Cambridge Ethical Portfolios

For investment with integrity

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Introduction from Lothar Mentel, Lead Investment Adviser

Thank you for considering an investment with Cambridge.

It is the job of Cambridge to manage the money of private investors and we take that responsibility very seriously - with each and every investment decision we make on behalf of clients. This is why we follow a proven investment process that is rigorous and disciplined and is designed to capture the investment returns that are available worldwide to meet the goals of our investors within the risk boundaries they, with the help of their advisers, have determined to best suit their circumstances and investment objectives.

I am the lead Investment Adviser to the managed portfolio service of Cambridge, the CEO of Tatton Investment Management and work closely with the other five members of the Investment Committee. The team at Tatton Investment Management are delighted to be working with Cambridge, to help manage the investments of its clients. As you can see from the brochure Cambridge's investment management process can cater for the needs of virtually all investors – and we hope that you will trust us to manage your investment portfolio too.

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Introducing Cambridge

Cambridge Investments Limited is an established discretionary investment manager. Since the 1970's we have been managing clients' assets through multiple business cycles, experiencing a wide range of economic and market conditions over the years.

Our aim is to bring quality discretionary portfolio management services to a wide range of investors. We work closely with financial advisers to understand their clients' needs, while keeping our investment management costs low – just 0.24% per year (inclusive of VAT if applicable).

Our discretionary investment management services are entirely platform-based. Our work in managing portfolios, to meet our investors' aims, risk profiles and investment style is available to private clients, trusts and pension funds.

JAMES BRUCE Investment Manager

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What is ethical investment?

INCREASINGLY, OUR PRIVATE INVESTORS ARE TAKING AN INTEREST NOT ONLY IN HOW THEIR INVESTMENTS ARE PERFORMING, BUT ALSO HOW THEY AFFECT THE WORLD AROUND US.

Like many financial ideas, investing 'ethically' can quickly become overly complicated by industry language. It is not always well understood – investors may want their money to do good, or at least do no harm, but it is not always clear how to get started.

When we talk about ethical investing, what we really mean is putting your money into investments that are responsible and sustainable.

Ethical investing originally meant using 'sin screens' to weed out potential investments in industries clients wanted to avoid.

This is what is known as 'negative screening', preventing investment in industries such as alcohol, tobacco, gambling or armaments and enabling funds to be selected which exclude industries investors would prefer to stay clear of. Today, however, there are ways to invest positively and proactively.

Putting your money into investments that are responsible and sustainable.

The value of your investment can go down as well as up and you may get back less than the amount invested.

Positive action

IN RECENT YEARS AS ETHICAL INVESTING HAS EVOLVED AND GAINED GREATER RECOGNITION, WE HAVE BEGUN TO SEE A MORE DEVELOPED APPROACH.

Negative screening still plays an important role, but these days investors and providers adopt a more proactive style, finding companies that work hard to manage their impact and legacy on the world.

This 'positive screening' considers Environmental, Social and Governance (ESG) factors for investment.

THESE DAYS INVESTORS AND PROVIDERS ADOPT A MORE PROACTIVE STYLE.

Environmental, Social and Governance: Key Questions

ENVIRONMENTAL FACTORS

How does an organisation approach climate change, energy and water usage, resource management, waste disposal, the ecological impact of their products and their carbon footprint?

SOCIAL FACTORS

Is a company attuned to social diversity, human rights, consumer protection, and does it work to promote a healthier and higher quality of life for staff and stakeholders? Does the business behave in a responsible way and expect the same of their suppliers?

GOVERNANCE FACTORS

How does a company build and review its management structure? How does it approach employee and investor relations? Are there sufficient levels of transparency, honesty and integrity at board level, and is this ethos shared across the company?

These are all questions that modern, socially aware investors are keen to engage with. By making positive screening part of the investment process, we can find funds that include companies that set a positive example, through environmentally friendly products, socially responsible business practices and strong corporate governance infrastructures.

