

**BUSINESS REVIEW** CONTINUED

# FORESIGHT CAPITAL MANAGEMENT

## AT A GLANCE

Providing access to real assets and sustainable investment opportunities in listed markets.

### Investment strategies

---

UK Infrastructure

---

Global Infrastructure

---

Sustainable Real Estate

---

Sustainable Future Themes

---

FCM was established in 2017 to enable retail and institutional investors to access infrastructure, renewables and real estate investment opportunities through actively managed open-ended funds, investing in listed securities.

**£1.6bn**  
assets under management

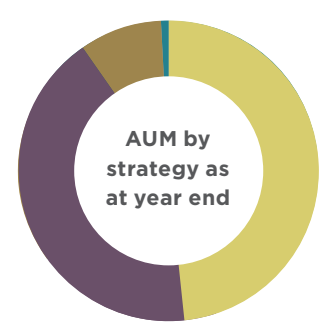
**9**  
dedicated professionals

**43%**  
FY22 AUM growth

**1**  
institutional sub-advisory  
mandate secured

**4**  
distinct investment strategies

**6**  
investment vehicles



- UK Infrastructure Income £781m
- Global Real Infrastructure £679m
- Sustainable Real Estate £145m
- Sustainable Future Themes £10m

## MARKET OPPORTUNITY

There is growing demand, both in the UK and internationally, for retail and institutional investors to be able to access sustainability-oriented investment products that hold listed securities. FCM has a differentiated approach to this market, being able to draw on the Group’s experience in investing in private markets through Foresight’s Infrastructure and Private Equity divisions, and apply those skills and knowledge to investing in public markets. This gives FCM capabilities that are hard to replicate.

Raised net inflows into all our strategies, pointing to strong demand for our open ended funds

International investors also increasingly demanding access to sustainable investment strategies

Opportunity for FCM to launch further investment vehicles to provide access to its existing strategies

FCM’s platform is scalable and has significant capacity for further growth in AUM

Potential to target a wider range of investors, in addition to the current focus on IFAs and wealth managers

# BUSINESS REVIEW CONTINUED

## Overview

FCM has a team of nine investment professionals, who follow an active, hands-on investment process. The team is highly focused on the underlying assets and regularly visits companies around the world, reflecting its global investment remit. As a sustainability-led investor, FCM has a clear view of the speeds at which different sectors in different geographies are addressing sustainability risks and opportunities. The investment approach is bottom-up and conviction-based, allowing FCM to invest in the best opportunities, wherever it finds them.

FCM primarily distributes its products through intermediaries, principally independent financial advisers (“IFAs”), wealth managers and private banks. The division works to develop strong relationships with these intermediaries, aiding capital retention and making these assets less volatile than is often seen with direct-to-consumer distribution.

At 31 March 2022, FCM had £1.6 billion of AUM, up 43% during the year (31 March 2021: £1.1 billion). This reflected robust inflows during the year and the benefit of investment performance.

FCM has dedicated internal resource focused on sustainability due diligence and analysis. Several of FCM’s strategies are aligned with a bespoke sustainable investment policy, which alongside active engagement with investee management helps to ensure we vote in a manner that is consistent with widely accepted ESG practices. If an investment fails to meet our sustainable investment criteria and that company chooses not to engage, we will consider divestment.

## Investment strategies and funds

FCM offers four investment strategies, which clients can access through five UK and one Luxembourg domiciled fund:

Strategy	Funds	Investment focus
<b>Foresight UK Infrastructure</b>	FP Foresight UK Infrastructure Income Fund (“FIIF”)	Harnesses Foresight’s infrastructure investment expertise and taps into the demand for low-volatility, predictable inflation-linked income. Launched in 2017, the strategy has grown to total net assets of £780.9 million at 31 March 2022. The portfolio comprises listed companies active across renewable energy, core infrastructure and real estate, with a UK focus.
<b>Foresight Global Infrastructure</b>	FP Foresight Global Real Infrastructure Fund (“GRIF”) VAM Global Infrastructure Fund (“VAM”) Foresight Global Real Infrastructure (Lux) Fund (“Foresight SICAV”)	Invests in the publicly traded shares of companies located in developed economies, which own or operate real infrastructure or renewable energy assets anywhere in the world. With a growth-focused investment objective, the strategy was launched in June 2019 and has grown its total net assets to £679.3 million at 31 March 2022.
<b>Foresight Sustainable Real Estate</b>	FP Foresight Sustainable Real Estate Securities Fund (“REF”)	This strategy was launched in June 2020 to provide investors with exposure to a highly liquid and globally diversified portfolio of Real Estate Investment Trusts. Given the lack of OEICs in the UK that are addressing both sustainability and real estate, REF is a highly differentiated strategy which has delivered both strong returns and low-risk characteristics since launch. As at 31 March 2022, the strategy’s total net assets were £144.5 million.
<b>Foresight Sustainable Future Themes</b>	FP Foresight Sustainable Future Themes Fund	This strategy was launched in March 2022. More information can be found in the case study on page 45.



# LAUNCHING SUSTAINABLE FUTURE THEMES

On 28 March 2022, FCM announced the launch of the FP Foresight Sustainable Future Themes Fund (“SFT”). The Fund will invest in a global portfolio of 20-40 scalable listed companies.

Potential investments are carefully selected based on our approach to “double materiality”. First, companies can only qualify for investment if they have sustainable operations embedded into their long-term strategies. This means they need to be industry leading in areas such as their environmental impact and labour practices. Second, they need to offer innovative products and services that contribute to achieving a sustainable, decarbonised and socially inclusive world.

