Q3 2023

SUSTAINABLE FUNDS QUARTERLY

In this report...

CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

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The third quarter of the year, July to September, is a period of contrasts. July and August are the traditional holiday period for most Western markets but it's back to business in September with the usual flurry of earnings reports from companies with a June period end.

September also brings with it a series of unwelcome anniversaries; the tragedy of "9/11" occurred some 22 years ago now and we are still feeling its effects, but we had other landmarks last month too. Twenty-five years ago, in 1998, we saw the near-collapse of Long-Term Capital Management, at that time the largest hedge fund in the US. LTCM's problems were brought about by failures in risk management by the firm as well as by a lack of financial regulation in certain business areas. LTCM's brush with death provided a preview of some of the forces that would contribute to the near collapse of the U.S. financial system in 2008, fifteen years ago,[1] the harbinger for which was the US investment bank Lehman Brothers filing for bankruptcy on September 15th.[2] Much more recently, on September 23rd last year, we had the Truss/Kwarteng "fiscal event", which landed badly with the markets.

Against a backdrop of the usual geo-political problems, the global economy has proved fairly resilient so far this year, especially now that pandemic-related disruption is very much behind us. Aggressive monetary tightening by central bankers in the US, UK and Eurozone is having the desired effect on inflation, although prices have also fallen because the commodity price surge caused by Russia's invasion of Ukraine has abated, most supply chain problems have been addressed and fiscal policy is now much less stimulative. The UK economy still has more hard yards to cover with regard to inflation, but progress has been made.

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While the British Isles got wet and we cursed the weather over the school holidays, the summer of 2023 was actually the Northern Hemisphere's hottest in recorded history[3] and there was a notable number of extreme weather events as well as damaging wildfires in places like Hawaii. Heatwaves adversely affect economic activity; not only is it too hot to work, but crop yields fall, tourism diminishes, infrastructure can be damaged and energy consumption rises as we all turn up the air-con.[4]

After a long time in the doldrums, the market for Initial Public Offerings showed some signs of life, with the headline-grabbing NASDAQ flotation of Cambridge-based ARM Holdings occurring in New York on 14th September. After an immediate "pop" post-float, the company's share price is now back down to around the price at which it floated ($51 a share)[5]. There is some market chat suggesting that the IPO market is back, which would be nice, but we just don't see this. Certain observers have noticed a

1. A Retrospective on the Demise of Long-Term Capital Management | CLS Blue Sky Blog (columbia.edu)
2. Bankruptcy | Baker Library | Bloomberg Center | Harvard Business School (hbs.edu)
3. 2023: A Summer of Extreme Weather (cfr.org)
4. Heat is killing us—and the economy too - Atlantic Council
5. Arm IPO: (ARM) starts trading on the Nasdaq in win for SoftBank (cnbc.com)

correlation between inflows into funds and IPOs; fund managers who receive new funds from retail clients will look to deploy this cash in new issues coming to the stock market. However, new inflows are hard to come by just now, therefore the IPO market is quiet.

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Market gains over the period were driven by the usual handful of NASDAQ-listed mega-cap technology stocks, as excitement about Artificial Intelligence has driven up valuations. Equities had a modestly positive summer, with most markets making gains in July, dropping back in August and then demonstrating diverging performance in September. The global FTSE All World Index advanced by 1.88% over the quarter, while the FTSE USA Index edged ahead by 0.78%. We noted last time that Japanese markets are waking up from a long hibernation and the FTSE Japan Index progressed by another 2.92% in Q3, although other parts of the Asia Pacific region lost momentum. The Eurozone had a positive quarter, with the FTSE Europe (ex-UK) Index up 2.46%, while the domestically-focused FTSE All Share also moved forward, albeit by a more modest 1.23%.

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Although global equity valuations are reasonable, corporate earnings could be susceptible to a contraction in economic activity, especially with interest rate rises yet to work their way fully through the system, which is limiting the potential upside in stocks. The shares of UK companies look inexpensive and could stay this way for a little longer, making well-run British companies attractive takeover targets.

CASTLEFIELD FUNDS SUSTAINABILITY REVIEW

SUMMARY: The recently published Sustainability Review will provide an insight into how our sustainable fund range performs on a range of ESG (Environmental, Social and Governance) metrics, the positive themes each fund is exposed to, and the uptake of net-zero commitments in each fund.

Our Sustainability Review will demonstrate how Castlefield Funds perform on a variety of environmental, social and governance (ESG) metrics, in comparison to a mainstream benchmark. Much of the information within the report relies on data collated by an independent provider called Impact Cubed, lending additional credibility to the claims made.

We hope it will bring to life the tangible benefits of investing in our sustainable fund range, highlighting the areas where our funds outperform the benchmark, including carbon, waste, and executive pay. This can be explained by our investment process, which excludes controversial sectors such as fossil fuels and mining – two of the most carbon and waste intensive sectors. In addition to this negative screening, our ten positive themes provide a framework for seeking out companies that contribute to a sustainable future.

Positive theme allocation

The majority of our holdings fall into one of ten positive themes, ranging from sustainable infrastructure to health and wellbeing. The review analyses each fund's exposure to these themes and illustrates the categories with some example companies.

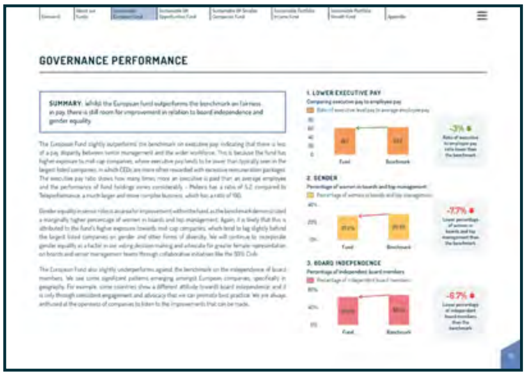
Social and environmental good

The review compares the investments of each fund against its mainstream benchmark and highlights the percentage of investments directed to socially and environmentally beneficial industries.

Performance reporting provides an essential accountability vehicle, enabling asset managers to identify where there is scope for improvement. For example, we are able to identify that there is scope for improvement across our sustainable fund range on governance metrics. This can largely be explained by the funds' skew towards mid-cap companies, which typically lag behind the largest listed companies on issues such as gender diversity and board independence.

The Sustainability Review also looks into the uptake of net-zero commitments within each fund. This data is refreshed annually through our engagements with investee companies, where we discuss progress towards decarbonisation goals and targets.

