AJ BELL RESPONSIBLE GROWTH FUND

Adviser FAQs

Responsible investing made easy

For professional intermediaries only. Not for distribution to retail clients.

Contents

So, you've launched a responsible fund. Why?

Responsible investment is not a new concept, but more clients than ever are now looking to invest in a manner that minimises their impact on the planet and society. On top of that, regulators are moving toward a world where advisers will be mandated to establish clients' environmental, social and governance preferences ahead of any recommendations. We have built a solution which will help advisers and their clients navigate this changing world.

Who is the fund for?

The Responsible Growth Fund is for customers who wish to invest for long-term growth, but want to ensure that their money is focused on companies that are committed to a positive impact and sustainability. Given its objectives, the fund invests mainly in equities, so it probably isn't for clients who are uncomfortable with their investments falling in value, or who need access to their capital in the short term.

How will the fund invest responsibly?

Where possible, we invest in ETFs tracking an MSCI SRI index, which gives a robust range of values-based exclusions and ensures that only the companies with high ESG rankings are invested in.

Firstly, a series of exclusions removes companies from controversial industries such as tobacco and armaments. Then, a 'best-in-class' ranking system means that, of the remaining companies, only those that score more highly on environmental, social and governance credentials are included.

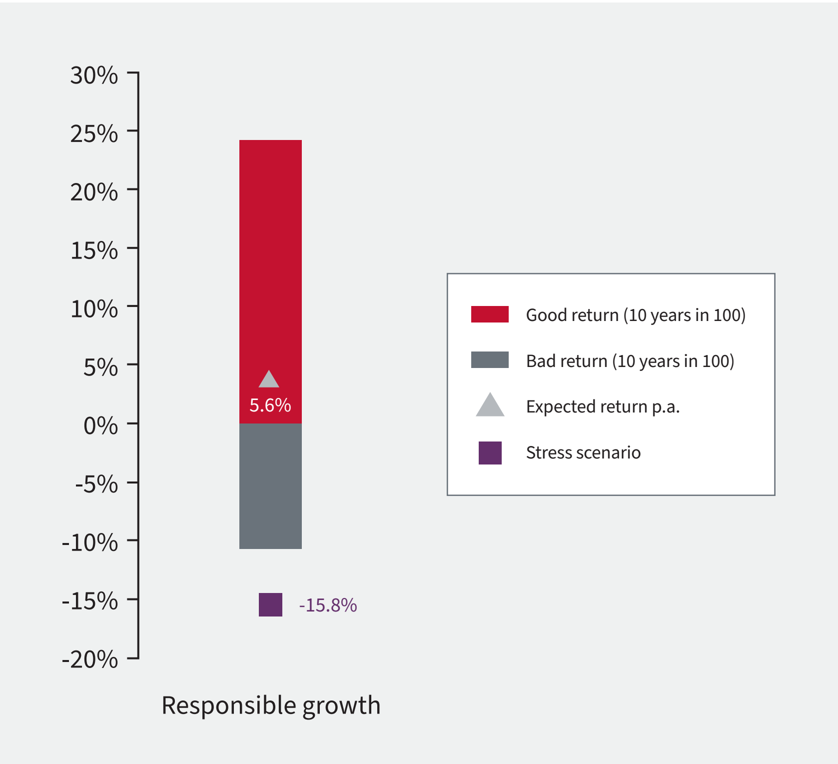
What is the expected impact of the fund?

The fund is predominantly in equities, therefore we will compare it against the MSCI All Country World index. The total carbon dioxide emissions of the Responsible Growth Fund is around 40% less than the comparator, with an average MSCI ESG rating a third higher than the comparator.

In addition to these overall uplifts, the portfolio excludes any companies in breach of the UN Global Compact, and avoids the most controversial business areas.

What can I expect?

We have used our capital market assumptions and financial modelling to determine the most likely outcomes for the Responsible Growth Fund over time. In a ‘good’ year, investors could expect to see a return somewhere in the red bar range. In a ‘bad’ year, losses could be expected to be somewhere in the grey bar.



As the output is based on statistical forecasts, the actual outcome and performance could differ from the scenarios.

Will the responsible element affect returns?

Traditionally, responsible investing was undertaken using a process of exclusions, where certain companies were screened out if they didn't meet an investor's values. This could mean sacrificing returns.

More sophisticated, modern approaches to responsible investment, such as the one we have taken with our new fund, focus not just on exclusions, but on positively selecting companies with solid environmental, social and governance credentials. Academic research demonstrates that this process can actually aid long-term returns, and therefore does not mean foregoing performance.

How does AJ Bell consider voting and stewardship issues within the fund?

As AJ Bell invests indirectly through ETFs or funds, we are not directly responsible for stewardship or voting activity. However, as part of our fund selection process, we maintain a list of approved fund managers for use within the Responsible Growth Fund. We undertake ongoing due diligence on these providers to ensure they have both the resources and commitment to run responsible products.

What about the risks?

Since your clients ought to be prepared to witness bad market conditions at some point on their investment journey, we show the range of outcomes that they should allow for.

However, the longer your clients invest, the more predictable their returns become. That is because, over time, the good and the bad years tend to cancel each other out. Using our back-testing data, over the last five years, had your clients invested in our Responsible Growth Fund, they would have made the gains shown in the table below.

	AJ Bell Responsible Growth Fund
5 Year Back Tested Performance(1)	14.2%
Expected Return	5.6%
Expected Volatility	12.6% - 14.7%

(1) 5 Year Back Tested performance is the annualised return from 1 October 2015 to 30 September 2020. Returns are simulated from the fixed weights of the expected ETF model portfolio for the launch of the fund on 23 November 2020. When the ETF has not been trading for the full period, a representiative index has been used.

All returns are gross of fund OCF, transaction and platform fees. These figures are forward-looking, and are based on a five-year-plus time horizon.

What about the costs and charges?

We firmly believe that high charges are one of the biggest threats to investment returns, and that is why we have worked so hard to keep charges for our range of funds as low as possible. We do this by ensuring that the underlying investments in the fund are selected using low-cost, index-tracking strategies, and by keeping the fund running costs as streamlined as we can.

Thanks to our unique charging structure, all economies of scale are passed onto investors, while our capped OCF means your clients will never pay more than 1% p.a. for the Responsible Growth Fund.

DID YOU KNOW?

Our capped OCF means your clients will never pay more than 1% p.a. for the Responsible Growth Fund.

Why have you only launched one fund?

At the moment, within responsible investments, lots of ETFs and funds are available that cover equities. This has allowed us to build a wrapped product focused on long-term growth that follows a consistent methodology at a reasonable cost. In contrast, responsible bond and alternative funds are smaller in number and follow various different methodologies, which makes it more difficult to build products at the lower-risk end of the spectrum. For this reason, we have decided to focus on ETFs and launch only one fund initially. However, we believe lower-risk portfolios could be constructed at this stage with the Responsible Growth Fund as the equity component, included alongside individual bond fund investment.

This brochure provides general information about the AJ Bell Responsible Growth Fund. It should not be read or construed as investment advice. It is your responsibility to assess your clients' circumstances and make a personal recommendation that is suitable for their needs.