



**Tatton**  
Investment Management

# Ethical Portfolios



# Investment Evolved

Tatton was founded with the single goal of bringing expert investment management services to a wide range of investors.

Part of Tatton Asset Management plc, we are established as one of the fastest growing discretionary fund managers of our kind. As of September 2023, Tatton has over £13.7 billion in assets under management.

We work closely with our Financial Adviser community to bring quality discretionary portfolio management services to a wide range of investors. Our passion is to deliver investment returns to the clients of financial advisers that meet their long term aims within their risk profiles.

We keep costs low, without compromising investment standards – an approach that has earned our portfolios Defaqto 5 Star Ratings and many leading industry awards.

As CEO of Tatton, I am committed to providing the highest quality ethical portfolio management services at the most competitive price to our clients, whatever their investment objectives.



**LOTHAR MENTEL**

Founder, Chief Executive,  
and Chief Investment Officer





# What is Ethical investing?

Over the years many investors have become frustrated that their investments do not take into consideration the environmental impact or corporate behaviour of the underlying companies in the funds. To answer this demand an increasing number of ethically focussed investment funds are now available, that invest only in companies that meet their environmental and socially responsible concerns.

Environmental and socially responsible policies are more central to our everyday lives and so investing according to these principles is becoming more mainstream. The challenge with ethical investing is the detail.

The easiest method to build ethical investments is to simply avoid firms or funds that are active in the sale of arms, or the production of fossil fuels, for example – negative screening.

The flip side of this approach – positive screening – seeks investments that set out to make a difference, in for example, renewable energy or technology infrastructure.

The combination of avoiding sectors with poor ethics and supporting those that make positive contributions to the environment and socially responsible practices, ensures that investors money is being used to only support business that are aligned with their outlook for the future.



# Why Tatton Ethical?

Tatton is a leading discretionary fund manager and has applied its award winning investment management approach to its ethical portfolios ensuring that the funds we select within our portfolios are aligned with the requirements of our investors.

As an institution with over £13.7 billion of assets under management we can demand full access to each fund manager's processes to ensure they meet our ethical criteria. Our rigorous due diligence process is a key benefit to provide the reassurance investors require that their money is being invested in line with their principals.

Tatton Investment Management's Ethical Portfolios are designed to suit the needs of investors who want to their investments to align with their own responsible investing concerns. We offer a complete range of risk profiles in our Ethical Portfolios allowing us to meet the needs of the majority of investors.

Our aim is to invest in best-in-breed ethical funds that have standards similar to those we aspire to for our portfolios and can also deliver attractive performance to investors. We match the different styles approaches of investment managers from across the world to create and manage an ethical portfolio that will suit investors who are seeking to include ethical factors within their long-term investments.

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













An aerial photograph showing a city skyline in the background, a large green golf course in the middle ground, and a dense forest of trees in the foreground. The sky is blue with some light clouds.

# Tatton's approach to ethical investing

When we build portfolios, we select managers with strategies and investment outlooks that compliment each other so that together they create an harmonious investment portfolio. We have to be mindful that the fund managers we select have strategies that work with each other to create growth potential without adding investment risk.

Investing ethically adds another layer of scrutiny since our investment selections must also work from an ethical perspective too. One of the challenges we face is that there is no industry standard or rulebook as to how ethical criteria are applied. There is considerable overlap in approach but much is based on interpretation, therefore two 'ethical' funds can appear to be similar but differ significantly in their approach.

To do this, we combine our sophisticated investment process with a set of negative and positive ethical screens, meaning that 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.

Investing ethically does not mean sacrificing investment performance, it is possible to achieve long-term growth by investing in businesses that contribute to the wellbeing of society. With that in mind, we built a range of risk-rated discretionary portfolios that provide investors with fully ethical investment strategy that comes at a very competitive cost.

# What is an ESG fund?

ESG Investing is built around the integration of corporate Environmental, Social & Governance factors. Fund managers will not only prefer securities deemed to make strong investment returns, but also on those companies that exhibit strong or improving characteristics in at least one and often multiple ESG factors.

