
<b>CCLA Better World Global Equity Fund</b>	<b>-1.92</b>	<b>-0.38</b>	<b>7.57</b>	-	-	<b>1.31</b>
Comparator benchmark	-0.66	0.56	11.54	-	-	3.95

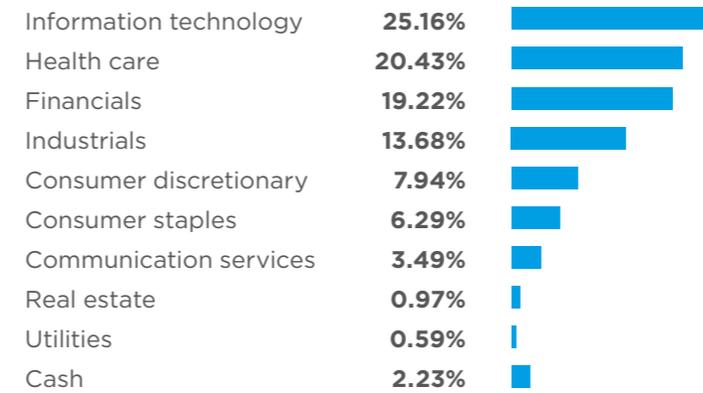
## Cumulative performance



Source: CCLA, as at 30 September 2023. The comparator benchmark is the MSCI World Index. Performance shown after management fees and other expenses with income reinvested. Past performance is not a reliable indicator of future results.

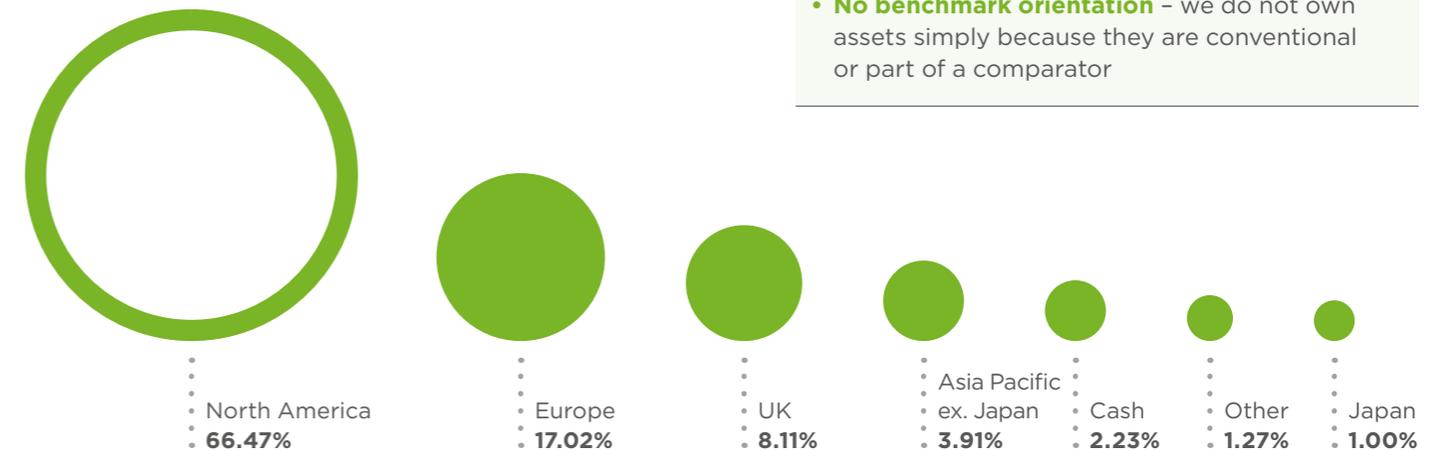
## Sector and regional allocation

As at 30 September 2023.



