

RMFunds >



RM Funds

Environmental, Social and Corporate Governance
Engagement Report

Welcome to the award-winning business at RM Funds. Our focus is on Alternative Investments where returns are not directly correlated to traditional fixed income and equity markets.

Headquartered in Edinburgh with offices in London, RM Funds has a team of analysts with a focus across private credit, specialist real estate and infrastructure. Such focus means we are superbly positioned to deliver above average and stable income returns whilst seeking to protect downside risks for investors.

Overall, the key theme across all of the RM strategies is income generation and capital preservation, coupled with low volatility. The bespoke strategies we run aim to achieve steady returns that match investors requirement for income in a post-global financial crisis landscape of low yields. Importantly we try to develop products which are not largely correlated to traditional equity and fixed income assets and are therefore relevant to any investor seeking investment opportunities away from debt or equity funds.

James Robson

Senior Team Members

Whether a request for a portfolio update or a distribution enquiry, the team are always delighted to answer investor questions.



James Robson

Chief Investment Officer

James is Lead Portfolio Manager for the SVS Infrastructure Bond Fund and Co-Manager of listed Investment company, RM Infrastructure Income PLC. James started his career at HSBC in 1997 and latterly ran the HSBC European Corporate Credit Trading business. After working at Dresdner Bank and RBS he set up RM Capital in 2010 and has been instrumental in the growth and development of the business. James sits on the Risk Committee and the Board of RM Capital. With over 25 years of experience in credit investing and lending he gives excellent oversight across the firm's strategies.



Pietro Nicholls

Portfolio Manager

Lead Portfolio Manager for the VT RM Alternative Income Fund, and Former Co-manager of the listed investment trust, RM Secured Direct Lending PLC.

Pietro previously worked at Bear Stearns, JP Morgan and Barclays Corporate & Investment Banking business before joining RM Funds to head up the Investment team in 2013. Pietro has c.18 years of extensive experience structuring, executing, and managing alternative assets including private credit, real estate, and infrastructure. Pietro is a member of the Investment Committee and Board of RM Capital.



James Satterthwaite

Head of Distribution

James' career began at Barclays Capital, working with institutional investors on the UK Fixed Income team. With a Credit Sales background, James joined RM in early 2011 to grow distribution to UK institutions. His focus has been to broaden and deepen these relationships, and he enjoys touring the country to meet with investors and demonstrate where RM Funds products can benefit client portfolios. James feels a key part of the distribution role is to provide feedback to the portfolio managers on investor requirements, helping RM take a solutions-led approach to developing fund strategies. In addition, James is on the Board of RM Capital.

Introduction

At the start of 2022, RM Funds initiated a focused Environmental, Social and Corporate Governance (“**ESG**”) engagement initiative, targeting both current and prospective investee companies. To date, we have completed two cycles of ESG reporting and have forged meaningful connections with nearly 30 companies within our investment portfolio.

Our sustainability efforts yield significant advantages. Initially, understanding the ESG risks and opportunities is crucial for evaluating investments. Due Diligence Questionnaires (“**DDQs**”) are instrumental in this process, offering deep insights into a company's ESG policies, practices, and outcomes, thereby guiding our investment choices.

Moreover, our engagement on ESG and sustainability matters encourages companies towards adopting responsible business behaviors. Opening channels of communication, we motivate these firms to integrate sustainable practices, diminish their environmental footprints, bolster social responsibility, and strengthen governance. This process not only diminishes potential risks but also enhances the prospects for enduring financial health and adaptability.

Additionally, ESG interactions increase both transparency and accountability. Through DDQs, we advocate for better ESG disclosures and compliance with reporting standards, a move critical for stakeholders and investors demanding clarity on ESG risk management and commitment to sustainable development.

ESG considerations also stimulate innovation and operational efficiencies. By engaging on these fronts, we nudge companies towards seeking novel solutions, optimizing resource usage, and implementing cost-effective practices that potentially provide a competitive edge.

In essence, our practice of issuing DDQs and actively engaging with companies on ESG and sustainability not only embodies a conscientious investment philosophy but is strategically astute. It empowers us to make well-informed investment decisions, foster ethical business conduct, amplify transparency, and instigate constructive transformations within our portfolio, ultimately serving the dual purpose of benefiting our investors and contributing positively to societal welfare.

[Dr June Tran], [Investment Analyst] [(ESG Lead)]

Case Study

UN SDG Target: 13 / Climate Action

Take urgent action to combat climate change and its impacts.

Contribution and Strategic Alignment:

RM Funds is acutely aware of the importance of heightening awareness and action towards climate change mitigation. Transitioning from the dependency on fossil fuels towards the embrace of renewable energy sources stands at the forefront of efforts to curb the negative impacts of climate change on society and the environment. Renewable energy not only presents an eco-friendly and cost-effective alternative but also plays a pivotal role in minimizing harmful air pollution associated with fossil fuel consumption.

