

# TROJAN ETHICAL INCOME FUND - GBP

INVESTMENT RESEARCH NOTE  
FEBRUARY 2024

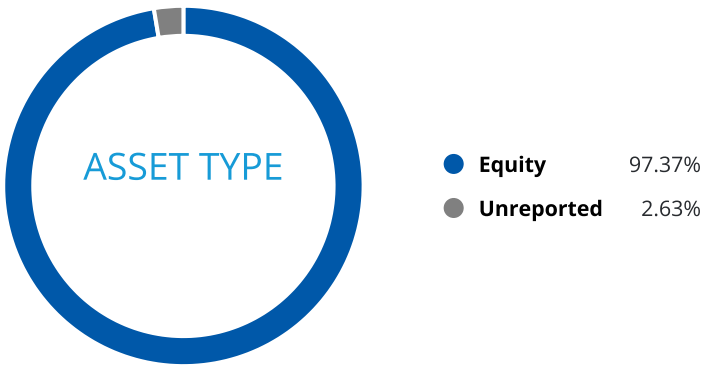
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SUMMARY

Troy was established in 2000 by the late Lord Weinstock. The company was founded on the premise that many investors were disillusioned with the focus of the investment management industry on relative, rather than absolute, returns. The firm’s aim is to preserve and build investors’ wealth by constructing conservative portfolios for the long term. It has a developing ESG mandate, and relies on its FMs to carry out ESG analysis rather than have a dedicated ESG team as support.

Hugo Ure is lead FM for the strategy and co-FM for the income fund while also leading the firm's responsible investment processes. He joined the firm in 2009. He is supported by the wider experience of 13-strong Troy investment team. Fund AUM is c£300m (as at 12/22). Ure leads the firm's responsible investment approach.

The Trojan Ethical Income Fund holds between 30-50 holdings and is a long-only, large-cap bottom-up biased equity income strategy. The fund has to invest at least 80% of its assets in global equities of which at least 60% must be in UK equities. The sustainability of the dividend yield is the focus more than a high yield. Average turnover is just 15% pa and capacity is at c.£7bn for the total income strategy (vs £4.6bn now). Liquidity is strong, with 90% redeemed in 5 days. While having an ethical mandate and improving its overall ESG approach, the lack of a dedicated responsible team and proprietary ESG methodology means our internal ESG score is 3/4.



INVESTMENT PROCESS

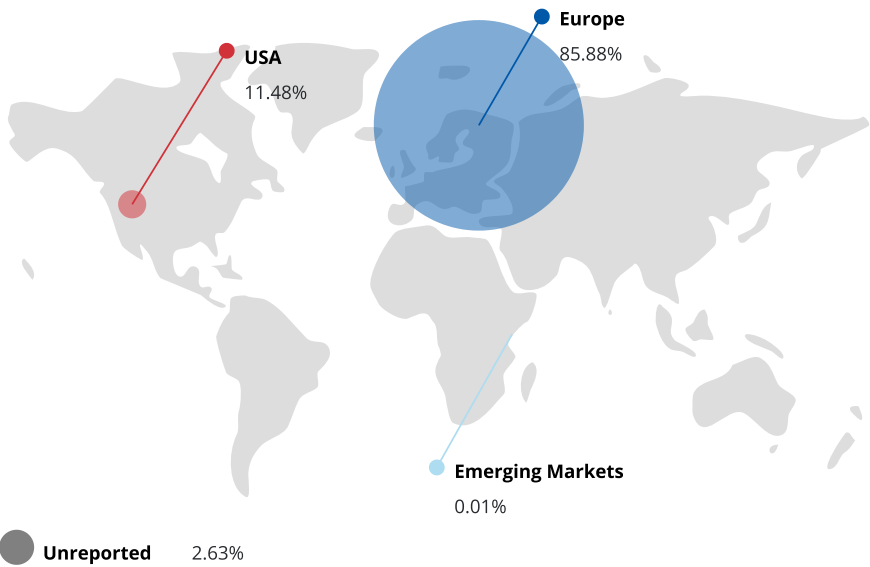
The Fund is benchmark agnostic in pursuit of its goals to deliver an attractive level of income and growth. The core focus is based on bottom-up investment research with minimal quantitative usage bar a universe screen. There is no formal or internal yield target. Recent times have seen the fund sell more cyclical names (relative) and replace with better quality names to supporting a preference for sustained dividend growth over high yield. Troy's original universe of stocks is a focused number of c.200 names that meet the strategy's quality criteria for all of its funds. This centres around strong financials and cash flows. It will avoid more capital intensive sectors and instead focus on durable, low capital intensive sectors such as consumer goods and healthcare. The natural style bias is to equities with high returns on capital. The Ethical/ESG approach has two aspects - screening and integration.