Read the full Sustainability Review here: https://www.castlefield.com/media/ae3fiyek/castlefield-funds-sustainability-review-2023.pdf


GOVERNANCE PERFORMANCE

Governance performance

Here we provide data on how the funds perform on governance metrics such as board-level gender diversity and executive pay.


ENVIRONMENTAL METRICS

Environmental metrics

For each fund we provide information on the waste, water and carbon footprint associated with the underling holdings and compare Castlefield's funds to a mainstream benchmark.


NET ZERO

Net zero

We track the extent to which our underlying holdings have set net zero targets and highlight the most ambitious companies that are setting stretching carbon reduction goals.

Written by Eleanor Walley

INVESTOR STATEMENT ON AGRICULTURAL SUBSIDIES

SUMMARY: Castlefield co-signs a letter calling on the G20 Finance Ministers to align their agricultural subsidies in line with climate and nature goals.

In December 2022, the most recent Conference of the Parties (COP) on biodiversity saw the Kunmin-Montreal Global Biodiversity Framework formally adopted following a four-year consultation period. The Framework lays out an ambitious plan to conserve biological diversity.

As a part of this, each signatory government agreed to "identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity in a proportionate, just, fair, effective and equitable way."

Castlefield has since joined a group of investors, supported by the FAIRR Initiative, calling on policymakers to take action to uphold their commitment to reform subsidies in the agricultural sector in order for countries to meet their net zero emissions targets by 2050 in addition to global biodiversity and nature goals.

It is estimated that close to $44 trillion of economic value generation, equating to over half of global GDP, is dependent on ecosystem services.

Restructuring subsidies within the agricultural sector to support climate and nature goals also has the potential to reduce the strain on government balance sheets. A report from the United Nations found that the current system of subsidies, valued at close to $500 billion a year, "are inefficient, distort food prices, hurt people's health, degrade the environment, and are often inequitable, putting big agri-business ahead of smallholder farmers, many of whom are women."[1]

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Aligning subsidies with government and multinational commitments to reach net zero and protect nature is essential for responsible investors with a long time horizon. The public investor statement calls on G20 Finance Ministers to address the current flaws within subsidy regimes and support climate and nature goals, providing clear recommendations for doing so.

To see the statement in full, please see the following link: [G20 Agricultural Subsidies Statement | FAIRR]

Written by Amelia Overd

1. Most agricultural funding distorts prices, harms environment: UN report | UN News

COLLABORATIVE ENGAGEMENT

SUMMARY: Castlefield join over 190 signatories in signing the Tobacco-Free Finance Pledge, highlighting the damaging impact of the tobacco epidemic and encouraging a transition towards tobacco-free finance policies.

Castlefield sign on to the Tobacco-Free Finance Pledge

Alongside 190+ signatories, we are pleased to sign on to the Tobacco-Free Finance Pledge, which highlights the role the finance sector can play helping to address global health risks, such as the tobacco epidemic. Causing eight million deaths worldwide each year, and a forecasted one billion deaths this century due to tobacco-related illnesses, collaboration on a global level is needed to manage the devastating impact of tobacco on both society and the environment.[1]

As sustainable investors, we do not invest in the tobacco industry or in any companies deriving over 10% of revenue or operating profit (whichever is higher) from controversial industries, products and activities – this includes the manufacture and retailing of tobacco and tobacco-related products. For further detail, please visit our screening policy.

The key objectives of the Tobacco-Free Finance Pledge are to:[2]

- Highlight the leadership of financial institutions that have implemented tobacco-free finance policies and encourage others to follow suit.
- Encourage the finance sector to play an active role in addressing global priorities, as outlined in the United Nations' Sustainable Development Goals, including SDG 3 - Health and Well-Being and SDG 17 - Partnerships for the Goals, in addition to the World Health Organization Framework Convention on Tobacco Control.
- Raise awareness among financial institutions of the essential role the finance sector must play to assist effective tobacco control and to ensure a tobacco-free world.
- De-normalise financial and corporate associations with tobacco companies.
- Encourage financial institutions to reflect on and reconsider their business relationships with the tobacco industry in light of the global tobacco epidemic.
- Encourage the transition towards tobacco-free finance policies.
- Prioritise tobacco on the corporate agenda as a product and industry distinct from any other with no safe level of use and no opportunity for effective engagement.

To see the statement in full, please visit the following link: Tobacco Free Finance Pledge.

Written by Eleanor Walley

1. 2022-Tobacco-Free-Finance-Pledge-1.pdf (tobaccofreeportfolios.org)
2. ibid

SUMMARY: As a signatory to the CCLA Corporate Mental Health Benchmark, we engaged with Whitbread to discuss the company's existing approach to workplace mental health and identify key recommendations for improvement.

Engaging with Whitbread on workplace mental health and wellbeing

Poor mental health incurs significant human and economic costs. The aftermath of the pandemic and the recent cost-of-living crisis add an additional layer to the problem and lend a greater level of urgency to protecting the population's wellbeing. Further, a growing body of evidence points to the clear business case for prioritizing workplace mental health to support a healthy and productive workforce.

> Private sector employers in the UK lose £43-46 billion every year due to poor workplace mental health

Private sector employers in the UK lose £43-46 billion every year due to poor workplace mental health, through a combination of sickness absence, presenteeism, and costs associated with workforce turnover.[1]

In recognition of this issue, Castlefield are proud signatories to the CCLA Mental Health Benchmark UK 100[2], which assesses 100 of the largest UK-listed companies on their global approach to workplace mental health. Businesses are evaluated and ranked on the strength of their published information, providing an objective assessment of a company's management controls and its performance relative to peers. Following the publication of the 2023 benchmark and individual company assessments, we led an engagement with Whitbread, a leading hotel and restaurant group held in our Sustainable UK Opportunities Fund. We began by questioning the company's existing approach and philosophy towards wellbeing, and were joined by CCLA to guide Whitbread through the key recommendations to further improve its score.

Employee wellbeing is at the heart of Whitbread's ability to serve guests, and the company adopts a holistic approach, centred around three pillars: physical, mental, and financial wellbeing. Particularly in the context of high inflation and a cost-of-living crisis, it is evident that mental health and financial health go hand in hand. The company responded by increasing minimum pay rates (with the lowest hourly paid workers receiving a bigger increase) and making a one-off cost-of-living payment in November 2022.

> A range of initiatives have been implemented across the company to increase awareness of workplace mental health, and wellbeing more generally

A range of initiatives have been implemented across the company to increase awareness of workplace mental health, and wellbeing more generally, as well as increasing access to specialist support services. There was a strong emphasis on training, noting that there are currently 121 Mental Health First Aiders across the company with further investment being made to increase these numbers. Whitbread highlighted the role of its employee assistance partner, Hospitality Action, a charity providing employees with around-the-clock access to free, anonymous, independent support and services, from individuals that are fully qualified to assist. Internal communication programmes like Wellbeing Wednesday, established during the pandemic, aim to increase employee access to support for every aspect of their wellbeing and creating a safe environment to discuss and share experiences.

