

**SHINING A LIGHT ON THE.....
Unicorn UK Ethical Income Fund**

AT A GLANCE

Investment Objective
The Unicorn UK Ethical Income Fund aims to achieve an historic yield in excess of 110% of the FTSE All Share yield, over a 3 year period, by investing primarily in UK companies which meet the ACD's ethical guidelines. For this purpose, UK companies are defined as those which are incorporated or domiciled in the UK, or have a significant part of their operations in the UK. Selection of such ethical equities will be undertaken on the basis of thorough company analysis, with ethical and socially responsible criteria reviewed at the point of investment and quarterly thereafter.

Inception Date	1 st April 2016
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000WK2S

Management	
Manager Name	Start Date
Fraser Mackersey	1 st April 2016

FUND PERFORMANCE

Performance from 1st April 2016 to 30th September 2020:

	2016	2017	2018	2019	2020
Unicorn UK Ethical Income Fund	4.18%	16.79%	-9.65%	25.73%	-25.69%
FTSE All Share	17.11%	13.00%	-9.65%	19.04%	-19.63%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
Unicorn UK Ethical Income Fund	-14.44%	-14.19%	2.70%
FTSE All Share	-16.72%	-9.29%	14.38%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
9.63	90.86	87.73	52.78	1.10	-0.93	Small/Blend

LWM Consultants Ltd

Volatility Measurements	
3-Yr Std Dev (volatility)	18.72%
3-Yr Mean Return (average)	-4.97%

Investment Style Details	
Giant	0.00%
Large	0.00%
Medium	10.97%
Small	40.23%
Micro	40.49%

Top 5 Holdings (36 holdings – 45.56% in the top ten)		
LondonMetric Property PLC	Real Estate	5.76%
Telecom Pluc PLC	Utilities	5.65%
Sabre Insurance Group PLC	Financial Services	4.99%
Phoenix Group Holdings PLC	Financial Services	4.88%
B&M European Value Retail PLC	Consumer Defensive	4.72%

Top 5 Sectors	
Financial Services	34.32%
Industrials	21.79%
Real Estate	11.36%
Consumer Defensive	8.10%
Utilities	6.24%

UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This was our first introduction to the strategy. Unicorn are well known as small-cap specialists, and this fund leverages that expertise with ESG considerations. They feel there are very few direct competitors in this space. Researching the small and mid-cap space is much harder and then adding the layer of income and ESG adds to the complexity. They employed an ethical officer over six years ago with the specific role to develop a screening process for the business, and in particular, this strategy.

There are certain businesses which they would avoid because they screen poorly. These include oil, gas, and mining. The fund is focused mainly in the small and mid-cap space and this has underperformed the wider market since 2014. There are several factors but fundamentally UK equities are unloved. But, they feel there are several positive factors, including recent trade deals with the likes of Japan, one the best parts of the market to be in terms of growth and income and the area that will most likely benefit from the economic recovery.

From the investable universe of 2,000 companies they screen down to around 200 potential companies. This strategy follows the UK Income Fund but will have an ESG screen which removes some holdings and then delivers a list of typically 40 to 50 stocks. Currently the fund has around 36 holdings.

The fund is split between three buckets – continuity (44%), resilience (28%) and recovery (23%).

LWM Consultants Ltd

Those within continuity are ones that in the current environment have traded as normal and there has been no real change in the dividend. Examples of this would be B&M, Sabre Insurance and Telecomplus.

Within resilience, this is where there has been a short-term impact but they are now catching up. This would be the likes of Brewin Dolphin and Henry Boot Construction.

And then there is recovery, where companies have been significantly impacted. These are still market leaders and have the potential to recover strongly. An example would be Marshalls.

There is diversification within sectors, for example, in financials this includes Brewin Dolphin, 3i and Alpha FX. Two examples of REITS include LondonMetrics (logistics) and PHP (healthcare properties).

Examples of holdings in the UK Income Fund which have been screened out for this strategy are Hollywood Bowl, Signature Flight Support, Clipper, Bodycore and discover IE.

In summary, this is one of the very few ethical small cap income funds. They clearly have the expertise in the small cap space, however performance has been weak. This can be put down to being in two parts of the market which are out of favour. This may therefore be a strategy that is watched for when the UK economic growth starts improving. At that point, this fund should in theory start to pick up but at this stage we cannot test to see if that will happen.

The source of information in this note has been provided by Unicorn and is correct as at September 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.