Screening is carried out via an external source, EIRIS, with a negative ethical screen. This filters out sectors such as tobacco, alcohol, and gambling (subject to a 10% minimum revenue threshold & 3% for pornography). Any red-flagged stock means the fund has 90-days to sell it. The next part is an integrated ESG approach, where the analysts initially cover all 200 stocks in the universe and incorporate ESG analysis. This includes assessing positive/negative ESG factors, plus the link with business fundamentals albeit there is no proprietary ESG ranking. There is also an improving active engagement policy. Examples include Coca-Cola (sold) where poor ESG fundamentals related to plastics & sugar usage coupled with poor growth prospects; Compass was assessed on the back of recent furore over the school meals policy. Troy met with the company immediately and the company has since improved this 'cost' to society, albeit driven by national media coverage too. With Dominos Pizza, the firm engaged to improve the company's board culture and independence, and succeeded. Troy's engagement policy may not be as in-depth vs some peers but they seek a constructive approach. Improvements to the ESG profile include social & environmental research (plastics, biodiversity), overhauling their carbon footprint and climate risk approach (already boosted by the fund's natural avoidance to capital-lite sectors).

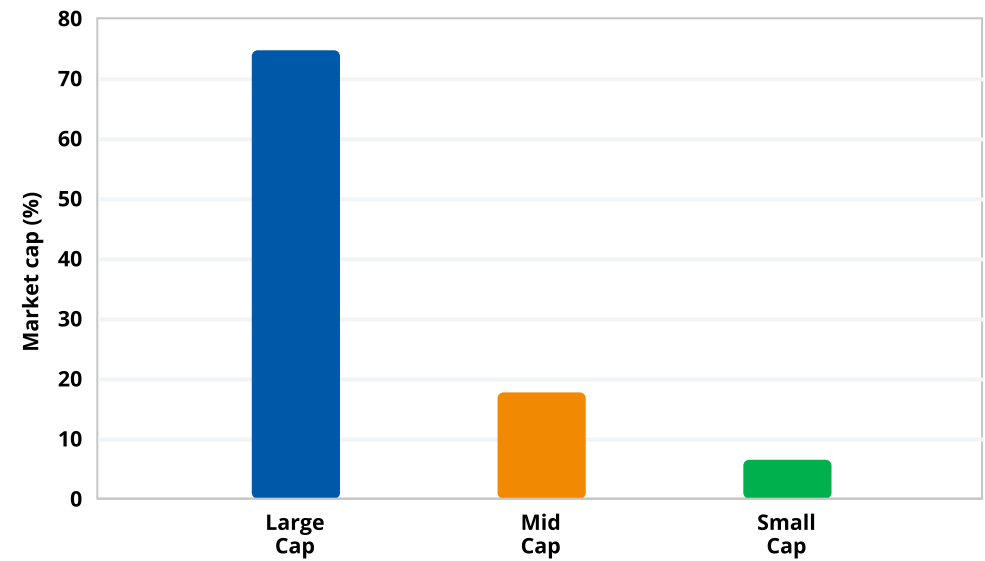
Position sizing has a max. 6% per large-cap security and 3% for mid-caps to limit concentration risk. There is an 18% overlap with the income fund re the 200-stock universe. This helped performance in 2020, with attribution led by consumer staples and healthcare, but also no exposure to energy. This was offset by a drag in the fund's mid-cap industrials giving the portfolio some mid-cap exposure vs the income fund. A single large, stable investor owns 20% who also invests in the income fund.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