Positive screening is not just about recognising what is being done by businesses today. It is about encouraging them to keep ESG considerations at the forefront of what they do, and strive to achieve ever-higher ESG standards.

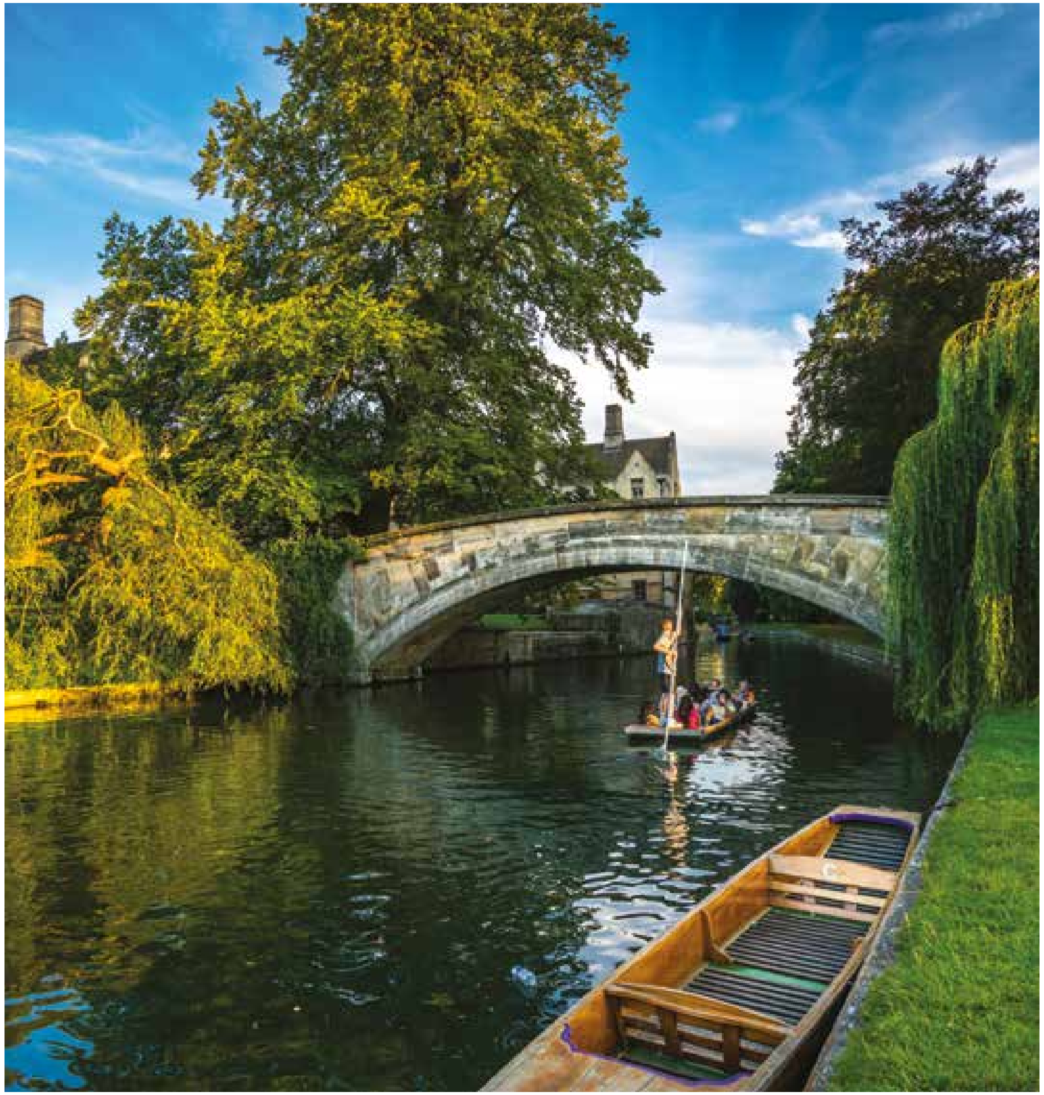
Our ethical approach

WE BELIEVE IT IS A KEY CONSIDERATION FOR STRONG FUTURE BUSINESS PERFORMANCE.

