Waverton European Capital Growth Fund TCFD Product Report 2024

Fund aim

The investment objective is to generate capital growth by investing in a concentrated portfolio of equities selected from European markets. Overwhelmingly, but not exclusively, the managers invest in companies that are at the larger end of the capitalisation scale.

Investment style

The Fund invests in wealth creating companies at attractive valuations. Building concentrated portfolios from the bottom up, unconstrained by the composition of the Fund's benchmark index, the managers seek to make a small number of long-term investments, primarily in growing companies, with strong management and operating in favourable business environments.

Fund facts

Launch Date	3 April 2001
Morningstar Category	Europe Ex-UK Equity
Benchmark	MSCI Europe ex UK Index
Fund Size	GBP 255.5m
No. of Holdings	36
Domicile	Ireland
Sedol	BF5KTG8
Bloomberg Code	WAVECIE ID
Fund Type	OEIC
Base Currency	EUR
Other Currencies	GBP, USD
Ex Dividend Dates	30 April and 31 October

Waverton's approach to TCFD

At Waverton, we fully recognise our responsibility to help drive positive environmental change, but also acknowledge that meaningful change on a global scale will take time.

We believe this necessitates a pragmatic approach, where we actively engage with companies in all sectors and focus on their direction of travel. We seek to identify those that can successfully adapt to and mitigate ESG risks over time and, while we invest in many companies with good ESG credentials, investing in companies that play an important role in the transition to a low carbon economy is also an important consideration.

This TCFD product report aligns with UK regulatory requirements as well as with Waverton's overall approach to managing climate-related risk and opportunities, which we set out in our TCFD report.

Climate risk

There are various metrics used to identify, measure and report on the climate-related risks of companies. Regulatory disclosure requirements, and a full understanding of the data, have been key considerations for our metric selection and information disclosure. Avoiding anything that could be subject to significant recalculation on an annual basis, misleading or misinterpreted has been a primary focus.
The key component across many metrics, including ITR and CVAR, is carbon emissions. While measurement and reporting of this by companies still needs to show significant improvement, we have initially focused on collating and reporting the aggregate total from our direct equity investments. Part of this included manual standardisation of the reported data to ensure more consistent reporting.

We focus on our equity holdings for now, as the reported carbon data is more prevalent across this asset class and direct equities accounted for close to 70% of Waverton's total AUM as at 31 December 2024. In due course, we will progressively expand reporting to include all assets classes as the relevant data becomes available.

WAVERTON EUROPEAN CAPITAL GROWTH FUND EMISSIONS	2023	2024	% CHANGE
Scope 1 & 2 Financed Emissions tCO2e	7,935	9,850	+24.1%
Scope 3 Financed Emissions tCO2e	123,749	116,062	-6.2%
Total Portfolio Financed Emissions tCO2e	131,684	125,913	-4.4%
Total Carbon Footprint tCO2e / £m Invested	811	707	-12.9%
Total Portfolio Sales Intensity tCO2e / £m Sales	1,559	1,320	-15.3%
Weighted Average Carbon Intensity tCO2e / £m	1,339	1,401	+4.6%

15 largest contributors to financed emissions

	% EQUITIES WEIGHT	EMISSIONS FISCAL YEAR	SHARE OF Co TOTAL EMISSIONS tCO2e	% OF TOTAL FINANCED EMISSIONS	SCOPE 1&2 tCO2e	SCOPE 3 tCO2e	TOTAL tCO2e
GEA Group Aktiengesellschaft	3.6%	2023	26,453	21.0%	58,918	29,298,907	29,357,825
Siemens Aktiengesellschaft	4.5%	2023	23,256	18.5%	550,000	483,188,000	483,738,000
Shell Plc	1.5%	2023	15,299	12.2%	57,000,000	1,147,000,000	1,204,000,000
Autoliv Inc Shs Swedish DR	3.4%	2023	8,716	6.9%	358,000	10,540,000	10,898,000
Kongsberg Gruppen ASA	3.8%	2023	7,619	6.1%	10,143	18,280,986	18,291,129
Konecranes Oyj	3.7%	2023	7,170	5.7%	40,600	5,245,400	5,286,000
Barry Callebaut AG #	2.0%	2023	6,417	5.1%	247,104	13,168,697	13,415,801
Smurfit Westrock PLC #	3.9%	2023	4,672	3.7%	7,680,596	9,652,663	17,333,259
UPM-Kymmene Oyj	2.7%	2023	3,785	3.0%	3,861,000	7,610,000	11,471,000
Deutsche Post AG #	2.5%	2023	3,393	2.7%	8,300,000	30,970,000	39,270,000
Air Liquide SA	2.6%	2023	3,126	2.5%	37,617,000	21,075,000	58,692,000
Technip Energies NV	3.2%	2023	1,968	1.6%	18,845	1,597,602	1,616,447
Linde plc	3.0%	2023	1,913	1.5%	37,282,000	25,394,500	62,676,500
Metso Corporation	2.0%	2023	1,909	1.5%	32,181	4,052,000	4,084,181
Sandvik AB	2.5%	2023	1,873	1.5%	141,000	9,000,000	9,141,000