## ENVIRONMENTAL



Considerations for the environment, pollution and climate change

## SOCIAL



Socially responsible practices, human rights, equality, data security

## GOVERNANCE



Positive Employment practices, business ethics and diversity



## ENVIRONMENTAL ASPECTS

Environmental aspects include preventing pollution, reducing emissions, climate impact and disclosing environmental impacts.

## SOCIAL FACTORS

Social factors focus on the impact a company has on society, particularly around health and safety, human rights, workforce management and product integrity.

## GOVERNANCE

Governance is centered around the way a company is run, looking at diversity, risk management, compensation, accountability and protecting shareholders.

This form of investing is not looking to find companies that are providing solutions to improve the world in any of the ESG factors but that exhibit good characteristics in these areas themselves. It still often factors in exclusions of particular industries which are deemed particularly poor in one of the three ESG areas, even if they were strong in the other two. An example may be a Tobacco company where the health aspect is particularly poor and it therefore doesn't matter if it is environmentally friendly or has strong governance.

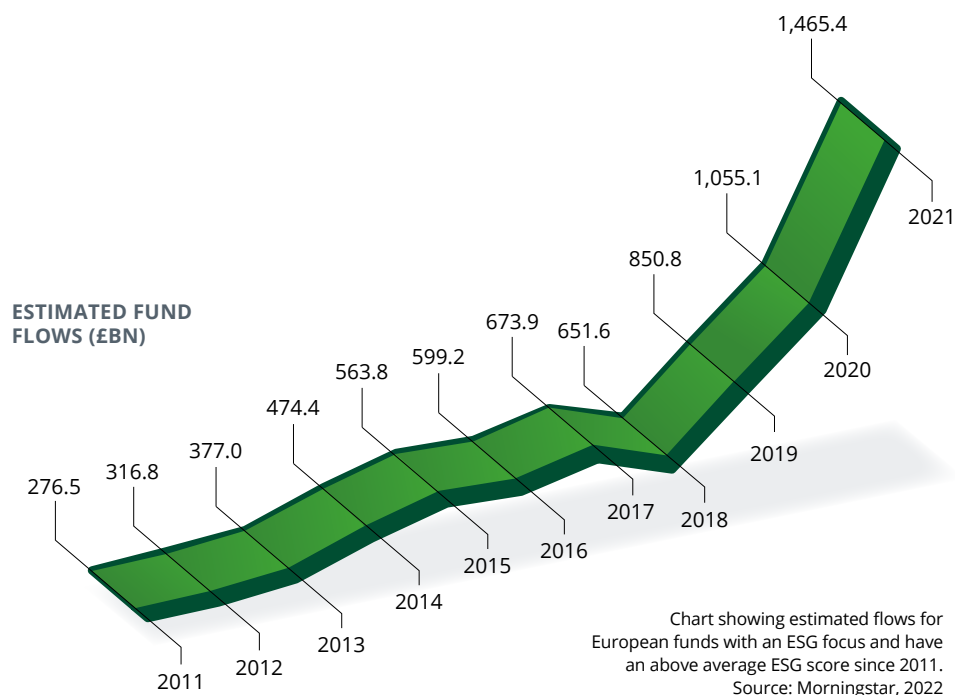
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# What is an SRI fund?

Socially Responsible Investing (SRI) is the practice of investing money in companies and funds that have positive social impacts.



The process of excluding investments in companies that produce or sell unethical products or services, such as alcohol, gambling or tobacco is still employed and additionally an approach of seeking out companies that are engaged in environmental sustainability, social justice and alternative energy/ clean technology efforts is promoted.

SRI still has financial gain as a core goal, it is not independent of financial gain in the way impact investing would be, but it aims to achieve financial gain whilst considering responsible factors. The two are also not necessarily related. Just because an investment presents itself as socially responsible does not mean that it will provide investors with a good return, and the promise of a good return is far from an assurance that the nature of the company involved is socially conscious. The goal for managers here is to strike a balance of achieving investment returns and deploying capital into securities of companies falling into the ESG space.