After some reassurance that the benchmark is not attempting to measure how 'happy' a company's workforce is – reducing the complexities of mental health to a string of KPIs would be unfeasible – but rather an assessment of the management and governance of mental health, Whitbread could see the value in strengthening its public disclosures. There is a real opportunity for Whitbread to be seen as a leader on this topic, however the company's public disclosures must match up to what they are already doing – for example, describing how the mental health policy is implemented on a day-to-day basis and reporting on the uptake of workplace mental health initiatives.

Collaborative engagement is a highly effective tool, allowing us to amplify our voice and work with other investors to encourage companies to take effective action on a range of ESG issues – workplace mental health, climate reporting, modern slavery and greater diversity at board and executive committee levels, to name a few.

Written by Eleanor Walley

1. Mental health and employers: Refreshing the case for investment | Deloitte UK
2. Mental health | CCLA

INVESTORS CALL ON THE UK GOVERNMENT TO UPHOLD ITS NET-ZERO COMMITMENTS

SUMMARY: Castlefield has recently co-signed three letters to the Prime Minister, highlighting the need for a clearer policy landscape to deliver on net-zero ambitions, as well as opposing recent announcements that signal a weakening of key climate policies.

> During August and September, we co-signed a number of letters to Prime Minister Rishi Sunak on the need for the government to uphold its existing net-zero commitments.

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The August letter was co-ordinated by the UK Sustainable Investment Forum (UKSIF), a trade association for sustainable and responsible finance in the UK. Signed by 36 financial institutions representing £1.5 trillion assets under management, it expressed concern about signals from government that a weakening of key climate policies was under consideration. The letter stressed that investors need to have clarity and certainty on climate policy in order to have the confidence to make the large-scale investments that are needed to transition to a low carbon economy.

In September, there was extensive press speculation on an imminent announcement from the government on key climate pledges, including on the dates for phasing out new petrol and diesel cars. Against this backdrop, a climate think tank called E3G hastily co-ordinated an open letter condemning any policy rollback. We were one of over 400 signatories to the letter, with other supporters including household company names such as IKEA and EON, as well as charities such as WWF and Greenpeace.

> the government confirmed its intention to delay the ban on petrol and diesel car sales, weaken its target on the installation of new gas boilers and cancel requirements on landlords vis-à-vis energy efficiency.

Undeterred by the widespread pushback, the government confirmed its intention to delay the ban on petrol and diesel car sales, weaken its target on the installation of new gas boilers and cancel requirements on landlords vis-à-vis energy efficiency. In response, the CEOs of UKSIF, Institutional Investors Group on Climate Change (IIGCC) and Principles of Responsible Investment (PRI) drafted a letter welcoming some aspects of the announcement – such as increased grid connectivity for renewable energy generation – but also highlighting the damaging impact of the delays, both economically and environmentally. We were co-signatories to that letter too, along with 31 other investors and financial institutions.

While the letters did not achieve their desired outcome, they may deter any further weakening of green policies in the future. Moreover, with an election on the horizon, this type of co-ordinated communication also sends a strong message to future political leaders. Reflecting on the recent announcements, it's clear that sustainable investors have a role to play – now more than ever in fact - in engaging companies on the need for urgent action on climate and net-zero planning. Even if the regulatory imperative has weakened, investors are well-placed to frame the discussion in terms of the financial risks and opportunities for their business.

Written by Ita McMahon

VOTING ACTIVITY:
Q3 2023

As investors, we believe that we have a responsibility to our clients, as well as the companies that we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

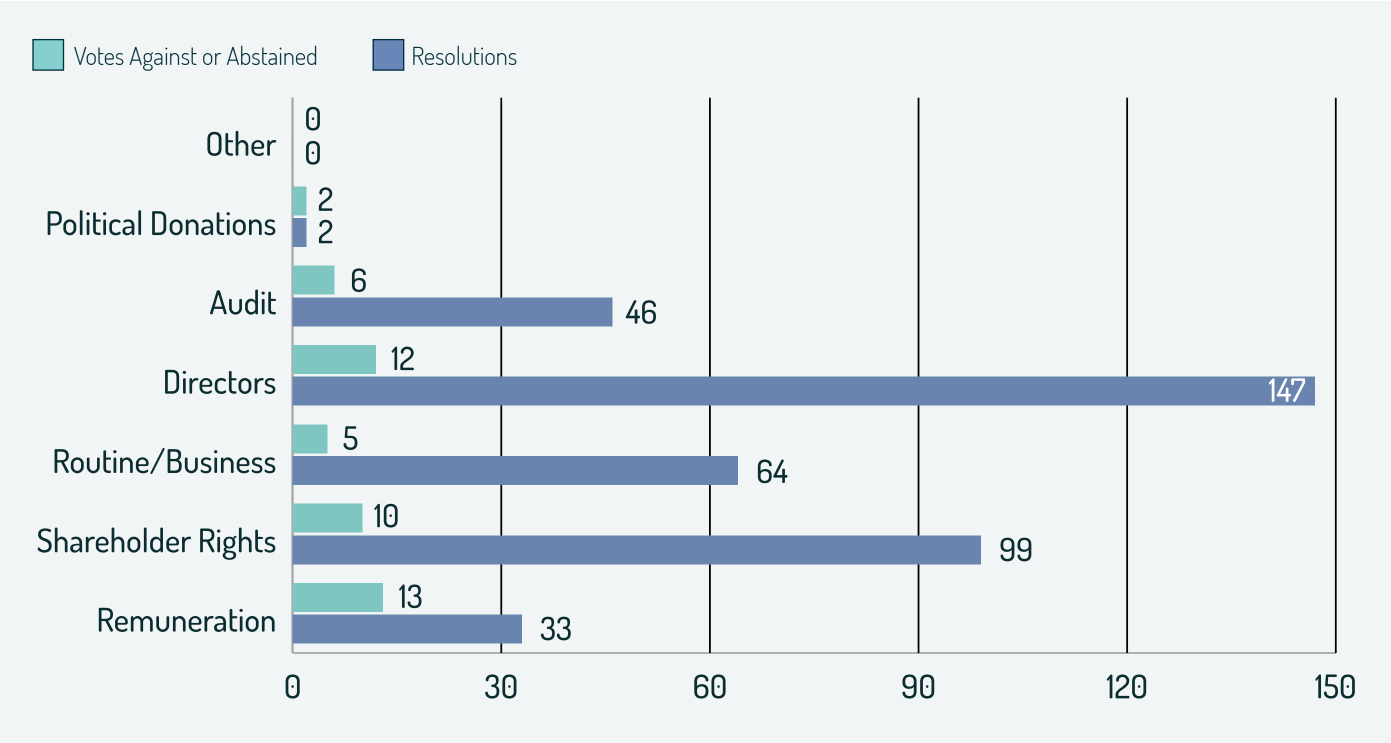
RESOLUTIONS

Number of resolutions where votes were cast For	342	87.7%
Number of resolutions where votes were cast Against	45	11.5%
Number of resolutions where votes were Abstained	3	0.8%

During the quarter, we voted at 32 meetings hosted by our investee companies, with a total of 390 resolutions.

