CHARLES STANLEY

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FOCUSING ON

Responsible Model Portfolios

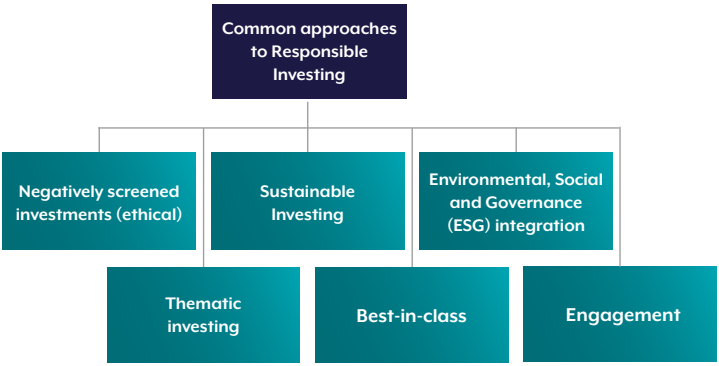
Your guide to our Responsible Model Portfolios

This guide will give you an introduction to our Responsible Model Portfolios, which combine a strong asset allocation focus with responsible investing. Our Responsible Model Portfolios aim to provide broader risk management without compromising on investment returns, while implementing our investment ideas through a responsible lens.

What is responsible investing?

Responsible Investing is an umbrella term for approaches to investment that consider non-financial factors such as the environment, social aspects, ethical values, sustainable themes and/or engagement efforts.

The aim of responsible investing is to combine better risk management with improved portfolio returns, and to reflect investor and beneficiary values in an investment strategy. It complements traditional financial analysis and portfolio construction techniques by incorporating non-traditional factors which increasingly affect portfolio returns.



What is ESG and how does it apply in the real world?

Environmental, social and governance (ESG) factors are non-financial considerations that help inform decisions investment decisions based on an assessment of the risks and/or opportunities these factors pose to investments. ESG risk is not about what a company manufactures or sells, but more specifically how it goes about conducting its business.

Below are some examples of ESG issues that, once crystallised, had a material impact on shareholder returns and the wider economy.

Environmental
Takes into consideration specific environmental themes, challenges or opportunities facing a company.

Social
Takes into consideration the company's operations and the impact these could have on people; Customers, employees, citizens and suppliers.

Governance
Takes into consideration the interests of all stakeholders affected by the company's activities.

Environmental issue

Negative environmental and financial impact

BP – Deepwater Horizon oil disaster

In 2010, BP reported the biggest oil spill on record in the Gulf of Mexico, one of the largest environmental disasters in history. The five million barrels that leaked into the ocean caused a devastating impact on local marine wildlife and tourism for years following.

In the immediate aftermath of the disaster BP's share price halved; that year it reported a loss and suspended the dividend. In addition the cost of the clean-up was reported to be in excess of $65bn – showing how an event like this can impact on the environment, the economy, the company and on its shareholders.

Social issue

Positive social impact and financial impact

Ben & Jerry's - Philanthropy

In 1985 Ben & Jerry's took an unprecedented decision to commit 7.5% of the company's annual pre-tax profits to philanthropy. In 2000 the company was acquired by Unilever, a global company with over 400 brands. Unilever continues to support the Foundation through an annual allocation that takes into account Ben & Jerry's ice cream sales. Whilst the social element of ESG tends not to correlate strongly with the value the stock market places on a company's earnings, it nonetheless contributed to the attractiveness of the company, both as a brand and as a place to work.

In 2015, the annual contribution amounted to $2.8 million. Ben & Jerry's continues to drive employee engagement in philanthropy and social change within the local community, in addition to supporting grassroots activism and community organisations for social and environmental justice around the country.

Governance issue

Negative environmental and financial impact

Volkswagen – Emissions scandal

In 2015 Volkswagen admitted using software in roughly eleven million of its vehicles to manipulate the level of nitrous oxide in diesel emissions when the vehicles were tested.

When this scandal broke the share price fell 40% and has remained below the pre-scandal level. It is estimated that the total cost of "emissions gate" to Volkswagen was €34 billion.

Whilst it appears to be about the environment, this scandal runs somewhat deeper and, at the minimum, highlights poor governance and a weak control structure within the company.

What is ESG integration?

ESG integration is the baseline minimum on the spectrum of Responsible Investment. This approach is the consideration and analysis of material Environmental, Social and Governance factors in investment decision making.

Our investment principles

Active asset allocation

Market prices often deviate significantly from the true value of assets in the short term.

Active risk management

Risk is more than a measure of volatility.

Minimise costs

to maximise long term returns. Cost conscious in our implementation across all strategies.

Portfolio diversification

A diversified portfolio is vital for spreading investment risk.

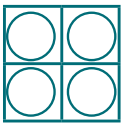
ESG integration

We have partnered with MSCI to embed ESG metrics into our risk and portfolio-management framework.

Outcome-oriented investing

Preserving purchasing power by targeting inflation plus returns.

Our investment process

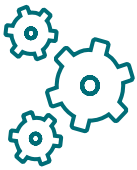


Asset allocation

We believe the largest source of returns comes from your asset allocation, so that's where we centre our focus.

