

## Explained: The Unicorn UK Ethical Income Fund



Over three documents we are looking at the process Unicorn Asset Management use to judge if a company held in their sector leading UK Income Fund qualifies for inclusion in their higher conviction Unicorn UK Ethical Income fund.

[See here for stage 1: The Negative Screen](#), this week we consider stage 2:

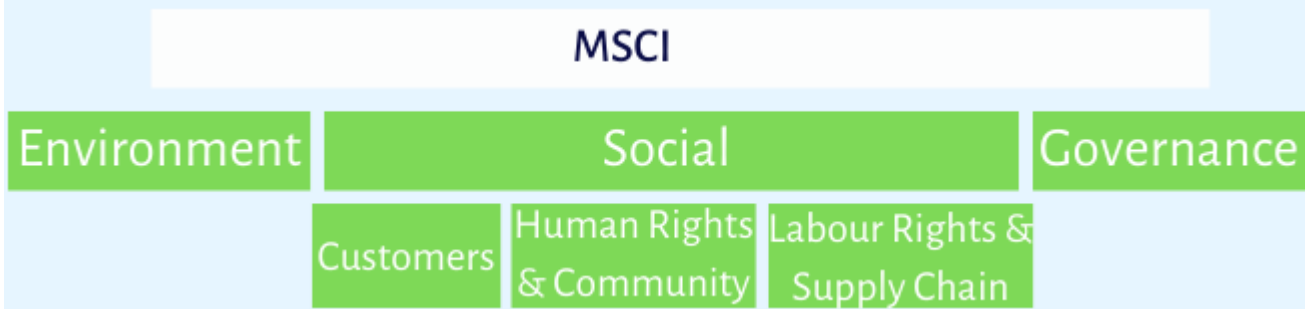
## Stage 2: Environmental, Social and Governance Appraisal

The second stage of the screening process 'provided by industry leaders MSCI' investigates and assesses controversies involving the impact of company operations that allegedly violate national or international laws, regulations, and/or commonly accepted global norms.

This stage of the process assigns a simple traffic light system of flags based on the level of any issue. Red flags indicate at least one very severe controversy and are immediately excluded from the portfolio with amber flags judged case by case. A key strength of this system is the independence provided by MSCI.

Any issues highlighted by MSCI are then assessed by the Ethical Officer at Unicorn (who sits

separate to the fund managers). Only companies that make it through stages 1 & 2 are eligible to proceed to stage 3 of the screening process.



This stage assesses a business' behaviour, speaking to management teams to understand how they view their impact on the environment, sustainability and what they view as good corporate governance. A company unified on these views and decisions will be better able to make decisions which benefit all stakeholders leading to more sustainable growth over the long term.

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

## Process in action

In the portfolio's current composition, this stage does not rule out any of the companies held in the Unicorn UK Income Fund. By ensuring good corporate governance, environmental and social behaviour the managers feel that the investee companies are well positioned to continue to grow sustainably and responsibly over their long term investment horizon.

**Past performance is not a guide to future performance. The value of investments & the income from them may go down as well as up & investors may not get back the full amount of their original investment.**

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