

# Kames Ethical Cautious Managed Fund GBP B Inc

## GB00B7TCPG66

**Morningstar Analyst Rating**  
**Neutral** 29 May 2020  
 13:03, UTC-0500

**Morningstar Category**  
 GBP Moderate Allocation

**Category Index**  
 Morningstar UK Moderate

**Total Assets**  
 381.62  
 Mil GBP

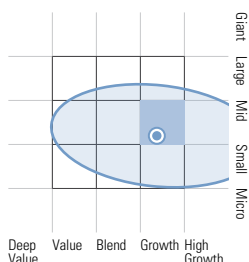
**Current Yield %**  
 2.85

**Inception Date**  
 14/05/13

**Domicile/Currency**  
 GBR/GBP

**Morningstar Rating**  
 ★★

### Equity Style Map

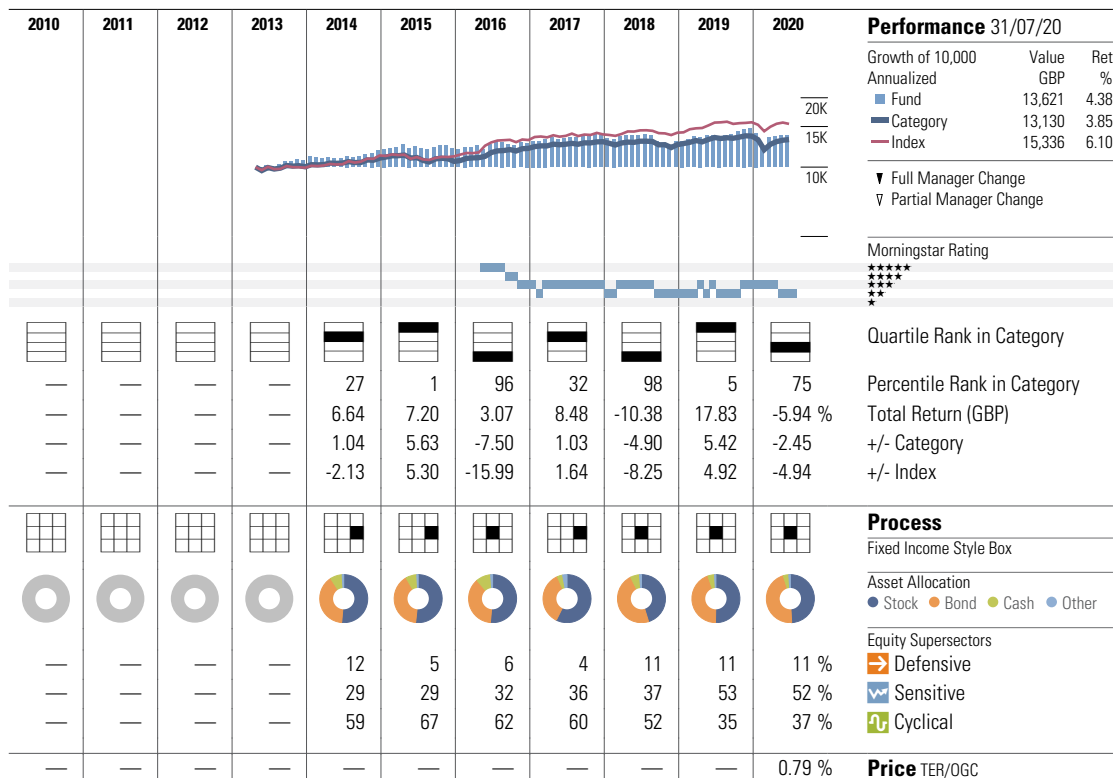


### People

Audrey Ryan	03/07
Iain Buckle	05/10
Total Named Managers	2

### Morningstar Pillars

Process	Above Average
Performance	
People	Average
Parent	Average
Price	



### Analyst View

**Rajesh Yadav**, Senior Analyst

### Suitable choice for investors looking for an equity and bond fund with strict ethical criteria.

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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>

29 May, 2020 | The Kames Ethical Cautious strategy is run by a long-standing duo who has seen high team turnover around them. We still believe they work well together in employing this ESG investment process, but under our enhanced ratings framework, which places a greater focus on fees and benchmark-relative performance, the Morningstar Analyst Rating for the B clean share class is lowered to Neutral from Bronze. More-ex-pensive share classes are also rated Neutral.

Comanagers Audrey Ryan and Iain Buckle are long-established in the ethical space, having also run, respectively, Bronze-rated Kames Ethical Equity since January 1999 and Neutral-rated Kames Ethical Corporate Bond since October 2009. Their tenure on this strategy dates from launch in 2007 for Ryan and 2010 for Buckle, and they are supported by Kames' UK equity and fixed-income teams. Both of these have seen some personnel changes in the past couple of years. These changes along with the departure of Ryan Smith, head of the ESG research team, continue to hold back our conviction, but we still recognize the duo's long tenure being a key influence to the success of this strategy.

The investment process includes both top-down and bottom-up inputs. However, the strict

ethical screening dominates the overall positioning of the portfolio and generally leads it to look very different from unrestricted peers in the GBP moderate allocation Morningstar Category. In particular, the equity portion has a UK small- and mid-cap bias, with a relatively high weighting in consumer cyclicals. This is down to the exclusions, which result in little exposure to mining and energy, no tobacco, and no banks with investment banking arms. On the fixed-income side, the focus is mainly on higher-rated corporate bonds. These differences, along with having a UK mandate (the majority of peers invest globally) can lead to significant performance divergences. During 2016, this meant a severe headwind following the Brexit referendum when UK stocks, especially small- and mid-cap cyclicals dependent on the domestic consumer, lagged. The underperformance continued in 2018 as Brexit related uncertainties held back most sterling-denominated assets. Nevertheless, its long-term record over the managers' tenure remains strong and supported by a competitive overall cost.

# Morningstar Global Fund Report

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	2018	2019	2020
 Gold			
 Silver			
 Bronze			
<b>Neutral</b>			
<b>Negative</b>			
<b>Under Review</b>			
<b>Not Rateable</b>			

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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.

**Negative**

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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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