

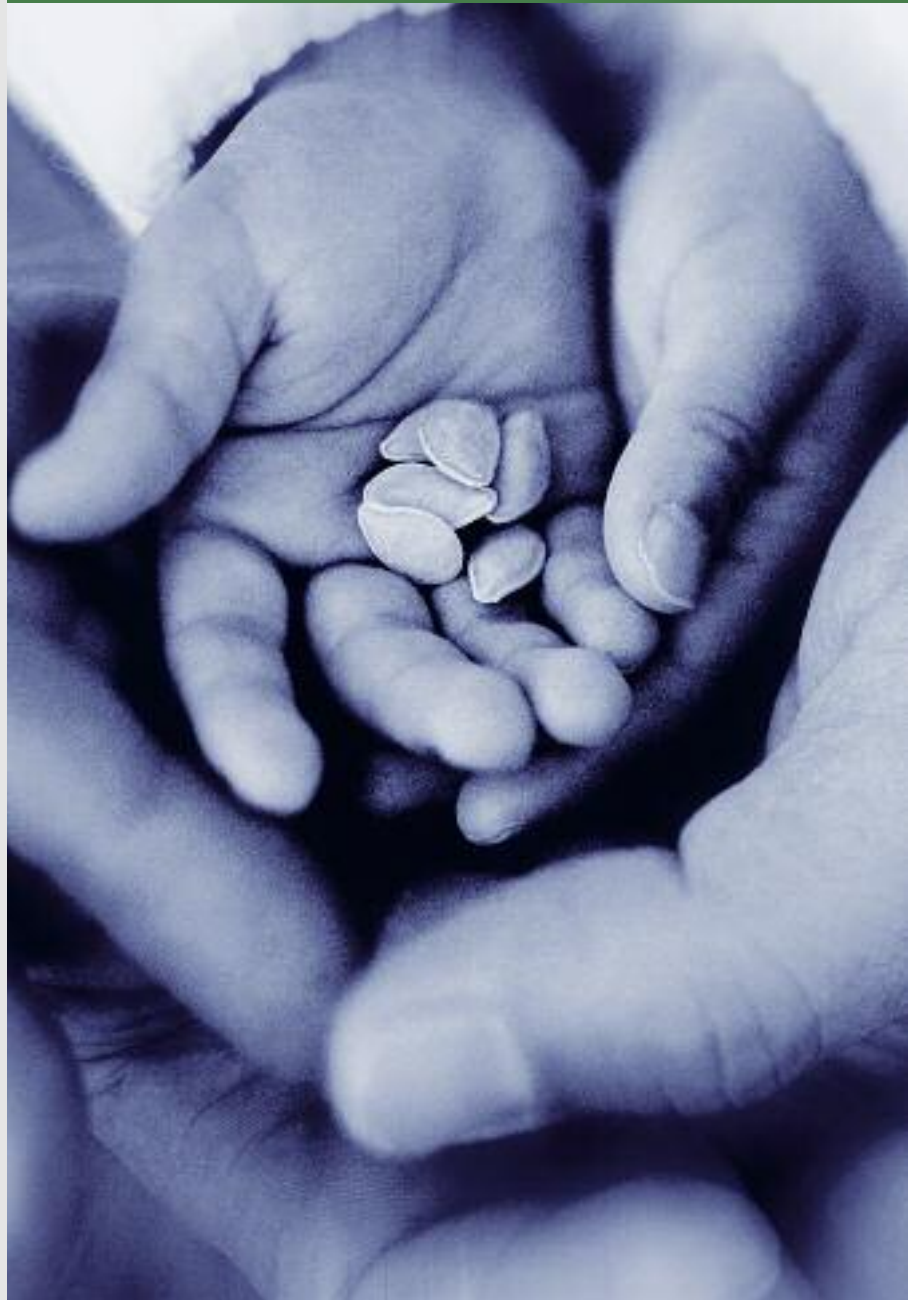
F&C Stewardship International

Synopsis series

With ethical considerations becoming increasingly important for clients, there is a growing consensus that strong long-term performance will come from companies that take their ethical, environmental and social responsibilities seriously. At F&C, we believe that the companies in which we invest can protect and enhance shareholder value if they manage environmental, social and governance risks effectively. Our Stewardship funds invest in companies that make a positive contribution to society, while seeking to avoid companies whose activities can harm society or the natural environment. Our funds are designed to produce stringently screened investment choices for clients.