AS A DISCRETIONARY PORTFOLIO SERVICES PROVIDER, WE NATURALLY ASK SEARCHING QUESTIONS ABOUT THE FUTURE ON BEHALF OF OUR CLIENTS.

Avoiding industries that have a negative impact is important for ethical investors, but it is not enough to make a real contribution to responsible and sustainable investment. When we choose the funds our clients invest in for our Ethical Range, we prioritise those that actively engage with fund managers on ESG issues and who value this approach as part of their stock selection process. ESG is not just a trend, we believe it is a key consideration for strong future business performance.

At Cambridge, we have created a range of ethical portfolios that combine negative and positive screening to give clients peace of mind that their investments not only align with their principles but also help to improve the bigger picture.



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Our investment process

WE WORK HARD TO MAKE SURE INVESTMENTS PERFORM AS WELL AS POSSIBLE FOR OUR INVESTORS.

We will work hard to make sure your investments work for you, with the same careful consideration, thorough research, due diligence and ongoing management that you would enjoy with any of our other investment services.

AT CAMBRIDGE, WE WILL ALWAYS:

- Aim to achieve the best possible returns at the risk level chosen by making long-term, diversified investments in regulated investment funds.
- Keep your investments on track, by watching and fine-tuning your portfolio daily to keep it in step with your chosen risk profile.
- Work hard to keep our charges low, to reduce the impact of charging on investment returns.
- Ensure that you can take back control of your portfolio at any time on your chosen UK investment platform.

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From initiation to implementation

OUR SEVEN STAGE INVESTMENT PROCESS AIMS TO DELIVER THE BEST OPPORTUNITIES TO ACHIEVE RETURNS ON YOUR INVESTMENT.

We begin by understanding investors needs, performing extensive research and building appropriate portfolios, before monitoring their suitability and investment performance on an ongoing basis.

Although Cambridge does not charge dealing fees it is possible some platforms will apply dealing fees to portfolio transactions we initiate. Please see the discretionary management agreement and appropriate portfolio factsheet for full details of fees and charges.

The value of investments and income from them can fluctuate and investors may get back less than the amount invested.

1. We create optimised long-term strategic asset allocations designed to maximise returns for a given level of risk.

2. Our investment portfolios are assembled according to specific risk and return objectives, initially based on historical mean-variance analysis.

3. A ‘representative portfolio’ featuring diversified passive investments is constructed as a benchmark for each risk profile.

4. We alter the proportion of assets within the portfolio over time.

5. Our research process is designed to create a consistent and repeatable approach to fund selection.

6. Our aim is to ensure portfolios are positioned in accordance with our current market and economic outlook.

7. We aim for all trades to be executed with limited or no additional expenses

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Risk and investment time horizon

ONCE YOU AND YOUR FINANCIAL ADVISER HAVE AGREED THE LEVEL OF RISK YOU ARE COMFORTABLE TO TAKE, AND THE LENGTH OF TIME YOU INTEND TO REMAIN INVESTED, YOUR FINANCIAL ADVISER WILL MATCH THESE TO THE MOST APPROPRIATE RISK PROFILE.

You can see the investment risk categories we offer below ranging from defensive to global equity, all of which are given a specific risk rating which your Financial Adviser can discuss with you.

You will also need to discuss your preferred investment strategy with your Financial Adviser. The funds you invest in can be actively managed with fund managers choosing from a wide array of investments, or passive 'tracker funds' that aim to reproduce the performance of a selected index.

The value of investments and income from them can fluctuate and investors may get back less than the amount invested.