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



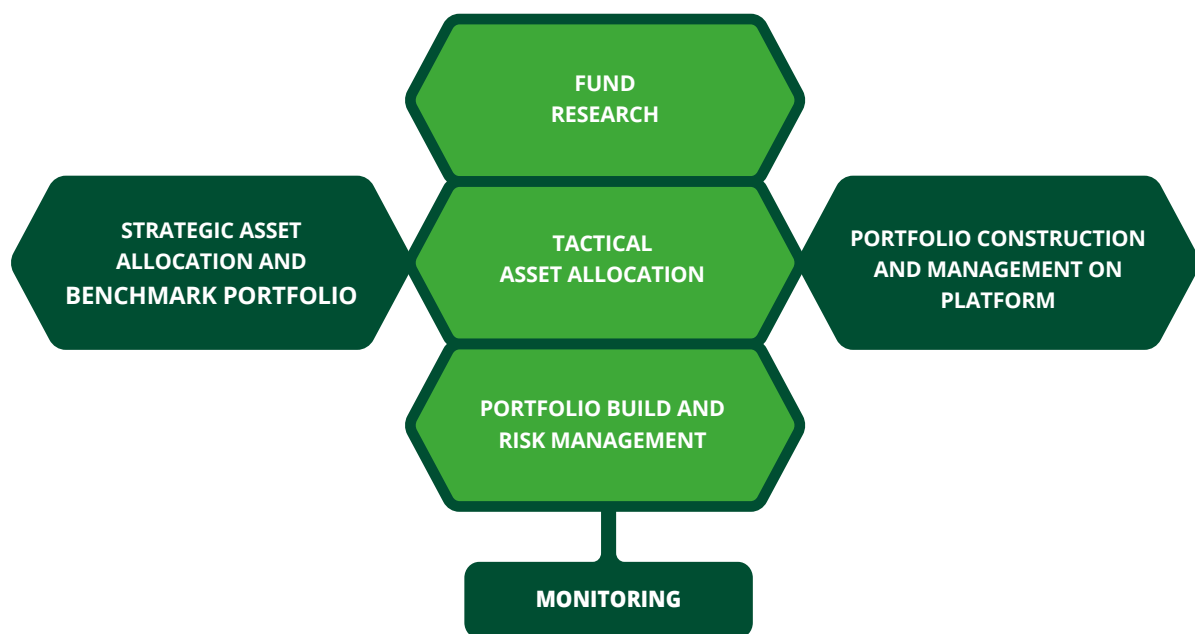
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# The Tatton Investment Process

Our investment philosophy and process is founded on a principle of portfolio stewardship. Stewardship, to us, means keeping portfolios aligned to the clients' long-term investment objectives in the face of a constantly changing world. As such, we offer clients a broad range of investment risk exposure and investment strategies, always guarding against the unintended risks that can arise when making such investments.



To achieve this, we combine different types of investments, or asset classes, and investment styles for each risk profile into a single portfolio. The result is a range of compelling and very broadly diversified investment portfolios.

We alter the proportion of assets within the strategic allocation over time, adopting strategies that we believe align long-term objectives with nearer-term economic and investment market opportunities ensuring that they stay within our ethical screening parameters. This tactical adjustment reflects our analysis of markets and economies, and are made when we think it is appropriate not on fixed date in the calendar. We are long term investors and our investment and fund research reflects this.

Portfolio monitoring is central to our investment process and through ongoing continual review of all aspects of the process we have a complete overview to ensure all the elements of a portfolio are working in harmony to deliver on its objectives. We leave no stone unturned in our examination of our investment decisions and take pride in the detail and rigour of this fundamental investment discipline. Within our ethical portfolios meeting the managers to ensure that they remain suitable for our portfolios is an essential part of this process – and this level of access is a key benefit of Tatton's ethical approach.