## OUR STRATEGY: KEY POINTS

- **Thinking about sustainability** – ESG standards are important contributors to the future stability of cash flows and their assessment is an integral part of our investment decisions
- **Investment research and analysis to identify exceptional businesses** – we typically aim for a five-year holding period, potentially longer to benefit from growth in earnings that will compound over time
- **Low portfolio turnover** – longer holding periods mean lower turnover and help minimise trading costs which directly affect performance
- **Rigorous research** – we only invest in high-quality assets where the underlying cash flows are transparent, and therefore capable of being analysed
- **No benchmark orientation** – we do not own assets simply because they are conventional or part of a comparator



## CCLA's Better World policy

The fund is managed in accordance with CCLA's Better World policy. This includes:

### 1. Acting as an agent for 'change'

Acting as an agent for 'change' because investment markets can only ever be as healthy as the environment and communities that support them. This is supported by:

- Using the fund's ownership rights to help improve the sustainability of the assets in which it invests. CCLA has a detailed engagement policy and proxy voting guidelines, both of which are available on CCLA's website and are regularly updated.
- Bringing investors together to address systemic issues that have not had the attention that they require. We prioritise selected themes based on an assessment of the issue and the level of response by the investment community. Initially this will focus on climate change, addressing modern slavery in company supply chains and addressing poor corporate practices for protecting employees' mental health.
- Seeking to be a catalyst for change in the investment industry. Examples of how this is delivered may include the provision of training and the development of publicly available resources.

### 2. Assessing companies' ESG criteria

Assessing companies' ESG criteria because we believe that a combination of legislation, regulation and changing societal preference will impact negatively on unsustainable business models. The fund avoids investing in companies that have:

- Poor management and weak corporate governance (as defined by our proprietary corporate governance ranking).
- An unacceptable social and environmental impact. Initially this will be defined as companies identified by CCLA as:
  - producing landmines, cluster bombs, chemical/biological and/or nuclear (including fissile materials) weapons systems or substantial components thereof
  - producing tobacco products and/or deriving more than 5% of turnover from tobacco.

- not meeting CCLA's climate change criteria as defined in our Investor Climate Action Plan investment policy
- being responsible for a significant controversial environmental and/or social incident and, following a period of engagement of no more than three years by CCLA, has not taken appropriate steps to respond to the damage caused. At launch a significant controversial incident will be defined as either:
  - failing an assessment of compliance with the UN Global Compact
  - failing an assessment of compliance with the UN Guiding Principles for Business and Human Rights and/or
  - another equivalent approach to assessing controversies such as a Level 0 controversy as defined by MSCI ESG Research.
- Not demonstrating a willingness to improve through investor engagement.

### 3. Investing in a way that we believe is aligned with our investors

The fund precludes investment in the following types of investments. Companies that:

- derive more than 25% of revenue from alcohol production and/or retail
- derive more than 10% of revenue from gambling, civilian firearms, strategic military sales, high interest rate lending and/or the production and/or distribution of cannabis for the retail market.
- derive more than 3% of revenue from adult entertainment production and/or distribution.
- Fixed income securities that are issued by a nation identified by CCLA as being among the world's most oppressive, including, but not limited to Freedom House's annual Freedom in the World publication. The current list of precluded nations is available on request.
- Other investment funds that have any exposure to landmines, cluster munitions, chemical or biological weapons or exposures that materially contradict the above approach. At launch, this is defined as having more than 10% of the fund's value exposed to other precluded activity including rules related to nuclear weapons.

## At a glance

- As a final safeguard, we seek to ensure that the combined exposure to all restricted activities within such other investment fund holdings remains below 1% of the capital value of the fund. Due to a lack of data this is implemented on a 'best-endeavours' basis. This will be implemented as per the Manager's Values Based Screening Policy, and may evolve over time. The policy and the current list of exclusions is available at [www.ccla.co.uk](http://www.ccla.co.uk).

#### 4. Implementation of the Better World policy

Should a portfolio holding cease to comply with the above approach, CCLA will establish a six-month divestment window for the asset to be sold. This ensures that shareholders are not financially disadvantaged by the fund becoming an immediate forced seller.

Our full Better World policy is available in the fund's prospectus.

### OUR CLIMATE CHANGE & INVESTMENT POLICY IN BRIEF

#### Our climate commitment

We are committed to accelerating the transition to a net-zero emissions economy and taking steps to protect the value of our clients' portfolios during the transition. We will do this by:

- acting to increase the pace of climate action by leading impactful engagements with the companies that we invest in and pushing policymakers for progressive regulation and legislation

- assessing companies' position against the energy transition as part of our investment process and avoiding those that do the most harm
- aligning our portfolios with our clients' requirements and disclosing information about our approach to managing the risks and opportunities associated with climate change.