The range of risk profiles within each strategy has created a wide choice of portfolios strategies:

	DEFENSIVE	CAUTIOUS	BALANCED	ACTIVE	AGGRESSIVE	GLOBAL EQUITY
CAMBRIDGE MANAGED	ACTIVELY MANAGED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE TRACKER	PASSIVELY MANAGED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE CORE	50% ACTIVELY MANAGED / 50% PASSIVELY MANAGED + ACTIVE ASSET ALLOCATION					
CAMBRIDGE INCOME	INCOME/DIVIDEND FOCUSED FUNDS + ACTIVE ASSET ALLOCATION					
CAMBRIDGE ETHICAL	ACTIVELY MANAGED FUNDS WITH AN ADDITIONAL LAYER OF NEGATIVE AND POSITIVE SCREENING + ACTIVE ASSET ALLOCATION					

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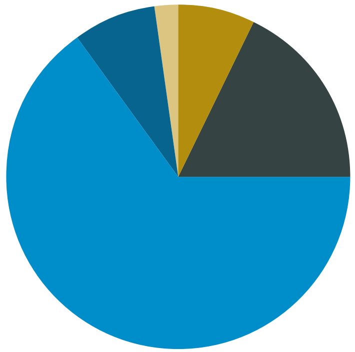
What your investment could look like with us

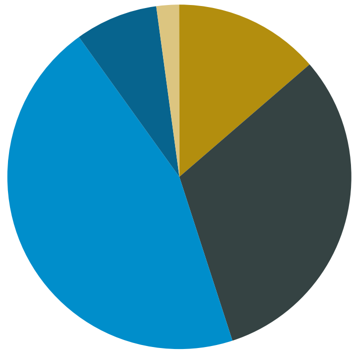
THE BALANCE AND MIXTURE OF ASSETS IS CAREFULLY CONTROLLED TO MAXIMISE THE OPPORTUNITY FOR GROWTH, WITHIN THE RISK PARAMETERS OF EACH CATEGORY.

- FIXED INCOME
- ALTERNATIVES
- CASH
- UK EQUITY
- GLOBAL EQUITY

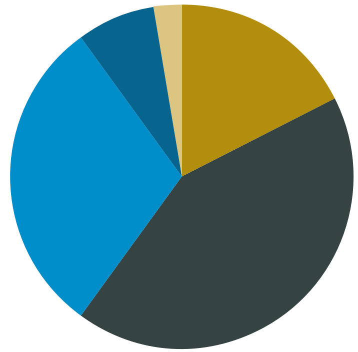
DEFENSIVE



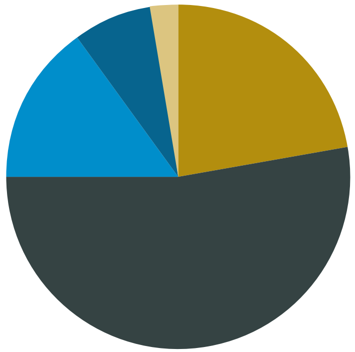
CAUTIOUS



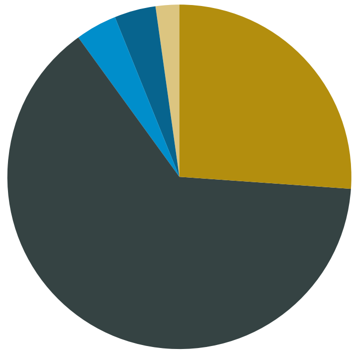
BALANCED



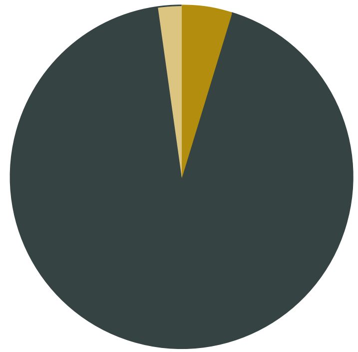
ACTIVE



AGGRESSIVE



GLOBAL EQUITY



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Always seeking Opportunity

ONCE WE HAVE BUILT OUR PORTFOLIO STRATEGIES WE IMPLEMENT 'TACTICAL ASSET ALLOCATION'. THIS MEANS KEEPING THEM AGILE AND ADAPTABLE TO MARKET CHALLENGES AS WELL AS MAKING THE MOST OF ANY INVESTMENT OPPORTUNITIES WE IDENTIFY.