Companies that meet both these criteria are likely to be the winners as society and economies rapidly change in response to the need for sustainable development. This means they will deliver the best financial outcomes and the most tangible, real-world impact. The double materiality approach goes beyond the industry standard for sustainable investment funds and we see it as a key differentiator for SFT.

The Fund will provide capital to companies at the core of sustainable development across five sustainable future themes. Foresight has significant experience of managing private assets that align to these themes, giving us insight into how these industries work and their sustainability credentials.

The five themes are:

- Sustainable Energy: companies actively contributing to global decarbonisation through sustainable energy generation, storage and usage
- Sustainable Food, Land and Forestry: companies involved in the sustainable production of food, use of land, agriculture or forestry and those focused on protecting biodiversity
- Waste, Water and the Circular Economy: companies that are actively involved in delivering sustainable water and waste solutions and companies that meaningfully contribute to sustainable resource management
- Health and Education: companies that own assets or provide services that contribute towards the delivery of sustainable, high-quality and inclusive healthcare and education
- Digital World: companies that support the transition to a digital economy in a sustainable and socially inclusive way

Only companies which derive 80% or more of their revenue from activities that align with one or more of these themes will be considered for the portfolio. FCM has developed a proprietary sustainability-led research methodology to better identify investments that meet the Fund’s objectives that would not be possible using only traditional third-party ratings agencies.

Engagement will play a key role in managing SFT’s assets. FCM will regularly monitor and engage with management teams and exercise voting rights in a way that aligns to the UN Sustainable Development Goals applicable to each industry.

# BUSINESS REVIEW CONTINUED

## Performance

This was a transformational year for FCM. In addition to achieving a material increase in AUM, the division built a platform for future growth, with the launch of a new investment strategy and new funds, the diversification of its sources of capital through the sub-advisory mandate with VAM (see below) and investment in its team.

Against a backdrop of challenging markets, in which equity funds as an asset class saw net outflows, FCM achieved total net inflows and performance of £455 million, with net inflows across each of its funds. Retail fundraising delivered net inflows of £455 million and in addition £25 million was raised into VAM by its distribution team.

At the start of the year, FCM had three established UK OEICS – FIIF, GRIF and REF. All three remain on track to deliver their investment objectives, with positive total returns during the year and since inception.

Fund	Inception date	12-month TSR	TSR since inception
FIIF	4 December 2017	10.65%	41.38%
GRIF	3 June 2019	7.51%	47.14%
REF	15 June 2020	19.54%	25.67%

Investment performance during the year added £94 million to FCM's AUM, resulting in a total increase in AUM across the year of £455 million.

## New fund launches

In June 2021, Foresight announced the launch of the VAM Global Infrastructure Fund, a Luxembourg UCITS V Fund, through a new partnership with VAM Funds, a Luxembourg-based fund management company. FCM has been appointed the fund's investment manager and the fund is being distributed in Europe, South Africa, Singapore and the Middle East, through VAM Funds' established global distribution platform. The fund gives investors in these geographies access to FCM's Global Infrastructure strategy. The partnership has already delivered positive net inflows of £24.7 million since launch. Investors in VAM have included clients in South Africa and the Middle East, where Foresight has not previously raised retail capital.

In November 2021, FCM launched a new Luxembourg-domiciled SICAV with UK tax reporting status. This will initially provide investors with access to the Global Infrastructure investment strategy. The medium-term growth strategy includes adding further strategies to the SICAV, such as Sustainable Real Estate Securities. The SICAV has generated inflows from international investors, following our initial focus on offshore jurisdictions such as the Channel Islands and the Isle of Man, and we are planning to target Europe and other geographies during FY23.

In March 2022, FCM launched a new investment strategy, Sustainable Future Themes, and a new UK OEIC, the FP Foresight Sustainable Future Themes Fund. More information can be found on page 45.

## FCM market outlook

The outlook for FCM is highly positive. There is growing demand for OEICs in the UK and the launch of VAM and the Foresight SICAV during the year have opened up new international sources of institutional and retail investment. The business is highly scalable, with the Global Infrastructure, Sustainable Real Estate and Sustainable Future Themes strategies each having the potential to reach in excess of £1 billion of AUM. FCM has invested in its business during the year to ensure it has the capacity to successfully manage its growth, which it expects to lead to rising profit margins, reflecting the operational gearing in its business model.

FCM also has scope to broaden its distribution. Having to date focused on IFAs and wealth managers, we see good potential for distributing our funds through private banks and to family offices, as well as establishing a greater presence in direct-to-consumer sales, as the Foresight brand becomes increasingly recognised.

# FCM EXPANDS INTO SUB-ADVISORY MARKET

In June 2021, following a competitive selection process, FCM was appointed as the Investment Adviser to the VAM Global Infrastructure Fund (“the VAM Fund”), a Luxembourg SICAV managed by global fund management group VAM Funds. The VAM Fund reflects FCM’s Global Real Infrastructure strategy and receives the same investment resource and portfolio management resource as Foresight’s UK-domiciled vehicle. The VAM Fund provides IFAs, wealth managers and other investors in global markets with the ability to allocate to a differentiated portfolio of real asset owning infrastructure, renewables and real estate companies. Multi-decade investment themes driving the energy transition, societal resilience and infrastructure renewal are all addressed through the VAM Fund, and strong early fundraising suggests appetite from investors.

VAM Funds is a Luxembourg-based fund manager with global distribution capabilities that have extended FCM’s strategies into markets such as South Africa, Europe and Asia. As at 31 March 2022, the VAM Fund had grown to net assets of £33 million with strong potential for further growth as VAM Funds continue to expand their own distribution capability. Sub-advisory represents an efficient and scalable channel for FCM to further grow assets, particularly where distribution markets are unlocked in geographies where Foresight Group has not been historically active.