Troy Trojan Ethical

Flexible Investment

Introduction

sriServices SRI Style - Ethical

Launched in March 2019 Trojan Ethical is based on the Trojan fund with the application of screens and was launched in response to client demand. The fund seeks to achieve growth in capital (net of fees), ahead of inflation (UK Retail Prices Index), over the longer term (5 to 7 years).

The fund is a long-only, multi-asset fund with an emphasis on capital preservation whilst applying an ethical screen. The fund invests for the long term and focuses on absolute rather than relative returns. It is a conservatively managed, concentrated fund with low turnover.

Troy, as a house, aim to preserve and grow investors' capital over the long-term. This is achieved through cautious asset allocation and the careful selection of high-quality companies, purchased at fair valuations. The process is deliberately not complex and has been applied consistently since inception of Trojan (May 2001).

Click here to read the Troy approach to ESG investing.

Manager - Charlotte Yonge

Manager Since - 25/03/2019

Charlotte is the Assistant Fund Manager of the Trojan Fund and Fund Manager of the Trojan Ethical Fund, with responsibility for multi-asset coverage and the analysis of global companies and their selection for Troy's portfolios. Charlotte joined Troy in 2013 from Ruffer Investment Management, where she worked as an Investment Associate. Graduating from Cambridge with an MA in Modern Languages, Charlotte holds the CISI Diploma and is a CFA Charterholder.

Fund Objective

Please click on the 'Fund Data' button above.

Investment Process

The Troy Trojan Ethical fund is built upon the same process as the Trojan fund, which developed the investment process subsequently used by other strategies at Troy. This is based on the philosophy that 'those that have money should concentrate on not losing it' and consequently results in a focus on quality. Troy see the biggest risk an investor takes as the permanent loss of capital, and as such they focus on absolute rather than relative returns. Troy prefer to invest in companies with high returns on invested capital sustained by durable competitive advantages. This is coupled with strong balance sheets, management that act in the best interests of shareholders and a share price that does not reflect future cash flows. The investment universe at Troy focuses on companies that have low capital intensity and cyclicality. Sectors such as consumer goods and health care feature heavily in Troy portfolios, whereas miners and airlines would rarely be investable. The Troy universe is approximately 200 stocks that meet the Troy quality criteria, with the responsibility for generating ideas for the universe resting with all members of the investment team. Sector, stock, or geographic responsibilities are not assigned to an individual as Troy want the investment team to have a wide range of expertise. The team prefer backward looking analysis as opposed to using discounted cash flow modelling, with quantitative screening incorporating ROIC, margins, balance sheets (all for quality) and free cash flow, P/E, dividend yield (for value). Financial statement analysis focuses on cash flows, capital allocation and again balance sheets. The qualitative part of the process incorporates interviews with management, rivals and industry experts. Each idea is written into a full detailed note (15-20 pages) and then debated by the team at weekly investment meetings. The result of this is a fund comprising equity, fixed income, gold, and cash.

Responsible Process

There are currently three areas in which Trojan Ethical differs to Trojan, namely a negative ethical screen to the corporate holdings, the use of only G7 sovereign bonds (as well as excluding any sovereign issuer subject to any UN or European Union sanctions) and only precious metal exchange traded commodity holdings that can prove the underlying bullion was sourced post 2012 (in accordance with the London Bullion Market Associations Responsible Gold Guidance). The negative screen covers areas such as armaments, tobacco, pornography, fossil fuels, high interest rate lending, gambling and alcohol.

Environmental, social and governance issues are incorporated into the investment process of all funds at Troy. There is no separate ESG team as Troy see ESG issues as business imperative, not a nice to have. As such, ESG analysis is embedded into all stock analysis.

Our Opinion

The major difference between Trojan Ethical and Trojan is the sector exposure to alcohol and tobacco that may be found in Trojan. The other sectors that are currently excluded as part of the negative screen would not pass the Troy test and as such are not found in Trojan.

Troy has a quality led bias to equity selection but will use their strategic positioning to define the way in which the funds are constructed, and this will include cash management. The funds will be deliberately contrarian, will nearly always have holdings away from the index and they pay little attention to tracking error. Due to the absolute return approach of the fund, it will typically be a strong performer in defensive markets and will lag equity or momentum-based rallies. The multi-asset approach and style of the manager means the fund is a useful tool for adding defensive qualities to a portfolio.