BOND  
MATURITIES

Not Applicable



BOND  
RATINGS

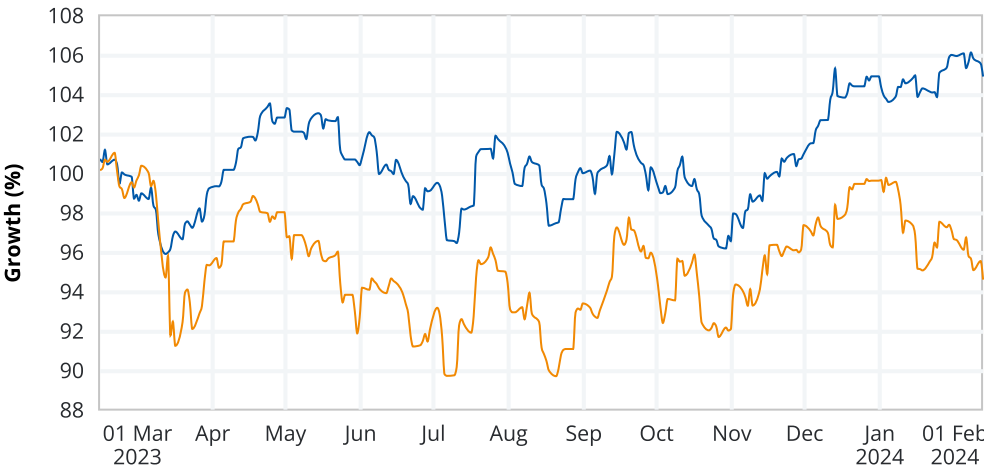
Not Applicable

# OVERALL PERFORMANCE

TROJAN ETHICAL INCOME X GBP      FTSE UK Equity Income Total Return

## GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



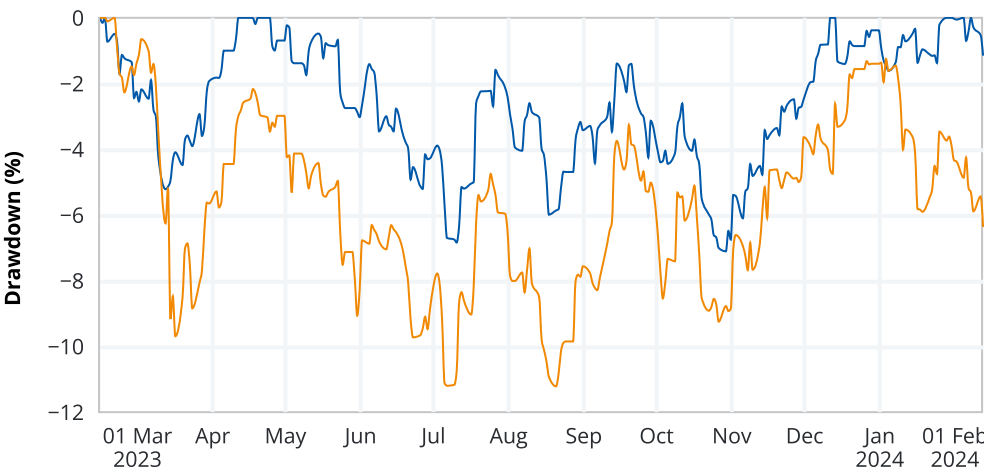
## GROWTH (%) - FROM INCEPTION

2 Mar 2020 - 13 Feb 2024



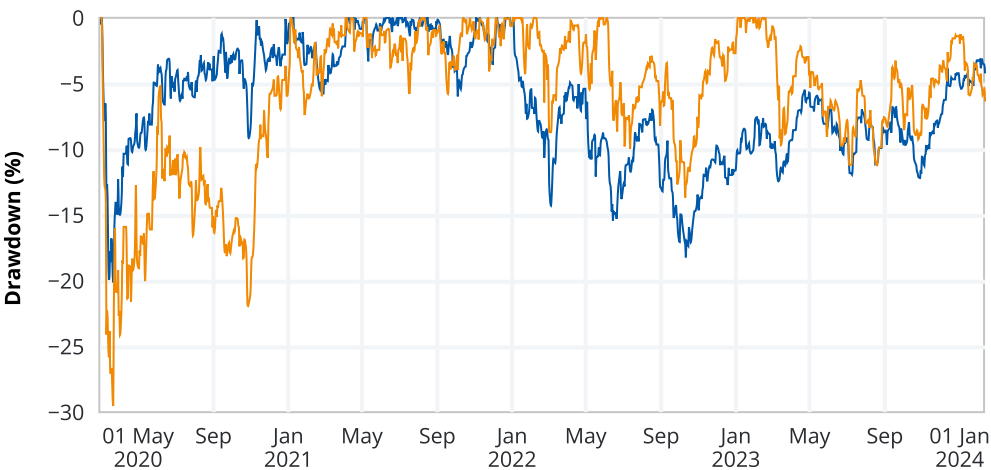
## DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



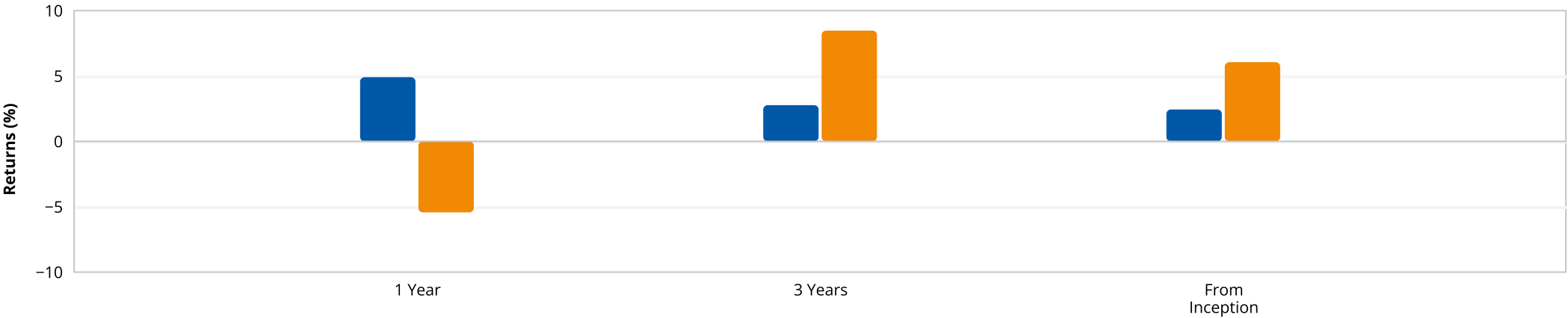
## DRAWDOWN (%) - FROM INCEPTION

2 Mar 2020 - 13 Feb 2024



# RETURNS

TROJAN ETHICAL INCOME X GBP      FTSE UK Equity Income Total Return



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	1.04	-1.04											-0.01
2023	1.75	0.20	0.53	3.62	-2.19	-1.45	2.23	-1.05	0.04	-3.46	4.04	4.15	8.37
2022	-6.25	-1.83	3.07	0.29	-3.53	-5.54	6.64	-3.78	-5.31	2.42	3.74	-0.69	-11.11
2021	-1.13	-2.09	3.45	3.78	0.25	1.55	1.55	0.89	-2.18	0.93	0.18	4.73	12.29
2020			-9.06	5.70	2.53	-0.01	-1.09	2.16	0.43	-5.84	6.56	1.30	1.65