1.	**REMUNERATION**	We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
2.	**DIRECTOR INDEPENDENCE & EFFECTIVENESS**	Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
3.	**SHAREHOLDER RIGHTS**	This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
4.	**POLITICAL DONATIONS**	We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
5.	**THE AUDIT PROCESS**	Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
6.	**ROUTINE/BUSINESS:**	Items in this category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
7.	**OTHER**	This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

Rathbone Ethical Bond Fund

The Rathbone Ethical Bond fund is a collective fund that we use to form part of your fixed income exposure across the Castlefield Sustainable Portfolio fund range. Launched in 2002, the fund primarily invests in sterling denominated investment grade corporate bonds. The team begins with a theme based idea generation, with these themes including macroeconomics, regions, sectors, regulation and interest rates amongst others. The team combines both a macroeconomic and company-specific approach to stock selection and sustainability is at the heart of investment decisions, with both negative and positive screening provided by the dedicated sustainability team at Rathbone Greenbank. The team excludes the usual ethical sectors from the investment universe such as tobacco, arms and gambling and seeks to invest in assets which provide beneficial products and services to society and manage their environmental impact amongst others. In terms of credit analysis, the team operates the proprietary four Cs plus model to determine the attractiveness of an asset. This process examines the character (integrity & likelihood of repaying loans), capacity (availability of cash flows & assets to repay obligations), collateral (quality of assets offered as security) and covenants (investor protections), with the "plus" referring to the team's conviction.

We like the fund for several reasons; firstly, with over 200 separate holdings, it provides a strong diversification benefit. Separately, as an investment house, Rathbone is well-established and has strong sustainability credentials. As an asset class, fixed income has been attracting a lot more attention over the past 12-18 months as reference yields recover towards more normalised levels not seen since before the Global Financial Crisis. As we approach the height of the rate cycle, fixed income becomes a more interesting option as asset prices rise as rates are cut.

Liontrust Sustainable Future Global Growth Fund

The Liontrust Sustainable Future Global Growth fund forms part of our global equity exposure across the Castlefield Sustainable Portfolio fund range. The fund aims to deliver long-term capital growth through investing in a range of global companies whose products are needed for the economy to develop in a more sustainable way, while avoiding those that have negative impacts. The team prefers high quality companies with structural tailwinds, predictable earnings growth, high barriers to entry, strong cash flow conversion and attractive valuations. The team operates a thematic approach to stock selection, seeking names that address the three mega themes of resource efficiency, health, and greater safety and resilience. In addition to these positive themes, the team avoids investing in companies which derive more than 5% of their revenues from activities such as alcohol production, nuclear power generation and intensive farming. The team runs relatively focused portfolios of 40-50 names and has a low turnover approach towards portfolio management, preferring to buy and hold and enact change through engagement.

The strategy has been operational for over 20 years and Liontrust as an investment house is very engaged, taking part in collaborative engagements such as the Workforce Disclosure Initiative (WDI), the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Principles for Responsible Investment (PRI). Each year, the team identifies a number of priority engagement initiatives, with 2023's including preventing irreversible damage from the climate crisis, preventing and restoring nature, ensuring worker well-being, increasing corporate diversity and encouraging the transition to sustainable investment.

Intertek

Intertek is a FTSE 100 listed global quality assurance company held within our Castlefield Sustainable UK Opportunities fund, which forms part of your UK equity exposure. Intertek specialises in assurance, testing, inspection and certification and is an industry leader employing more than 40,000 people across over 100 countries. It has been operating in the sector for over 130 years and has ties to Thomas Edison through his establishment of the Lamp Testing Bureau of his Edison Electric Illuminating Company in America. Intertek helps clients to meet quality, health, environmental, safety, and social accountability standards globally, and under their total sustainability assurance pledge, it holds itself to the same high standards to which it certifies its clients. It provides its services to a range of different sectors including construction and engineering, food and healthcare, government, hospitality, retail and transport. Intertek acts as facilitators, allowing others to develop new technologies safely and reliably. An example of this can be seen across North America, where Intertek inspects and tests thousands of wind turbines for mechanical performance and electrical safety.

We like Intertek for several reasons, firstly there is a strong social case for Intertek, with its operations aligning nicely with our positive theme of safety and regulatory compliance. Separately, there are strong tailwinds behind the sector as regulation becomes increasingly complicated and far reaching and the need for externally verified data becomes more standardised.

Smith & Nephew

Smith and Nephew is a FTSE 100 listed multinational medical equipment manufacturing company also held within our Castlefield Sustainable UK Opportunities fund It employs over 17,000 people and operates in over 100 countries globally specialising in three areas of medical care: orthopaedics, sports medicine and ENT (ears, nose and throat), and advanced wound management. The orthopaedics market is one of Smith & Nephew's largest and specialises in surgical implants for hips, knees, shoulder joints and ancillary products such as bone cement. The sports medicine and ENT franchise focuses on the technologies and implants necessary to carry out minimally invasive surgery of the joints, including the repair of soft tissue injuries and degenerative conditions of the knee, hip and shoulder. Advanced wound management supplies dressings and biofilms to treat and protect leg ulcers, burns and other skin wounds alongside infection management products. Smith and Nephew struggled throughout Covid as many surgeries it caters for are elective, however this has created a pent-up demand for procedures which are now being worked through.

Smith and Nephew aligns with our positive theme of health and wellbeing across all three business divisions. Separately, as people live longer due to advances in other areas of medicine, the demand for orthopaedic procedures will increase, therefore there are strong structural tailwinds supporting the company.