F&C's key strengths:

- Strong performance managing both SRI and traditional global products
- Tried and tested risk profile
- In-house expertise available at all levels of the portfolio construction process
- Ethical decisions made by an independent panel of experts supported by 16-person specialist team
- A leading force in ethical investment management



Synopsis series: F&C Stewardship International

“The key element of the Stewardship International process is the separation of ethical screening and portfolio management responsibilities, which ensures that both elements are carried out by experts in their field. As fund managers we are therefore free to focus on managing the Stewardship International portfolio, by selecting the best stocks globally and constructing a focused portfolio of high conviction ideas.”



Sophie Horsfall, Director

“F&C has long championed ethical investment and we draw on the expertise of our specialist GSI team, the largest dedicated team in the UK investment industry, to manage the ethical screens for Stewardship International.”



Karina Litvack, Director,
Head of Governance & Sustainable Investment

Why Stewardship International?

At F&C, we have a long-standing commitment to socially responsible investment from the launch of the first ethical investment fund, Stewardship, in the UK in 1984. Over the 20 years since the launch of the Stewardship International Fund in 1987 we have delivered consistently strong performance that is comparable with our global unscreened benchmark. With our highly experienced global investment and ethical research teams, we are uniquely positioned to build on this heritage and move forward in this arena.

We believe that the Fund's positive screens tap into key growth opportunities. Given the challenges facing today's society, the Fund has a high exposure to alternative and renewable energy, new technologies, sustainable mobility and water infrastructure, which will all play a crucial role in tackling, and adapting to, the problems of climate change. Other strong positive themes include education, healthcare and public transport which will see increasing investment due to changing global demographics. We also have stringent negative criteria which restrict investment in any activities that cause harm.

The Stewardship criteria:

Stewardship International's ethical screening process is wholly independent of the fund management process and overseen by the experts who sit on an independent external Committee of Reference. The Committee sets the ethical criteria for the fund and decides which companies are acceptable for investment. Ethical research at F&C is conducted by our 16-strong Governance and Sustainable Investment (GSI) team, the largest specialist team in the UK.

Positive

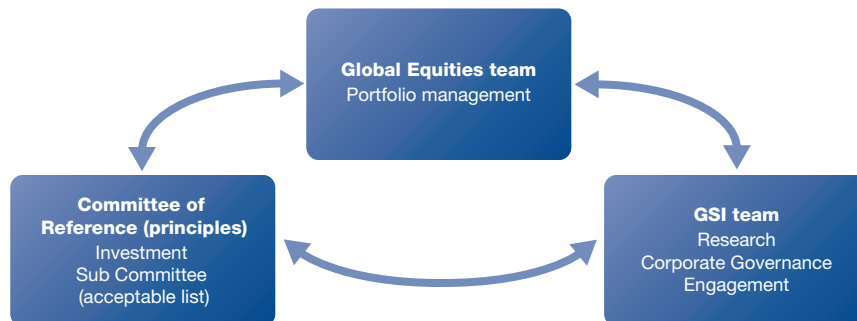
- **Providing the basic necessities of life** for example healthy food, housing, clothing, water, energy, communication, healthcare, public transport, safety, personal finance, education
- **Offering customers ethical product choices** for example fair trade, organic
- **Improving quality of life through the responsible use of new technologies** for example internet access
- **Meeting sustainable development challenges** for example clean energy, low carbon technologies

Negative

- Tobacco or alcohol production
- Gambling
- Pornography or violent material
- Manufacture and sale of weapons
- Exploitation of animals
- Nuclear power generation
- Poor environmental practices
- Human rights abuses
- Negative impacts on local communities
- Poor labour standards within the supply chain.



Three individual teams, a fund manager led process



How does it work?

The Stewardship International Fund focuses on achieving long-term capital growth through investment in ethically screened companies. The investment process has two parts:

Portfolio construction begins with our global equities team, who use a proven bottom-up stock selection process to identify the best stocks globally.

The investment ideas are then subject to rigorous screening by the GSI team, to assess whether the stocks that have been proposed meet the Fund's ethical criteria. These are then passed to the independent Committee of Reference to make a decision on whether they are acceptable for investment.