In-house, we generate a Strategic Asset Allocation to set a long-term optimal portfolio for each risk level. Shorter term, we leverage the strong investment pedigree within Charles Stanley to dynamically adjust the portfolios to add value.

Clients will have the benefit of a truly global perspective and access to a range of asset classes, resulting in a fully diversified portfolio.



Implementation

At the implementation stage of portfolio construction, our team choose collective vehicles that apply restrictions to controversial areas, or where the strategy actively serves a responsible investment objective.

Portfolio Managers are supported by our market-leading Collectives Research department who help us find and conduct due diligence on the best funds available.

Ongoing monitoring

The Charles Stanley MPS is managed by experienced Portfolio Managers within our Asset Management division. The team has a long track record with model solutions and have managed the Responsible models since their inception.

Assessing and reporting ESG

We have partnered with MSCI to embed ESG metrics into our risk and portfolio-management framework and to provide comprehensive ESG research support for our portfolio managers.

Leveraging our partnership with MSCI, we use the MSCI ESG Manager tool to have a granular look at our portfolio exposure to a number of areas.

MSCI methodology

Source: MSCI. You can find out more about MSCI Methodology on their website here: https://www.msci.com/index-methodology

LAGGARD

A company lagging its industry based on its high exposure and failure to manage significant ESG risks.

AVERAGE

A company with mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers.

LEADER

A company leading in managing the most significant ESG risks and opportunities.

Four responsible portfolios to suit your risk level

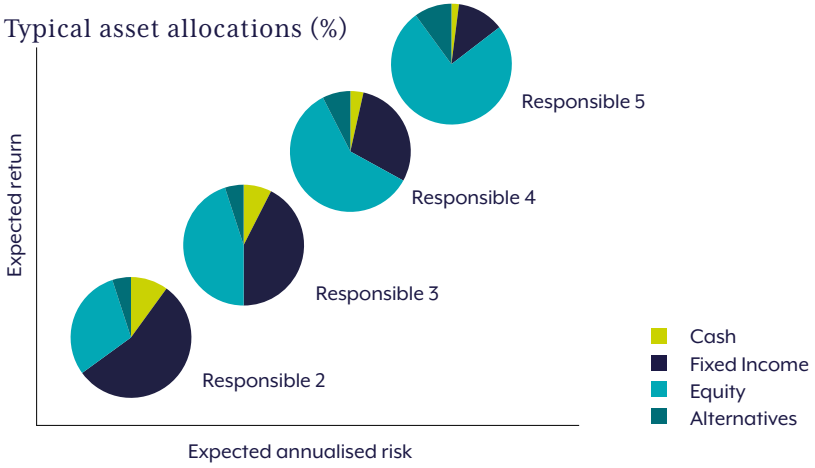
To help you meet the widest possible range of client needs, we offer four globally unconstrained, multi-asset models embedded with a responsible investing approach.

Through rigorous active management and implementing our views using mostly passive investments, we offer a versatile range of multi-asset portfolios. Each portfolio has been individually risk assessed by Distribution Technology, ranging from 4 (lower risk) to 7 (highest medium risk). Inflation means the Consumer Price Index. Actual performance and annual volatility may differ.

	Responsible 2	Responsible 3	Responsible 4	Responsible 5
Inception	31 October 2017	30 June 2019	31 October 2017	31 October 2017
Return Objective	CPI+1%	CPI+2%	CPI+3%	CPI+4%
DP Risk Profile	DYNAMIC PLANNER 4	DYNAMIC PLANNER 5	DYNAMIC PLANNER 6	DYNAMIC PLANNER 7
MSCI Rating	AA	AA	AA	AA
OCF+	0.29%	0.30%	0.35%	0.34%
AMC	0.25%	0.25%	0.25%	0.25%
Portfolio Total Ongoing Charge	0.54%	0.55%	0.60%	0.59%

Source: All data is sourced as at 30 April 2025. OCF+ figures are taken from FE Analytics and MSCI Ratings are taken from MSCI. Fees do not include adviser charges or platform fees and assumed all income is reinvested. Past performance is not an indicator of future performance.

Typical asset allocations (%)



For illustrative purposes only. Actual asset allocation may vary

At a glance

Long-term track record

of managing Responsible Model portfolios

Actively managed

Ready to respond quickly to changing market conditions

Outcome-oriented focus

That aligns you, your client and the Portfolio Management team through the investment journey

Cost effective

Combining high-quality active management with mainly low-cost passive ETFs

Regular reporting

and ongoing support via factsheets, webinars and collateral

Availability

Can be held in a general investment account, offshore bonds, ISAs, SIPPs

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Focusing on you

Ongoing communication

Communication is a core component of our relationship with advisers. That's why we produce the following collateral on an ongoing basis.

Monthly fact sheets

Quarterly updates

Quarterly MPS Webinar Rebalance

Rationales when we make portfolio changes

Signatory of the United Nations Principles for Responsible Investment (PRI)

Since 2015 Charles Stanley has been a signatory of the internationally-recognised Principles for Responsible Investment (PRI), demonstrating our commitment to investing responsibly.

Platform availability

To provide responsive access to client accounts and to keep operating costs low, we make our Responsible Model Portfolios available on a range of wrap platforms. If you would like more information about using these platforms, please contact us.

Contact us

For more information about Charles Stanley services for professional advisers, please contact our Intermediaries Sales team.

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