SPOTLIGHT ON THE PORTFOLIO FUNDS – OUTLOOK

CFP Castlefield Sustainable Portfolio Growth Fund

There is a sense that interest rates in the major global economies have peaked by and large, accompanied by a slowing rate of inflation. Taken together, these developments offer a prospect of an easing of the headwinds which stock markets have faced for the past two years. The expectation at present is for interest rates to remain where they are, with cuts currently unlikely to be seen until late in 2024; for inflation, while it should continue to ease, a return to the level of 2% previous targeted by policymakers is a fair way off. Here in the UK, for example, there are signs of mortgage and savings rates being reduced from their highs, with the former in particular pointing to the prospect of easing pressure on the housing market.

A further benefit is that Europe is entering the winter with ample gas stocks, a reaction to the events of last year and the desire both to reduce demand and to build supplies to prevent the West being beholden to Russian fossil fuels. This status should mean that businesses and consumers alike face a lower burden from energy costs than last year, again suggesting a slightly more optimistic outlook in this area. Nonetheless, it will be well into 2024 before we see the full impact of previous interest rate rises on overall economic activity, meaning some caution remains warranted and focusing on financially resilient businesses with greater growth prospects is where we will be continuing to devote our time.

CFP Castlefield Sustainable Portfolio Income Fund

The key consideration for the fund over the coming months will be interest rate expectations, as changes there will influence how our holdings in both bonds and infrastructure are likely to perform and whether they begin recovering after the headwinds of the past eighteen months. Changing interest rate expectations will affect all types of investment in different ways of course, however it's in the two asset classes highlighted where fund performance will be most directly connected. As it stands, with UK interest rates seen as being at or very close to their peak, we should be on the cusp of a more benign backdrop.

While such macro-economic factors are out of our hands, what we can control is the mix of investments held within the fund. At present, we remain happy with the spread, having confidence in the managers of the bond funds we hold at present, as well as being comfortable with the operational performance of the various infrastructure holdings. We believe they have good management teams and whether in wind, solar or battery storage to name but three, benefit from a good spread of technologies, geographies and regulatory environments. As interest rate pressures abate, we expect these holdings to perform well again.

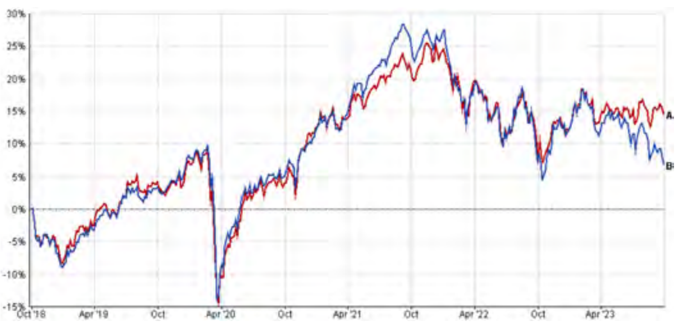
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE PORTFOLIO GROWTH FUND

Key Information

Fund Size:	£65.86m
Investment Association Sector	Mixed Investment 40-85% shares
Launch Date:	1st February 2018
Managers:	Simon Holman
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 40-85% Shares [14.55%]
B - CFP Castlefield Sustainable Portfolio Growth G Income [6.72%]

Source: 30/09/2018 - 30/09/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-2.93	-4.16	-5.24	-0.94	1.10	6.72
Sector	-0.67	-0.18	-0.02	5.11	10.15	14.55

Discrete Performance (%)

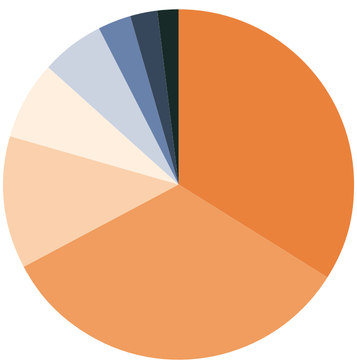
	2023 YTD	2022	2021	2020	2019	2018
Fund	-4.65	-12.14	13.63	3.91	17.86	-
Sector	2.19	-10.04	10.94	5.32	15.78	-

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Global Equity 34.08%
- UK Equity 33.39%
- Fixed Income 11.98%
- Renewable Energy 7.23%
- Alternative 5.95%
- Real Estate Investment 2.97%
- Infrastructure 2.55%
- Cash 1.85%



Top 10 Holdings

		%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	14.11
2	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	11.63
3	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	8.75
4	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	7.75
5	LIONTRUST SUSTAINABLE FUTURE ICVC UK ETHIC FUND	7.65
6	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	7.55
7	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	5.94
8	CASTLEFIELD REAL RETURN FUND	4.96
9	RATHBONE ETHICAL BOND FUND	4.17
10	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	4.09

Fund Commentary

The CFP Castlefield Sustainable Portfolio Growth Fund returned -4.2% (General share class) in the third quarter of 2023, versus -0.2% for its peers in the Investment Association's Mixed Investment 40% - 85% Equities sector.

Last quarter, we highlighted how Artificial Intelligence and companies linked to it were the flavour of the moment for investors and technology continued to dominate sentiment in the third quarter, aided by the high profile listing on the NASDAQ market of ARM Holdings, as referenced in our market commentary. Formerly one of the largest UK-listed companies, it was bought several years ago by Japan's Softbank and the decision to re-float the company on an American stock exchange has been seen as a blow to the standing of the London Stock Exchange in some quarters. However you view the decision, the lacklustre performance of the shares which are still hovering around the IPO level, meant that the choice of listing location has been far from vindicated and seems destined to be a debate to rumble on. The sheer size of the listing which valued the entire company at over $54bn meant that the offering has been a focal point during the otherwise quieter summer months. That aside, the future path of inflation and the impact on overall economic demand from interest rate rises over the past 18 months continues to furrow brows among investors. Interest rates seem to be at or very close to their peaks, while inflation is seemingly trending down. It takes time for the full effect of rate rises to feed through, so investors are now trying to gauge how resilient major economies will be over the coming months

Positive performance contributions were modest, led by our pair of ethical bond-fund holdings from Royal London and Rathbone closely followed by commercial property holding Tritax Big Box. All have been impacted by rising rates up this point, with property assets responding in a similar way to interest-rate increases as bonds. However these contributed modestly to positive returns in the quarter as we perhaps near the peak of the current rate cycle. On the other hand, returns were pulled back by a broad combination of our equity funds, both UK and global, as well as our positions in renewable energy and battery storage funds. These were in part affected by variability in electricity prices as well as higher discount rates which have a negative impact on Net Asset values. However, we remain confident in the long-term investment case for each as they continue to work through their pipeline of sites to develop.

