

## Explained: The Unicorn UK Ethical Income Fund

[With the upcoming MIFID II changes requiring advisers to incorporate ESG considerations with client suitability](#), we are going to look in the coming weeks at how the [Unicorn UK Ethical Income Fund](#) can benefit the increasing number of clients looking for ethical and sustainable solutions for their investments.

The UK Ethical Income Fund's strategy applies a robust three stage ethical screening process to the successful, longstanding Unicorn UK Income Fund strategy (which ranks 1/38<sup>1</sup> in the sector for total return since launch in 2004), removing any stocks with business exposures which are incompatible with the Fund's ethical screening criteria.

### Stage 1: MSCI Negative Screen

#### STRATEGIC REVENUE THRESHOLD

0%	TOBACCO MANUFACTURE
0%	GAMBLING
0%	GENETIC ENGINEERING
0%	ANIMAL WELFARE
0%	ADULT ENTERTAINMENT
5%	ALCOHOL
5%	DEFENSE & WEAPONS

The first stage of the screening process, the MSCI Negative Screen, removes companies which have a strategic revenue exposure to the restricted sectors (as per table).

This stage of the process is a simple pass or fail screen. The analysis is performed independently by MSCI and instructs the Ethical Officer which companies are eligible to proceed to stages 2 and 3 of the screening process

This stage is seen by the managers as the "sleep easy" test . Although there is no universally accepted code of ethics it gives investors satisfaction that their hard earned money is not being put to work in companies that derive revenue and profits from areas of business with which they are not comfortable. This can also have the benefit of avoiding areas of heightened business risk, where excluded companies may be exposed to either regulatory intervention or increased public scrutiny. This stage removes one company held in the sister fund.

[Click here](#) to see the latest factsheet.

## Process in action



One of the stocks in the Unicorn UK Income Fund which is excluded from the Ethical Fund is Hollywood Bowl. Whilst not initially an obvious exclusion alcohol sales account for over 10% of the company's revenue which exceeds the 5% limit in the MSCI screen. This is the only company removed as part of the negative screen.

## Ratings



<sup>1</sup>FE Analytics 30/04/2020

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