

## Explained: The Unicorn UK Ethical Income Fund



Over three documents we have been looking at the three stage process Unicorn Asset Management use to determine if a company held in their sector leading Unicorn UK Income Fund is also suitable to be held in the Unicorn Ethical Income Fund.

Having looked at stages [one](#) and [two](#), this week we consider the third and final stage:

### Stage 3: Unicorn Assessment

Prudent approach  
to end market  
exposure

Business practices do not  
have negative social  
impact

Long term, high  
conviction approach is  
supportive

Adherence to UAM  
corporate governance  
policy

The third stage of the screening process is Unicorn's internal assessment carried out by Managers Simon Moon and Fraser Mackersie and the Ethical Officer at Unicorn. The assessment utilises Unicorn's in-depth understanding of the underlying business models of the investee companies made possible by the high level of corporate access to company

Direct board level  
interaction

Regular company  
meetings & site visits

Small and mid cap  
models are often simple  
and transparent

Dedicated in-house  
ethical officer

corporate access to company management teams. Prudence is always applied and companies are removed which are deemed to have significant exposure to the excluded business practices, regardless of whether the exposure is direct or indirect.

This stage of the screening process is ongoing and removes companies on a qualitative basis.

The Unicorn Assessment is important in identifying companies which may not immediately fail the MSCI Negative Screen, perhaps due to lack of reporting disclosure or falling below an exposure threshold and applying a level of prudence as to whether the stock should be considered for inclusion in the Ethical Income Fund. It is typically the stage of the screening process where most stocks are omitted due to the high level of prudence adopted.

[Click here](#) to see the latest factsheet. The Fund was recently added to Trustnet's approved list, [click here](#) to read more.

**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.**

## Process in action

This stage rules out the five stocks held in the Unicorn UK Income Fund, for the following reasons:

- **Military Revenues: Signature** - Engine services to non-combat aircraft, **Bodycote** - Heat treatment and thermal processing to military customers, **Discover IE** - Components to non-weapons systems.
- **Tobacco/Alcohol Revenues: Clipper Logistics** - Warehousing and logistics services to tobacco companies, **Sainsbury's** - sale of alcohol and tobacco products.

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