Source: Castlefield, Factset

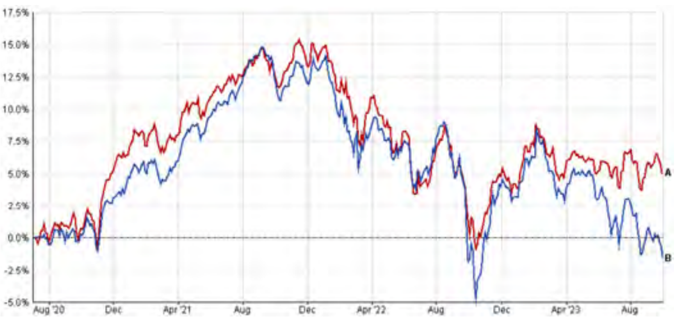
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE PORTFOLIO INCOME FUND

Key Information

Fund Size:	£13.45m
Investment Association Sector	Mixed Investment 20-60% shares
Launch Date:	6th July 2020
Managers:	Simon Holman
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 20-60% Shares TR in GB [5.09%]

B - CFP Castlefield Sustainable Portfolio Income G Income [-1.51%]

Source: 06/07/2020 - 30/09/2023. Data from FE fundinfo 2023

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	Since Launch
Fund	-2.08	-2.83	-5.07	-0.29	-1.76	-1.51
Sector	-0.61	-0.12	-0.53	4.17	4.55	5.09

Discrete Performance (%)

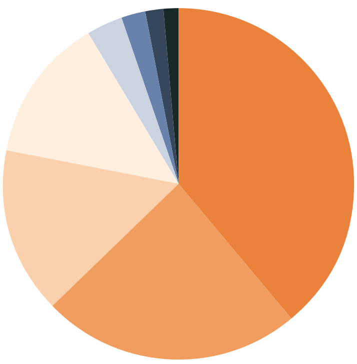
	2023 YTD	2022	2021	2020	2019	2018
Fund	-4.51	-9.38	8.71	-	-	-
Sector	1.09	-9.47	7.20	-	-	-

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Fixed Income 38.99%
- UK Equity 23.82%
- Global Equity 15.35%
- Renewable Energy 13.48%
- Alternative 3.13%
- Infrastructure 2.44%
- Real Estate Investment 1.56%
- Cash 1.23%



Top 10 Holdings

	Top 10 Holdings	%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	19.24
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	12.67
3	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	9.47
4	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	8.27
5	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	3.86
6	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	3.78
7	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	2.95
8	GREENCOAT UK WIND PLC	2.72
9	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	2.51
10	JLEN ENVIRONMENTAL ASSETS GROUP LTD SICAV GBP	2.50

Fund Commentary

The CFP Castlefield Sustainable Portfolio Income Fund returned -2.8% in the third quarter of 2023, versus -0.1% for its peers in the Investment Association's Mixed Investment 20% - 60% Equities sector.

The third quarter is typically a quieter one for investment markets over the summer months, with trading desks in the major financial centres more thinly covered, before September brings a resumption of more normal levels of activity. Those investors who were at their desks were largely focused on assessing the path of interest rates in major economies. The Federal Reserve in the USA seemed to have reached a plateau first, while the Bank of England has potentially reached the same stage more recently. Stock markets occasionally go through phases where investors can't decide if economic news is good or bad news for them, and there was an element of that at play. The rationale being that good economic news might mean more interest rate increases and then a potential slowdown or recession later in time. For now, it remains too soon to tell if policymakers have judged the pace and scale of interest rate rises well enough to bring inflation down materially without triggering a meaningful slowdown in economic activity.

Looking at performance, the key positive contributions over the quarter came almost exclusively from our bond holdings and particularly from our bond funds as they recouped some of the falls of the second quarter. The Royal London and Rathbone Ethical Bond funds led the way, contributing +0.22% and +0.23% respectively, while the Edentree Responsible & Sustainable Bond fund contributed +0.1%. Detracting from performance was a combination of UK and global equity funds and some of our direct infrastructure holdings, with the latter affected by further UK interest rate hikes and trading updates which generally act to shave net asset values lower as a result. Operationally, we remain happy with the investment case for each at present.

No new positions were initiated in the quarter, while we exited a very small position in an SNCF bond.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE EUROPEAN FUND

Key Information

Fund Size:	£20.48m
Investment Association Sector	Europe (ex-UK)
Launch Date:	1st November 2017
Managers:	James Buckley
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)

A - IA Europe Excluding UK [28.31%]
B - CFP Castlefield Sustainable European G Income [16.06%]

Source: 30/09/2018 - 30/09/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-4.19	-5.40	-8.87	7.61	-6.11	16.06
Sector	-1.76	-2.23	-2.39	18.68	21.88	28.31

Discrete Performance (%)

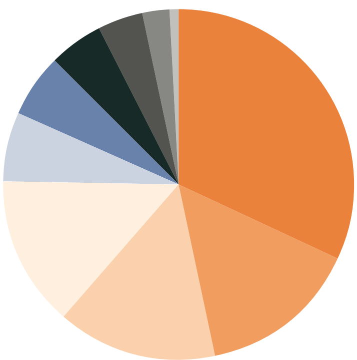
	2023 YTD	2022	2021	2020	2019	2018
Fund	-3.61	-16.68	11.85	20.42	27.37	-14.53
Sector	5.44	-9.02	15.76	10.28	20.33	-12.16

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Industrials 31.95%
- Healthcare Equipment 14.98%
- Technology 14.59%
- Financials 13.79%
- Consumer Goods 6.52%
- Food Producers 5.93%
- Consumer Services 4.90%
- Chemicals 4.01%
- Support Services 2.63%
- Cash 0.70%



Top 10 Holdings

	Top 10 Holdings	%
1	PARTNERS GROUP	5.43
2	SCHNEIDER ELECTRIC SA	5.04
3	SCOUT 24	4.90
4	STRAUMANN HOLDINGS	4.60
5	ASML HOLDING	4.53
6	VESTAS WIND SYSTEM A/S	4.51
7	BELIMO HOLDING	4.48
8	GEA GROUP	4.48
9	TECAN GROUP	4.33
10	CARREFOUR SA	4.20

Fund Commentary

European equities struggled last quarter, against a backdrop of rising government bond yields during the quarter, reflecting concern as to whether Central Banks are finished raising interest rates. The rising oil price following production cuts by Saudi Arabia was also an issue for investors as it can keep inflation higher. The Fund struggled in this environment, particularly as we do not invest in Oil & Gas stocks, which performed strongly during the quarter, driven by the rising oil price. Conversely, the Alternative Energy sector, where we do invest, underperformed in this environment of rising interest rates and concerns that governments may be watering down some of their Net Zero ambitions. As a result, the fund was down 6.5% in Q3 compared to a 1.9% fall in the benchmark index.