# What is positive & negative screening?



## NEGATIVE SCREENING

Negative screening has been used in ethical investment for a long period and is a way to exclude business practices that are not believed to be ethical, 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. To that end, our portfolios seek to limit exposure to companies that are involved in alcohol, animal testing for cosmetic purposes, armaments, environmental damage, gambling, pornography and tobacco.



## POSITIVE SCREENING

Positive screening, meanwhile, is a way of evaluating companies and rewarding those that 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. By ESG, we mean companies that are proactive when it comes to 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.

### TATTON'S APPROACH TO POSITIVE & NEGATIVE SCREENING

Our approach to negative screening has multiple stages, as part of our fund search we look for those funds that explicitly include screening as part of their investment process, usually carried out by a risk / compliance function, we use third party software to highlight exposures to those industries or products & services we deem unethical and finally we receive all holdings directly from fund managers so we are able to interrogate and challenge any holdings we deem are worth of questioning.

In terms of positive screening, we are looking for funds who use ESG metrics within their investment process, where securities with good or improving ESG characteristics are recognized and therefore in the final portfolio reflects some of these positive traits.

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# Impact of Tatton Ethical

There are two key ways in measuring the effect on society of investing in an ethical portfolio. One is that as a shareholder you can vote for change within companies, the second is the tangible benefits that the companies held are having on the world.



## STEWARDSHIP AND ENGAGEMENT

Stewardship and engagement are at the core of the funds we hold in the Tatton Ethical Portfolios. Asset managers have significant voting rights on behalf of the underlying shareholders and can use this weight to have a tangible impact on the future direction, actions and objectives of companies. Our fund managers have dedicated teams for engagement and have voted and engaged on all of the following: board structure, corporate strategy, governance oversight, remuneration, succession, accounting practices, board committees, environmental policy, environmental strategy, data security, human capital management, climate change, labour standards, and diversity. The fund managers within our funds have been a big driver for companies setting carbon neutral goals.

The importance of the funds our investors own being active shareholders does not only apply to thought leading companies driving change through environmental products or social change, but also those good companies which with guidance and engagement can improve their current business practices.

## IMPACT OF PRODUCTS AND SERVICES

The second element is the impact of the products and services being produced by the companies held. Whilst finding accurate data can be challenging to explicitly quantify items such as carbon reduction, what we can see is that there are a growing number of companies leading the way in the future of clean energy and good practices. Our fund managers are beginning to map their holdings to agendas such as the United Nations Sustainable Development goals and we are encouraging the continued advancement of this by funds we own and engage with as a way to highlight the ongoing work and impact of the companies held in the portfolio.





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# Managing Ethical Investment risk to suit you

Investing, unlike saving, is not without risk to the value of your investment. To increase the potential for returns also increase the potential of investments to fall as well as rise. The changing prices of investment markets are a reflection of supply and demand like any other commodity and can therefore decrease as well as increase. It is this change in prices that creates the rises and falls in value over time and its between you and your Financial Adviser to determine how much investment risk you are comfortable with.

Tatton's role as portfolio manager is to deliver returns that are proportionate to the level of investment over time. The ethical portfolios we build are compatible with the tools your Financial Adviser uses to determine your risk level. We balance the mix of assets over time to control investment risk exposure using a combination of cash, investment bonds and equities to ensure portfolios risk exposure is appropriate.

The screening process we undertake reduces the number of funds we can select to build our ethical portfolios but this does not affect how we manage risk within our portfolios.

A key element of portfolio management is ensuring that we can buy or sell an investment whenever we think it is appropriate –

in investment terms this is described as being liquid. Our investment process will only select investments that are liquid, that is easy to trade. This is to avoid being trapped in a fund that has lost value and is closed to trading. We will not surrender the liquidity of the underlying investments in our portfolios to generate additional returns.