We will actively monitor where your investment is, how it is performing and whether the combination of underlying funds owned remains the best investment choice. The asset allocation for each risk-rated portfolio is maintained within the set parameters.

WE LOOK TO FIND OPPORTUNITIES TO MAKE THE MOST OF EVERY INVESTMENT.

Building in our ethical approach

ETHICAL INVESTMENTS MADE WITH US WILL ALWAYS BENEFIT FROM THE SAME TRIED AND TESTED PROCESS OUTLINED ABOVE, WITH AN EXTRA LAYER OF ETHICAL SCREENING. THIS IS BEST DESCRIBED AS A COMBINATION OF POSITIVE AND NEGATIVE SCREENS, INCORPORATING BOTH ETHICAL INVESTMENT AND ESG FACTORS.

The following pages set out examples of industries and types of business practices that come under the microscope at Cambridge, for both negative and positive screening purposes. There are more, but you can see the type of business activities that the ethical portfolios seek to invest in.

It means that on the one hand, we have the power to exclude any companies or industries ethical investors would rather avoid, but we also have the ability to seek out those companies who are committed to sustainable and socially responsible practices.

We believe it is possible to achieve long-term growth by investing in businesses that contribute to the wellbeing of society. Ethics do not have to come at the expense of performance.

Why positive screening matters

WHY POSITIVE SCREENING MATTERS

It is a way of evaluating companies and rewarding those which are paying close attention to the impact they make on society and the environment, while encouraging other companies to engage and improve their ESG scores.

Examples of ESG factors include socially responsible business practices, human rights considerations, positive employment practices and environmental protection. Positive screening also seeks companies that offer good growth prospects from a sound financial base.

Positive screening sends a message to companies to do more in future. Investors can collectively push an industry in the right direction by encouraging companies to set a positive example of environmentally friendly products, socially responsible business practices and strong corporate governance infrastructures

POSITIVE SCREENING TO FAVOUR COMPANIES THAT DISPLAY CONSIDERATION FOR:*	
E ENVIRONMENTAL	Water and sanitation management Waste, pollution and hazardous materials management Energy efficiency and moving towards lower carbon fuels Natural resource conservation and sustainable products Responsible packaging and recycling policies
S SOCIAL	Employee health, safety and wellbeing Respect for human rights Community involvement and volunteer work Fair labour practices including diversity and equality Customer welfare including data security and fair marketing
G GOVERNANCE	Strong business ethics incorporated throughout the culture Accurate and transparent accounting methods Fair and reasonable compensation and benefits Robust internal controls and independent audit Board independence, quality and diversity

*not an exhaustive list

Why negative screening matters

NEGATIVE SCREENING IS A MORE TRADITIONAL BUT STILL HIGHLY IMPORTANT PART OF ETHICAL INVESTING AND COMPLIMENTARY TO POSITIVE SCREENING.

Negative screening is designed to help keep your money away from business practices you do not believe in, penalising those industries with unsustainable business models and indirectly encouraging company leaders to change their business practices by adopting more ethical and socially responsible policies.

The table demonstrates the main types of business activity that ethical portfolios seek to exclude. Our Ethical Range also excludes UK gilts and other government bonds, given government investment in areas that may be regarded as unethical, such as armaments.