# Indicates new addition to Top 15

Sources: Waverton, Morningstar, MSCI, FactSet, Company data. Data as at 31 December 2024.

Attribution

To provide a clearer explanation of the key drivers for the changes in financed emissions, the table below provides attribution analysis calculated for equity holdings between December 2023 and December 2024

CHANGE IN FINANCED EMISSIONS ATTRIBUTION	tCO_2e
Top 15 Financed Emissions as at 31 Dec 23 - Emissions Year 2022	**142,926**
Change in Reported Emissions for New Additions to Top 15	+6,970
Change in Reported Emissions for Unchanged Top 15 Stocks	-2,192
Change due to AUM & Stock Selection	-21,973
Change due to Stocks Relegated or Sold from Top 15	-8,161
Top 15 Financed Emissions as at 31 Dec 24 - Emissions Year 2023	**117,570**

Data and Methodology

We acknowledge that measurement and reporting of GHG emissions by companies still needs to show significant improvement and we have made every effort to manually standardize the reported data to ensure more consistent reporting. For full transparency, we include the data inconsistencies across fiscal year and coverage in the tables below.

PROFILE OF EMISSIONS DATA AVAILABILITY - % OF AUM	2023	2024	DIFFERENCE IN %
Scope 1	96.9%	100.0%	+3.1%
Scope 2	90.5%	100.0%	+9.5%
Scope 3	96.3%	100.0%	+3.7%

The methodology used to calculate financed emissions and intensity metric is in line with the TCFD, FCA ESG Sourcebook and PCAF. The financed emissions of a loan or investment in a company are calculated by multiplying the attribution factor by the emissions of the respective borrower or investee company. The total financed emissions of a listed equity and corporate bonds portfolio are calculated as follows:

$$\textit{Financed emissions} = \sum_c \textit{Attribution factor}_c \times \textit{Company emissions}_c$$

(with c = borrower or investee company)

The attribution factor represents the proportional share of a given company - that is, the ratio of the outstanding amount to EVIC for listed companies and the total equity and debt for bonds to private companies:

For listed companies:

$$\textit{Financed emissions} = \sum_c \frac{\textit{Outstanding amount}_c}{\textit{Enterprise Value Including Cash}_c} \times \textit{Company emissions}_c$$

A key consideration in applying these formulae is the consistency between the calculation of EVIC and the value of portfolio holdings, which determine the share of GHG emissions. We have found in some third party models this rigour is absent. Therefore, we have created our own model for firm and product level reporting, developed in conjunction with Factset, predominantly utilising MSCI GHG emissions data and FactSet financial data. The MSCI GHG emissions data is supplemented by data taken from directly from the latest investee company disclosures, which is some cases is more up to date, or judged to be more accurate.

The protocols we are using for the calculation of a company EVIC and revenue are:
- Total market value as at portfolio valuation date and aligned with portfolio currency.
- Company balanced sheet values (minorities and total debt) aligned to the latest GHG emissions fiscal reporting period and portfolio currency.
- Company revenue aligned to the latest GHG emissions fiscal reporting period and portfolio currency.

For more information or questions on this report please contact sustainability@waverton.co.uk