Whilst selected holdings did perform particularly well during the quarter, including Partners Group in the Financial sector and Technology names, Scout24 and Logitech, these were unfortunately outweighed by losses elsewhere, including Vestas Wind Systems in the Alternative Energy space and Strauman, the dental services group, which suffered some profit taking following previous strong share price performance. A number of the fund's smaller holdings also struggled against a challenging market background for ESG orientated investors. Towards the end of the quarter, three smaller holdings were sold to help fund a new investment in ASML, the global leader in the manufacture of semi-conductor making machines. European equities continue to offer reasonable value, relative to both their own history and, in particular, compared to US equity markets. This should offer an opportunity from current levels for longer-term investors.

On 1st September, James Buckley joined Castlefield Investment Partners, having previously spent almost fifteen years managing European equity funds at Barings, and he is taking over lead responsibility for managing the Castlefield Sustainable European Fund. The emphasis on high conviction investing, with relatively low turnover, a concentrated portfolio and a heavy emphasis on ESG-driven investment, will remain but there will be an increased weighting in larger-capitalisation European stocks in the fund. Europe is home to a number of companies which are global leaders in sectors such as Healthcare, IT and Insurance, amongst others, where the medium-term industry outlook is positive both economically and in terms of an improving sustainability footprint. Several of these names are under active consideration for inclusion in the Fund. This will likely entail the disposal of some existing holdings, particularly those which may be finding the higher-interest rate environment more challenging, as capital becomes scarcer, especially in a slowing economic environment. Characteristics we will look for in new holdings include strong free-cashflow generation, robust balance sheets, return of capital to shareholders and a strong and improving ESG profile. The existing industry exclusions will remain unchanged. The purchase of ASML was the first step in this process.

Source: Castlefield, Factset

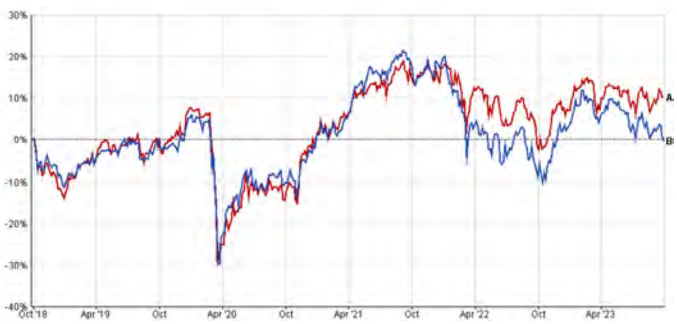
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND

Key Information

Fund Size:	£37.87M
Investment Association Sector	UK All Companies
Launch Date:	1st June 2007
Managers:	Mark Elliott
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA UK All Companies [10.24%]
B - CFP Castlefield Sustainable UK Opportunites G Income [-0.21%]

Source: 30/09/2018 - 30/09/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-3.02	-3.66	-5.90	9.02	10.82	-0.21
Sector	0.62	0.89	0.16	12.77	26.39	10.24

Discrete Performance (%)

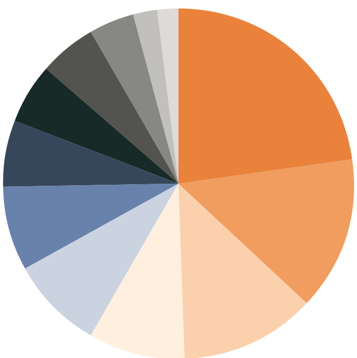
	2023 YTD	2022	2021	2020	2019	2018
Fund	-3.51	-13.59	19.96	-5.53	17.07	-0.80
Sector	2.79	-9.06	17.25	-6.01	22.24	-11.19

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Industrials 22.92%
- Financials 14.28%
- Consumer Goods 12.33%
- Support Services 9.00%
- Consumer services 8.50%
- Healthcare 7.72%
- Media 6.18%
- Chemicals 5.68%
- Technology 5.20%
- Telecommunications 4.18%
- Real Estate Investment Trusts 2.28%
- Cash 1.73%



Top 10 Holdings

	Top 10 Holdings	%
1	RELX	6.90
2	UNILEVER PLC	5.89
3	EXPERIAN	5.53
4	HIKMA PHARMACEUTICALS	5.19
5	TYMAN PLC	5.12
6	WHITBREAD	4.64
7	SPECTRIS	4.52
8	BEGBIES TRAYNOR GROUP PLC	4.36
9	INTERTEK GROUP	4.31
10	CITY OF LONDON INV	4.10

Fund Commentary

Returns through July and August were broadly in line with the wider sector before a resumption of rises in reference bond yields had a negative impact on the valuations of several companies that we hold in the fund during September. The fund therefore delivered -3.66% compared to a return for the IA UK All Companies sector of 0.82%.

Whilst our investment approach favours companies that are generally less cyclical and more profitable than those in the wider UK market and which makes them more resilient when interest rates march higher, the valuations of these same businesses tend to be marked down as a result of higher interest rates. The shares that fall within this "safe and steady" camp and that moved lower as the quarter progressed included defensive businesses such as the medical implant manufacturer Smith & Nephew and Begbies Traynor, the countercyclical insolvency practice. Crucially for us these companies continued to report positive results, pointing to growing revenues and profits and we remain supportive of these businesses.

This type of operational progress was typified by Learning Technologies Group, a software-led training and employee-management business which also reported results in the period. It had completed a large acquisition in the US prior to us investing in the business in 2022 and we were intrigued by the potential for this deal to transform the scale of the group. Discussions with management have pointed to further positive progress on turning round the profitability of the acquired US business and margins are more than double the rate being achieved when the acquisition was completed. Whilst the integration therefore remains on track, the shares moved lower in the period as analyst focus shifted to wider economic uncertainty. A growing focus on a global slowdown emanating from China also affected Strix, an electrical component manufacturer which has seen a slowing of orders from manufacturing clients in the region. We will continue to monitor these developments carefully. Much focus has dwelt on the ability of the US to engineer a soft landing and avoid recession however the increasing global importance of the Chinese economy over the past three decades means that the focus cannot be entirely on the West.

Within the companies that fared better during the period, it was noticeable that several were stocks that continue to experience positive momentum following the reopening after the pandemic. Tyman, a manufacturer of door and window seals used in both new build and replacement building projects was the single largest positive contributor to portfolio returns. They saw sales increase as they successfully pushed through price rise to offset inflationary increases in raw materials. Hikma, a manufacturer of generic pharmaceuticals saw revenues increase as disruption to oncology treatments eased when people could once again access clinics. These companies each contributed positive returns to the portfolio in the period, helping to offset the wider market weakness over the quarter and contribute meaningfully to the energy efficiency and health themes within the portfolio.