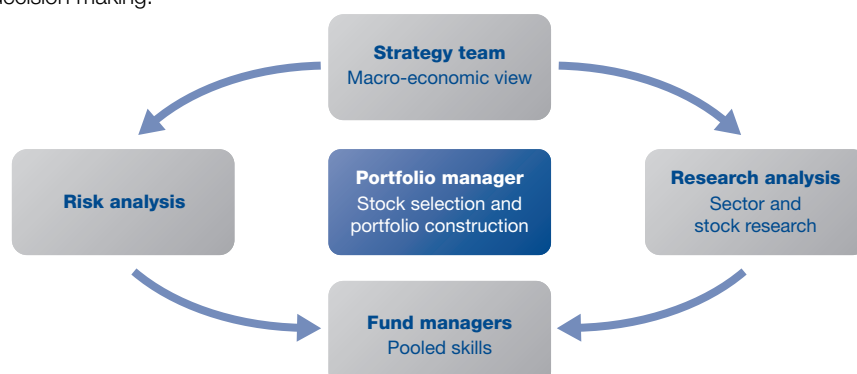
Bottom up approach to portfolio construction

Our global equities team combine rigorous in depth research with a proprietary EVA (economic value added) based valuation process to select a focussed global portfolio of high conviction ideas.

The global team believe that valuation is critical, and the strength of our proprietary model is demonstrated by our performance returns. In addition to assessing a stock's intrinsic value, we apply a relative valuation methodology that compares companies with their global peer group to identify the risk and return profile of the potential investment. Companies which pass the valuation screening process are then subject to in depth fundamental research to identify the key drivers and catalysts which could enable the stock's fair value to be realised.

The fund managers are not devoted to a single investment style, but are free to invest in growth and value companies across all capitalizations, giving us the flexibility to adapt to changing market conditions. We run the Stewardship International Fund on a truly global basis: a single portfolio run by a single dedicated team responsible for making investment decisions at the stock, sector and geographic levels.

The team also leverages the experience of F&C's in-house strategy, analytical research, risk modelling and regional fund management teams, who provide detailed fundamental and top down research. This structure ensures that the team maintains a clear accountability for stock selection and performance, whilst benefiting from the significant in-house resources of our 211 investment professionals. The fund managers are not, however, compelled to use internal analysis or recommendations, and will also use any information from external market sources that they feel will make a positive contribution to decision making.



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Products

F&C offers a wide range of balanced, equity, bond and alternative investment funds to European investors, covering developed and emerging markets. We currently manage Part I SICAV Funds domiciled in Luxembourg and registered for sale in France, Germany, Netherlands, Portugal, Switzerland, Austria, Sweden, Ireland and the UK. We also offer a range of Part II SICAV for professional investors.

Please contact us for further details or visit our website at www.fandc.com

Contact us

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Experienced investment and ethical research teams

Sophie Horsfall is the lead portfolio manager for F&C's Stewardship International Fund strategy. She works closely with Terry Coles, the alternate manager of the fund, and they are both supported by the assistant portfolio manager, Giles Money. Together the fund managers have over 20 years of investment management experience, and a strong track record of ethically screened investment through Stewardship International.

The 16 members of our Governance and Sustainable Investment team, led by Karina Litvack, are specialists on a comprehensive range of ethical, environmental and social issues. F&C is the leading European socially responsible investor through our reo® service and our suite of ethically screened funds.

Why F&C for your Stewardship service?

- **Proven process and track record:** Our product offering has been carefully researched to suit the requirements of our ethical investors. The success of the global team's stock selection process is reflected in their strong performance record of investment on sustainable themes, which builds on the Stewardship International Fund's 20-year heritage in ethical investment.
- **A genuinely global fund:** With investment decisions at the stock, sector and geographic levels in the hands of a small and dedicated team, the Fund's structure harnesses our global expertise in a single portfolio containing what we believe are the best investment ideas from around the world.
- **Long-term outperformance potential:** We believe that companies who take the wider ethical, social and environmental responsibilities seriously will deliver stronger returns for investors in the longer-term.
- **Proprietary Responsible Engagement Overlay (reo):** We work actively with companies to encourage positive corporate change on environmental, social and governance (ESG) performance. We exercise voting rights to each stock in the Stewardship portfolio and we engage companies on any relevant issue relating to ESG risk, including biodiversity, climate change, human rights, labour standards and bribery & corruption.
- **Significant in-house expertise:** The strength and depth of the in-house resources available to F&C enables us to utilise extensive internally generated research which is directed and focused specifically on themes identified by the fund manager. We have a separate GSI team responsible for ethical research, which in conjunction with the Committee of Reference is responsible for ethical research of the investment universe available to the fund manager. At least 40% of research analysis is generated internally with the balance of around 60% generated externally from sources the fund manager believes will make a positive contribution to the investment process.

F&C Management Limited

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