CT Responsible UK Equity

UK All Companies

Introduction

sriServices SRI Style - Ethical

Benchmarked against the FTSE All Share, the fund comprises UK equities and seeks to deliver capital growth with some income whilst outperforming the benchmark.

The fund is bottom-up in construction with an investment process that leads to many of the large capitalisation companies in the UK market not being permissible for inclusion. This results in the fund having greater exposure to mid and small cap companies.

Click here to read the Columbia Threadneedle approach to ESG investing.

Manager - Catherine Stanley

Manager Since - 01/06/2009

Catherine Stanley is Co-Head of UK Equities at Columbia Threadneedle. Since June 2009, Catherine has been Lead Manager of the CT Responsible UK Equity fund and the CT Responsible UK Income fund. Catherine joined the group in 2000. Prior to this Catherine spent nine years at Framlington, where she managed both retail and institutional UK smaller company funds. She has an MA (Hons) in Geography from the University of Oxford and is a member of the CFA.

Fund Objective

Please click on the 'Fund Data' button above.

Investment Process

The investment philosophy is based on three pillars, Avoid (companies with damaging or unsustainable business practices), Invest (in companies that make a positive contribution to society and the environment) and Improve (use influence as an investor to encourage best practice management of ESG issues through engagement and voting).

The managers look to invest in companies that are high quality, understandable businesses which have long-term drivers of growth, and strong sustainability characteristics. The firms have strong management with good policies for governance and a proven track record of delivery and execution. The management must be seen as responsible allocators of capital and not to be paid excessively. The final characteristic is that the stocks must be attractively priced to identify long-term value creators, who produce sustainable superior returns, which builds in a margin of safety, and they aim to hold those companies between 3 and 5 years.

The process starts with idea generation. The team find ideas from considering long term social and environmental themes, looking across industries and along value chains. They believe companies that are contributing to solutions to key sustainability challenges and building successful business models around this will see a long-term tailwind to their growth opportunities. The companies are then screened for ethical and sustainability considerations.

Stocks that enter the investment universe undergo a process of fundamental investment analysis to understand the drivers affecting each sector and theme, as well as the relative position of the constituent companies within them. Much work is carried out on the business model and the position within their particular market. The team look at the sensitivity to factors which drive change in the market. ESG factors are weighted within the valuation model as it is felt that companies with better ESG scores are likely to adapt better to changing market conditions and so deserve a valuation premium.

The fund is constructed with between 60 and 75 securities, with a maximum of 10% in any one stock, built with a minimum initial position of 0.75%. There is no set weighting in mid-cap and small-cap stocks, however the fund typically maintains a weighting of 40-50% in these stocks, regarding them as good source of investment ideas. The managers do not impose any formal limits on sector weighting; however diversification is considered as part of the portfolio construction process. Cash is typically less than 3%, although it can be up to a maximum of 10% of the fund.

Responsible Process

All stocks considered for investment first undergo screening by members of the Responsible Investment team, to determine if they meet the criteria for inclusion in the fund’s investable universe. The Responsible Investment team has created a thorough and robust process to analyse companies to determine whether they meet the strategy criteria.

The fund will exclude companies with exposure to any business activities deemed to be socially or environmentally damaging, with particular tolerance thresholds. These excluded activities have adapted over time with the development of major social and environmental issues. They will also exclude companies which do not meet sufficiently high standards in how they operate, based on a detailed assessment of their policies and performance with respect to overall sustainability management. The focus will vary by sector according to relevance and includes certain absolute exclusions in company behaviour but is otherwise often a qualitative judgement. In order to make these assessments, CT have established positions on a range of relevant issues, such as climate change, and what are considered to be progressive approaches to these issues by companies. These positions are based on a range of inputs that include evolving international norms and agreements, extensive primary research, including field visits, and the input of the Responsible Investment Advisory Council.

The Responsible Investment Advisory Council is a committee of experts, who are leaders in their fields and bring international experience across responsible investment, ethical, environmental, and social issues. Their primary role is to provide advice on the ethical criteria for the specialist responsible strategy range. The Responsible Investment team is also able to draw on their expertise in informing the broader engagement and responsible investment approach.

Our Opinion

Originally launched in 1987, the CT Responsible UK Equity fund seeks to outperform the FTSE All Share whilst applying an ethical and sustainable screen. The primary focus of the investment process is to hold quality companies with strong balance sheets whilst being aware of the overall risk of the fund. Due to this, the team are conscious of the downside for companies rather than holding speculative investments.

ESG considerations are factored into all aspects of the investment process as part of the overall risk management of the fund. The screens, in part, lead to a small and mid-cap bias within the fund (which can range between 40 and 50%) with this exposure contributing to the capital growth of the overall fund.

The fund is low turnover with a focus on risk that results in a tracking error range of between 3 and 9%, however it is typically less than 7%. The combination of the Responsible Investment team defining the investable universe and the portfolio managers focusing on the investment case for each company, produces a diversified UK equity fund that is suitable for investors requiring capital growth with some income.