Source: Castlefield, Factset

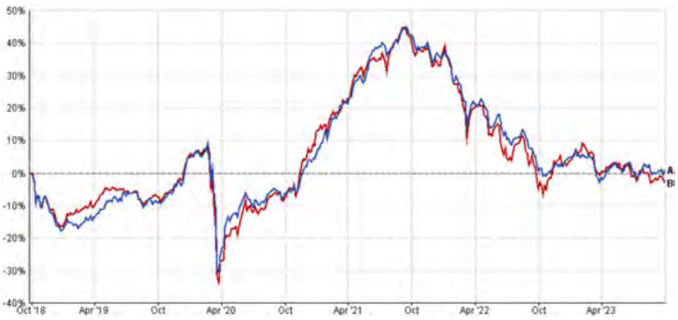
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE UK SMALLER COMPANIES FUND

Key Information

Fund Size:	£32.13M
Investment Association Sector	UK Smaller Companies
Launch Date:	1st June 2007
Managers:	David Elton
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



A - CFP Castlefield Sustainable UK Smaller Companies G Income [0.99%]

B - IA UK Smaller Companies [-2.7%]

Source: 30/09/2018 - 30/09/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	0.89	0.77	2.15	0.57	7.74	0.99
Sector	-1.21	-1.89	-3.07	2.21	5.14	-2.70

Discrete Performance (%)

	2023 YTD	2022	2021	2020	2019	2018
Fund	-3.43	-23.61	27.83	2.49	25.46	-13.84
Sector	-5.87	-25.17	22.92	6.48	25.34	-11.70

Source: FE fundinfo 2023

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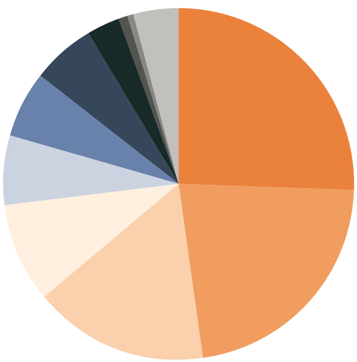
Sector Allocation

- Industrials 25.75%
- Technology 22.08%
- Health Care 16.33%
- Financials 8.99%
- Consumer Services 6.37%
- Chemicals 6.15%
- Utilities 5.94%
- Software & Computer Services 2.99%
- Consumer Goods 0.88%
- Support Services 0.54%
- Cash 3.98%



Top 10 Holdings

		%
1	GRESHAM HOUSE PLC	5.07
2	RENEWI PLC	4.21
3	BLANCO TECHNOLOGY GROUP	4.08
4	TRACSIS PLC	4.06
5	AB DYNAMICS PLC	3.87
6	PORVAIR PLC	3.79
7	ECKOH	3.55
8	THE GYM GROUP PLC	3.41
9	TRISTEL P.L.C.	3.33
10	MARLOWE PLC	3.16

Fund Commentary

The Fund had a solid quarter in both absolute and relative terms, registering a total return of +0.77%, versus a sector return of -1.95%.

The biggest three contributors to the performance of the Fund were Gresham House (+57.35%), Blancco Technology Group (+42.13%) and Renewi (+37.09%). All three of these strong performances were as a result of takeover approaches from private equity. The first was Gresham House which has established itself as a specialist asset manager, with attractive margins, long-term contracts and structural tailwinds from its focus on alternatives and sustainability. A deal was agreed in July for Gresham to be taken over by US-based Searchlight Capital at around a 63% premium. Then, shortly after announcing that results for the year would be above market expectations, international data erasure software company Blancco Technology saw Francisco Partners make an approach to acquire the company at a c.25% premium. Finally, leading European waste-to-product company, Renewi became a target at the end of the quarter, with a bid from Macquarie at a c.52% premium.

The largest detractors to performance were Strix Group (-45.13%), Inspired (-30.48%) and Oxford Metrics (-22.22%). Strix – the supplier of kettle safety controls and other devices involving water such as heating, filtration and temperature control – released interim results during the period. Although there were signs of improved trading during Q2, the overall recovery in key markets has been slower than anticipated. This led to downgrades in earnings for the year whilst debt levels remained elevated. Inspired, the energy consulting group, de-rated despite delivering decent first half results and reaffirming that trading is in-line with expectations for the year. Similarly, shares in the provider of smart sensing solutions for motion measurement, Oxford Metrics, moved lower, with the only news during the period being an announcement on CEO succession which we thought was well-handled.

The sole transaction during the period was the exit of market-leading teleradiology service provider, Medica, which was another target for private equity as it was duly acquired by European firm IK Partners at a 32.5% premium to its prevailing share price. Despite the potentially attractive premiums of takeovers like this and those mentioned above, it is often bittersweet to see growing, high quality businesses potentially leave the market. That said, takeover activity like this further demonstrates the attractiveness of UK smaller companies both on an absolute and relative basis and this gives us an exciting investment opportunity. Equally, in the absence of this valuation gap narrowing, one might expect continued takeover approaches for UK smaller companies capitalising on this.

Source: Castlefield, Factset

MEET THE TEAM

Barney Timson

BSc (Hons), MSc, IMC

Assistant Investment Analyst

Bronwyn Riley

IMC, ACSI, IIMR

Client Manager

Daniel Lonsdale

BSC (Hons), IMC, ACSI

Portfolio Implementation Manager

David Elton

BSc (Hons), IMC, Chartered MCSI, CFA

Partner, Investment Management

David Gorman

MA (Hons), MBA, Chartered MCSI

Investment Analyst

Eleanor Walley

BSc (Hons)

Assistant Sustainability Analyst

Ita McMahon

BA (Hons), MA, IMC

Partner, Investment Management

James Buckley

MSc, MBA

Investment Manager

John Alexander

Partner, Head of Client Engagement

John Eckersley

BA (Hons), MBA, Chartered FCSI, Chartered Wealth Manager

Chair

Liam Blackshaw

MA (Hons), IMC

Portfolio Implementation Specialist

Mark Elliott

Mchem (Hons), Chartered MCSI, CFA

Partner, Head of Investment Management

Simon Holman

MA (Hons), MSc, CFA, Chartered MCSI, ASIP

Partner, Client Management

William Thomson

Chartered FCSI

Partner, Client Management

CASTLEFIELD

THE THOUGHTFUL INVESTOR

8th floor,
111 Piccadilly
Manchester M1 2HY
0161 233 4550
Castlefield.com

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