NEGATIVE SCREENING TO LIMIT EXPOSURE TO:-

ALCOHOL	ANIMAL TESTING (FOR COSMETIC PURPOSES)	ARMAMENTS	ENVIRON-MENTAL DAMAGE	GAMBLING	PORN-OGRAPHY	TOBACCO
✓	✓	✓	✓	✓	✓	✓

The best of both worlds

BY COMBINING POSITIVE AND NEGATIVE SCREENING, WE EXPLORE THE FULL POTENTIAL OF ETHICAL INVESTING ON YOUR BEHALF.

It is just as important to understand the types of companies you want to actively engage with, not just those you want to avoid. Through careful selection of investment instruments, we want to build portfolios that sit comfortably with both the conscience and ambitions of our investors.

Exploring the full potential of ethical investment on your behalf.

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What are the drawbacks of investing ethically?

AS WITH ANY TYPE OF INVESTMENT, INVESTORS MUST CONSIDER THE POTENTIAL DRAWBACKS.

There may be times when your portfolio underperforms compared to traditional investments, because ethical funds cannot and will not invest in certain industries.

Certain stocks and whole sectors move in and out of favour during periods of political and economic uncertainty. Companies in relatively stable sectors like tobacco production and the manufacture of arms tend to reward shareholders with higher dividends. Keeping these outside of your portfolio may cause you to miss out on potentially higher investment returns.

Investors may also experience greater volatility because ethical investments exclude government bonds and other lower risk assets. Those lower risk assets can often be helpful in offsetting riskier types of asset, such as shares. This said, past performance is not a guide to future investment performance and your investments can go up or down. That is why it is essential to discuss your requirements with your Financial Adviser and be certain of what you want to achieve with your investment.

IT IS IMPORTANT TO UNDERSTAND THAT WHEN YOU INVEST ETHICALLY WITH CAMBRIDGE, YOU CHOOSE A DIFFERENT SET OF INVESTMENT FACTORS, BUT NOT A DIFFERENT LEVEL OF SERVICE.

WE STRIVE TO ENSURE OUR PORTFOLIOS STAY ALIGNED TO THEIR SPECIFIED INVESTMENT MANDATES, RISK PROFILE AND THE INTENDED ETHICAL APPROACH, WHILE ALWAYS AIMING TO MAXIMISE YOUR INVESTMENT RETURNS.

Glossary

DISCRETIONARY INVESTMENT MANAGEMENT

A form of investment management. The term "discretionary" refers to the fact that the investment decisions about what should be bought and sold on the portfolio is made by the portfolio manager at their discretion.

PLATFORM

A sophisticated, technology-based service which enables the investor to acquire, hold and trade a wide range of investments within the administrative convenience of one central location.

PORTFOLIO

A range of investments held by an individual, organisation, pension fund or trust.

INVESTMENT MANAGEMENT COSTS

The costs associated with the investment management of the portfolio. These are typically deducted directly from the portfolio. Frequently there is more than one organisation involved in the maintenance and management of the portfolio and this can result in multiple charges being deducted. It is therefore important to understand the charges you are paying for your portfolio.

ACTIVE STOCK PICKING / ACTIVELY MANAGED FUNDS

Funds where an appointed investment manager, or team of managers, seek to benefit from market price fluctuations in terms of their investment portfolio decisions, with the aim of out-performing their benchmark over the medium to longer-term.

TRACKER / PASSIVELY MANAGED FUNDS

Funds which use technology to replicate one or more selected indices, with a view to following it as closely as possible.

SECURITIES

A broad term which indicates an ownership position in more than one type of tradable financial assets.

STRATEGIC ASSET ALLOCATION

The longer-term target asset allocation for a portfolio, i.e. the mix of investments between its different building blocks. Market movements mean the asset allocation will deviate over time, therefore periodic rebalancing is required to reset the asset allocations.

TACTICAL ASSET ALLOCATION

Shorter-term active management decisions relating to the portfolio's asset allocation. These are intended to capitalise on shorter-term market pricing anomalies or market trends.

MEAN VARIANCE ANALYSIS

A means of seeking to identify the optimal mix of portfolio assets to maximise prospective investment returns for a given level of risk.

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