


# Kames Ethical Equity Fund GBP B Acc

## GB0007450884

**Morningstar Analyst Rating**  
 **Bronze** 24 Aug 2018  
 09:00, UTC-0500

**Morningstar Category**  
UK Flex-Cap Equity

**Category Index**  
FTSE AllSh TR GBP

**Total Assets**  
543.77  
Mil GBP

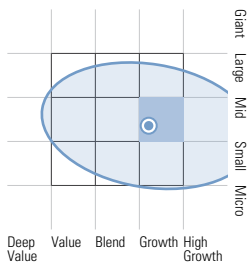
**Current Yield %**  
—

**Inception Date**  
17/04/89

**Domicile/Currency**  
GBR/GBP

**Morningstar Rating**  
★★★

### Equity Style Map



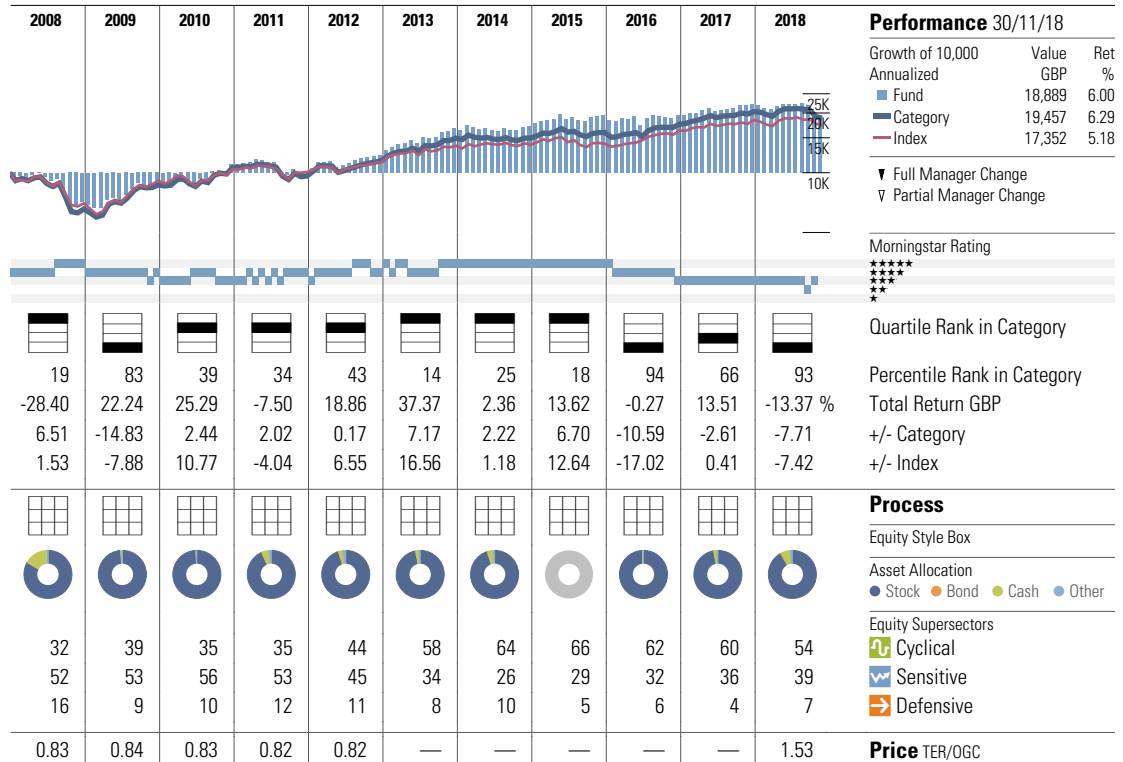
### People

Audrey Ryan 01/99

Total Named Managers 1

### Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive



### Analyst View

Simon Dorricott, CFA, Associate Director

### A good fund for investors looking to invest with an ethical mandate.

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#### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

#### Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

24 Aug, 2018 | Kames Ethical Equity remains a good option for those looking to invest in a UK equity fund with fairly strict ethical criteria.

Since January 2000, the fund has been managed by Audrey Ryan, who has been involved with the strategy since joining Kames in 1997. While Ryan concentrates on the investment process, we like the fact that the ethical screening process, and therefore construction of the investment universe, is the separate responsibility of Ryan Smith, head of corporate governance and ethical research.

On the investment side Ryan benefits from the support of a UK equity team that is well-resourced and experienced. The team had been extremely stable, but there have been changes over recent years, with the promotion of Stephen Adams to head of equities, the departures of Peter Shaw, David Griffiths, and Alice Cooper, and the promotion of Philip Haworth to deputy head of equities. These moves slightly reduced our positive view of the team but it remains reasonably well resourced.

Ryan makes good use of the team's stock research and thematic views when constructing the portfolio. However, the ethical constraints may mean she is unable to access some of the

team's high-conviction ideas. In the past, the stock substitutions she has made have been beneficial, but more recently there is less evidence of this and we have seen a period of weaker relative returns. Shorter-term performance has been affected by headwinds related to the strict ethical criteria and some weakness in the UK team's stock selection that has not been offset by Ryan. Despite this recent weakness, over Ryan's tenure the fund has still performed in line with the UK Flex-Cap Equity Morningstar Category and well ahead of the FTSE All-Share Index. Investors must be aware that the ethical nature of the mandate does lead to significant active sector positions and a bias to mid- and small-cap stocks versus the FTSE All-Share Index.

While short-term numbers have been disappointing we retain a positive outlook, and feel the manager and team have the potential to turn performance around. The fund retains a Morningstar Analyst Rating of Bronze.

# Morningstar Global Fund Report

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	2016	2017	2018
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

### The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

#### People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

#### Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

#### Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

#### Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

#### Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

**Morningstar Analyst Ratings**

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

**Gold**

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

**Silver**

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

**Bronze**

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

**Neutral**

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

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**Under Review**

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

**Not Ratable**

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