**Our service has been designed for a wide range of investors. However, each of us can find ourselves in vulnerable circumstances at any time, such as poor health, experiencing negative life events such as divorce or bereavement, low financial resilience or low capability. If this should happen it is important that you speak to your Financial Adviser who can ensure that the service remains suitable for you.**



## THE RISK LEVELS OF TATTON ETHICAL PORTFOLIOS

We offer six different levels of investment risk across our portfolio strategies to cater for the most cautious and for the more adventurous investor. Each of our risk categories is compatible with the risk profiling process that you will have been through with your Financial Adviser so that we can create portfolios that meet your expectations without too little or too much risk for you to be comfortable.

All investing carries a degree of risk and our portfolios are constructed to produce returns in line with your investment risk profile over a minimum period of at least five years.

### TATTON ETHICAL RISK CATEGORIES:

#### DEFENSIVE

##### Low level investment risk

Tatton's defensive portfolios typically invests in 75% fixed income paying investments and 25% in equity-based investments, with a suggested minimum five-year investment period.

#### CAUTIOUS

##### Low to moderate level investment risk

Tatton's cautious portfolios typically invest in 55% fixed income paying investments and 45% in equity-based investments, with a suggested minimum five-year investment period.

#### TATTON BALANCED

##### Moderate level investment risk

Tatton's balanced portfolios typically invest in 40% fixed income paying investments and 60% in equity-based investments, with a suggested minimum seven-year investment period.

#### ACTIVE

##### Moderate to high level investment risk

Tatton's active portfolios typically invest in 25% fixed income paying investments and 75% in equity-based investments, with a suggested minimum seven-year investment period.

#### AGGRESSIVE

##### High level investment risk

Tatton's aggressive portfolios typically invest in 10% fixed income paying investments and 90% in equity-based investments, with a suggested minimum eight-year investment period.

#### GLOBAL EQUITY

##### The highest level of investment risk

Tatton's global equity portfolios typically are 100% invested in equity-based investments, with a suggested minimum eight-year investment period. These portfolios are not available in the Classic Allocations.

# Investment team

Each member of Tatton's investment team has a clearly defined role to play in the research, construction and monitoring of our portfolios. Our process is designed to encourage and challenge investment ideas, perspectives and decisions. We encourage discourse and dialogue from all members of the team.

The investment team is responsible for the analysis and investment research needed to execute investment decisions. We use both internal and external research and also have established international expertise using investment professionals across the world to inform and also interrogate our investment thinking.

## THE ROLE OF THE INVESTMENT COMMITTEE

The day to day investments decisions we make are put under formal scrutiny and review by our investment committee. The committee is a formal body that provides the ultimate oversight of our portfolios and performance and meets once every quarter.



**LOTHAR MENTEL**

Founder, Chief Executive,  
and Chief Investment Officer



**JIM KEAN**

Chief Economist



**ASTRID SCHILO**

Chief Investment Strategist



**JAMES SAUNDERS, CFA**

Head of Portfolio Management



**ANTHONY GRAHAM, CFA**

Investment Manager



**ADAM RAWLING, CFA**

Investment Associate



**DANE HARRISON**

Investment Associate



**ELI STUBLEY**

Investment Associate



**DIMITRA LIGA**

Investment Analyst



# A commitment to Investment Excellence

## To us, Investment Excellence has three elements

The combination of all three elements generates real sustainable returns for investors. Portfolio returns are the most visible performance indicator but can only be achieved within an investor's risk tolerance – we won't compromise risk to chase returns.

Similarly, we won't compromise returns through unnecessary costs, so we try to lower the cost of investment wherever possible.

Our approach allows us to identify opportunities and use them in appropriate portfolios. We stay within our clients' risk parameters and manage costs, creating a compelling combination for investors.

We judge ourselves by delivering  
Investment Excellence to our investors.



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



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All calls to and from our landlines and mobiles are recorded to meet regulatory requirements

Tatton is a trading style of Tatton Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority.

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Tatton Investment Management Limited is registered in England and Wales No. 08219008.

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