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	INCEPTION
TROJAN ETHICAL INCOME X GBP	4.91	2.77	2.44
FTSE UK Equity Income Total Return	-5.43	8.47	6.06

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	INCEPTION
TROJAN ETHICAL INCOME X GBP	4.89	8.50	9.94
FTSE UK Equity Income Total Return	-5.41	27.48	26.10

TROJAN ETHICAL INCOME X GBP FTSE UK Equity Income Total Return

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	4.91	-5.43
VOLATILITY (%)	9.24	13.07
ALPHA	-0.19 *	
BETA	0.53 *	1.00
CORRELATION	0.61 *	1.00
SHARPE RATIO	0.08	-0.76
SORTINO RATIO	0.12	-1.03
MAX DRAWDOWN (%)	-7.11	-11.21

\*Calculated over a 3 year period where history permits.

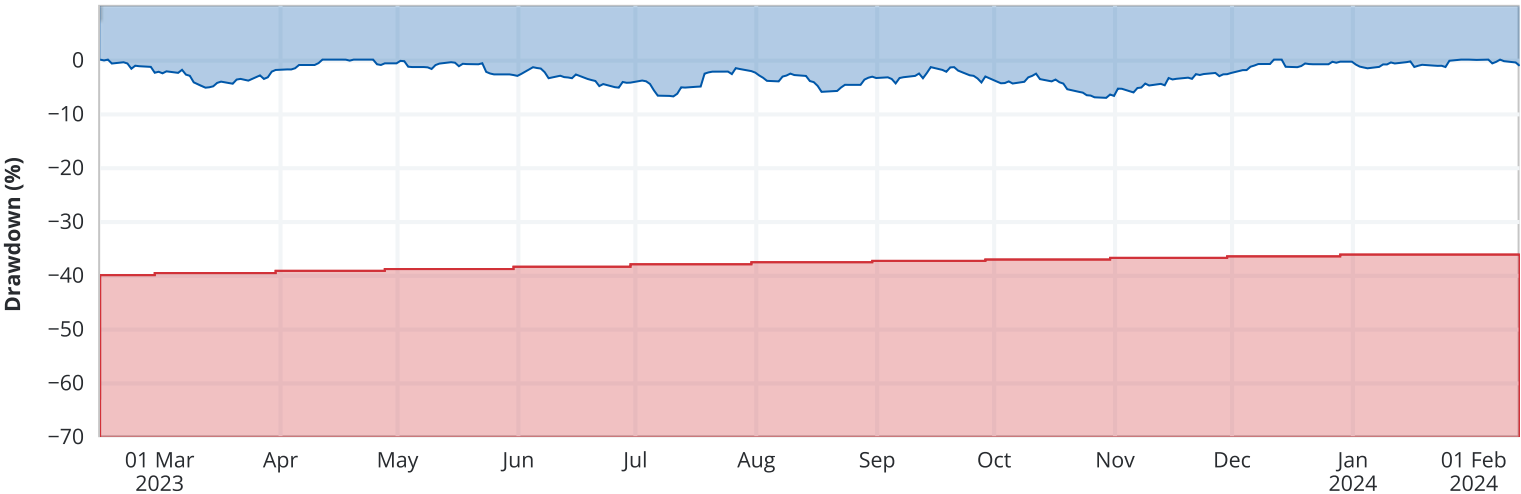
PERFORMANCE - FROM INCEPTION

2 Mar 2020 - 13 Feb 2024

RETURNS (%)	2.44	6.06
VOLATILITY (%)	13.89	20.50
ALPHA	-0.11	
BETA	0.51	1.00
CORRELATION	0.72	1.00
SHARPE RATIO	0.05	0.19
SORTINO RATIO	0.07	0.26
MAX DRAWDOWN (%)	-20.12	-29.53

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

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