#### The policy includes:

- minimum standards against which companies are assessed
- a restriction on investing in fossil fuel producers (defined as a company that derives more than 5% of revenue from the extraction of coal or tar sands and/or a company that derives more than 10% of revenue from the extraction and/or refining of oil and gas)
- CCLA's commitment to net-zero emissions in listed equity portfolios no later than 2050.

Objective	The fund aims to provide a total return (the combination of capital growth and income) over the long-term (defined as any rolling period of five years) and is managed in line with CCLA's approach to investing for a better world as outlined in CCLA's Better World policy
Structure	A UK open-ended investment company, which complies with the regulatory framework as stipulated by the Undertakings for the Collective Investment in Transferable Securities (UCITS)
Suitable investor	The fund is suitable for all investors, with basic investment knowledge, who want to invest in an actively managed fund that mainly invests in the shares in companies (equities) from around the world, who are seeking to invest for at least five years and understand that any income distributed and the value of the fund can go down as well as up and that they may get back less than they invest
Launch date	8 April 2022
Base currency	British Pound sterling
Minimum investment	£1,000
Dealing day	Any business day
Valuation point	12pm on each dealing day
Pricing basis	Single priced on a forward pricing basis
Ex-dividend dates	The last business day of each calendar quarter: March, June, September, December
Distribution dates	The last business day of the second calendar month following the ex-dividend date: February, May, August, November
Depository	HSBC Bank
Auditor	Deloitte

## Invest with CCLA

The CCLA Better World Equity Fund is available for investment through independent advisers, investment platforms and intermediaries. Please see our website for details of the platforms on which it is available.

If there is a platform or adviser through which you invest already and would like to access the CCLA Better World Equity Fund, please inform our Client Services team.

### Investors seeking advice

A financial adviser can help plan for your financial future. Advisers will charge for advice. You can find a financial adviser through [www.unbiased.co.uk](http://www.unbiased.co.uk)

MoneyHelper is independent and set up by the government to help people make the most of their money by giving free, impartial guidance. As well as information about pensions and retirement, they offer a wide range of other money topics. MoneyHelper can be found at [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

### Investing through an ISA or SIPP

The fund is available for investment via an Individual Savings Account (ISA) or Self-Invested Personal Pension (SIPP) through platforms.

### Important information

This document is a financial promotion and is for information only. It does not provide financial, investment or other professional advice.

To make sure you understand whether our product is suitable for you, please read the key investor information document and prospectus and consider the risk factors identified in those documents. We strongly recommend you get independent professional advice before investing.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise. You may not get back the amount you originally invested and may lose money.

The fund can invest in different currencies. Changes in exchange rates will therefore affect the value of your investment. Investing in emerging markets involves a greater risk of loss as such investments can be more sensitive to political and economic conditions than developed markets. The annual management charge is paid from capital. Where charges are taken from capital rather than income, capital growth will be constrained and there is a risk of capital loss.

Any forward-looking statements are based on our current opinions, expectations, and projections. We do not have to update or amend these. Actual results could be significantly different than expected.

We, CCLA Investment Management Limited (registered in England & Wales, No. 02183088, at One Angel Lane, London, EC4R 3AB) are authorised and regulated by the Financial Conduct Authority.

### WANT TO KNOW MORE?

Please contact our Client Services team.

Freephone **0800 022 3505**  
Email **[clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)**

### Charges

Share class	Minimum initial investment	ISIN	SEDOL	Initial charge	Exit charge	Annual management charge	Ongoing charges figure*
Class C: Income	£1,000	GB00BPP3BY99	BPP3BY9	n/a	n/a	0.65%	0.68%
Class C: Accumulation	£1,000	GB00BPP39M31	BPP39M3	n/a	n/a	0.65%	0.68%
Class I: Income	£20,000,000	GB00BPP3BZ07	BPP3BZ0	n/a	n/a	0.55%	0.58%
Class I: Accumulation	£20,000,000	GB00BPP3C023	BPP3C02	n/a	n/a	0.55%	0.58%

\*These figures may vary from year to year. It excludes portfolio transaction costs.