

SHINING A LIGHT ON THE..... FP Octopus UK Future Generations Fund

AT A GLANCE

Investment Objective
For investors targeting long-term capital growth by focusing on investing in companies meeting our sustainable investment themes

Inception Date	31 August 2021
Fund Factsheet Link	-

Management	
Manager Name	Start Date
Dominic Weller	31 August 2021
Chris McVey	31 August 2021
Richard Power	31 August 2021

UPDATE....

This is a new fund launched on 31 August so as such does not have any performance as yet. This meeting was therefore a fact find to understand more, and to see whether this has the potential to offer investors something different.

With so many impact / sustainable / responsible funds being launched it is worth digging a little deeper and understanding the motives behind this. Is the fund manager doing it for the right reason, or are they purely motivated to capture growing trends and therefore profit from a shift in market sentiment?

There will always be a crossover, but you can often tell whether the motives are right. We recently attended an update from a large fund manager who has launched a climate change fund. It all felt very slick, and the salesperson is constantly asking whether we will invest. When I think about the strategy and the team it just doesn't feel right. The culture in the business doesn't match the strategy.

So, what about Octopus? Octopus have two sides to their business. The investment side and Octopus Energy, which was launched in 2015. Octopus Energy are a global leader in the world's transition to green energy. Octopus also run Octopus Giving where they have donated £1.5 million since it was set up. The three pillars that they focus on are building a sustainable planet, empowering people, and revitalising healthcare.

Straight away we can see that this fund manager is launching this strategy for the right reasons and has been involved in building a better world since 2000 when Octopus was set up. Dom Walker is the lead manager for this strategy and has worked at Octopus for six years.

The fund focuses around the three themes connected with the charity i.e., building a sustainable planet, empowering people and revitalising healthcare. It is worth adding that 10% of the fees will be paid to the Octopus charity.

LWM Consultants Ltd

This is a UK strategy but may in the future hold some overseas holdings. They have launched this because they want to invest in and support great businesses which are looking to solve problems to make the world a better place for our generation and the next.

This aim is to be a multi-cap strategy, but they are leveraging from their knowledge in the small cap space. They are happy to work with companies and hold them as they grow to large cap. Dom explained that these companies do not need to be polished as they will work with them over time. Engagement is important for everything that Octopus do.

The key to any company is whether they are allocating capital across the three key themes. They believe the UK offers exciting opportunities across energy generation, energy storage, transportation, mobility and logistics, circular economy, emissions, and ecosystem integrity.

We discussed two examples:

1. Within empowering people, which goes across several areas, from improving living standards to finance, education, and connectivity, they hold Boku Inc. The traditional financial system is very inefficient and not inclusive. Via their platform Boku aim to provide access to goods and services for those individuals who would be excluded in the traditional way.
2. Revitalising healthcare considers physical wellness and mental health, healthcare systems, personal health and supporting drug development. An example of a holding would be Kooth plc who look to address mental health in the UK. Mental health is a bigger burden on the UK health system than cancer. This provides a technology platform providing mental health support to children and adults, and provides access to mental health support for around 7.8 million patients. Although this is a UK story it could expand globally.

The fund will be made of between 40 and 70 holdings. 75% of the fund will be in core holdings where a company has a proven impact business, strong moat and is a growing leader in its field. Satellite companies are those that are disruptive innovators, emerging stars, and have technologies that are game changers. An example would be Ilika who are a battery development business.

In summary, we had been aware that this fund was due to be launched, and coming from Octopus we know that they are launching this for the right reasons. There are well-known names within the strategy like AstraZeneca (revitalising healthcare) and GlaxoSmithKline (revitalising healthcare), but also less well-known names like Boku, Ilika and Kooth. The fact that these are not all polished companies, and that they will work with them and look to hold for the long term, is important. We don't think there is a similar strategy in the UK and so this would be something we would watch with interest.

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