In making investment decisions, we seize the opportunity to diminish the carbon footprint of our investment portfolio and steer our financial resources towards facilitating a shift to greener energy alternatives. We actively encourage the companies within our investment sphere to establish and report on quantifiable targets for reducing greenhouse gas emissions, underscoring their contribution to a more sustainable and cleaner energy landscape.

Cordiant Digital Infrastructure, CORD: LN

Cordiant Digital Infrastructure Ltd (CORD), a Guernsey-based closed-end fund, specializes in investments in operational Digital Infrastructure Assets, including data centers, mobile telecom/broadcast towers, and fiber-optic network infrastructures. Initially, in early 2022, following a Due Diligence Questionnaire (DDQ) response from CORD, it became apparent that the fund did not have a clearly articulated goal for environmental performance, nor did it disclose its emissions data.

In response, the ESG team at RM Funds initiated engagement by sending a letter to CORD, highlighting the importance of establishing environmental performance benchmarks and the adoption of renewable energy. The follow-up DDQ received in early May 2023 revealed significant progress: CORD's Investment Manager had set a concrete environmental performance goal. This involved enhancing operational efficiencies at the asset level and optimizing the power supply mix towards a greater reliance on renewable energy sources.

An exemplary action within CORD's portfolio includes a commitment by their portfolio company, CRA, in 2022, to switch to 100% renewable energy within three years—a goal towards which they've made significant strides. CRA is now investigating the potential for on-site renewable energy generation alongside their efforts to purchase renewable energy. Furthermore, CORD has commenced reporting on their emissions this year, providing a framework through which we can evaluate their sustainability efforts against their environmental objectives.

Case Study

UN SDG Target: 7 / Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all.

Contribution and Strategic Alignment:

The principal aim of several firms within our portfolio centers on supplying energy solutions that are both economically viable and eco-friendly, with a yearly commitment to augmenting their capacity for renewable energy production.

Next Energy Solar Fund PLC, NESF: LN

Next Energy Solar Fund (“**NESF**”) is a UK-based renewable energy investment firm, specializing in solar assets across the UK and Europe.

During RM Funds' initial outreach to NESF in 2022, it was noted that the company had yet to implement a comprehensive set of environmental improvement measures, particularly lacking in a supply chain monitoring process for sourcing photovoltaic (PV) panels—an area of significant ESG interest among solar energy investors. Addressing these gaps, the ESG team at RM Funds dispatched an engagement letter to NESF, urging the adoption of formal strategies to address these concerns.

Subsequent interactions with NESF have revealed substantial advancements. Notably, NESF has broadened its environmental initiatives, surpassing its initial goals related to greenhouse gas (“**GHG**”) emission reductions. The company has initiated a series of biodiversity projects across their properties, developing bespoke management plans to suit the distinct ecological characteristics of each location. Moreover, NESF has significantly refined its supply chain oversight and engagement protocols since our first contact. They have introduced an in-house assessment framework for vetting PV module suppliers, focusing on scrutinizing the origins of products and materials, employment practices, adherence to human rights standards, environmental and emissions footprints, and manufacturing methodologies. Additionally, NESF has taken a leadership role in the Solar Stewardship Initiative (SSI), aimed at fostering comprehensive supply chain transparency and establishing a complete supply chain assurance system by the end of 2023.

RM Funds is keenly anticipating further updates on NESF's ESG commitments and their continued evolution in this vital area.

Case Study

UN SDG Target: 8 / Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient, and sustainable.

Contribution and Strategic Alignment:

As an investor focusing on real assets, particularly within the realms of environmental and social infrastructure, RM Funds significantly prioritizes the potential impact of our investments on enhancing the buildings and surroundings that accompany us throughout various stages of our lives.

Pantheon Infrastructure PLC, PINT: LN

Pantheon Infrastructure Plc allocates capital across a varied range of global infrastructure assets, spanning digital, utilities, transport, education, and healthcare sectors.

Upon commencing interactions with PINT in May 2022, RM Funds observed with some surprise that PINT had not yet formalized an ESG and Sustainability Policy. Moreover, the company lacked specific investment allocation guidelines regarding ESG criteria and had not provided any portfolio-level information on greenhouse gas emissions.

To address these gaps, RM Funds reached out to PINT in August 2022, emphasizing the critical need for a well-defined ESG Policy. Such a policy would lay down the foundations for PINT to enhance its commitment to sustainability and provide clear directions for sustainable development. RM Funds further encouraged PINT to set up environmental benchmarks and objectives. This initiative would not just steer investment strategies but also facilitate the monitoring of PINT's environmental achievements.

RM Funds' ESG Strategy for 2024


As we project our plans into 2024, aligning with our fund investment strategies and philosophy, our ESG team will intensify focus on themes particularly relevant to Real Estate.

Our objective is to motivate investee companies to significantly improve social and environmental standards for occupants and the wider community.

Under the guidance of UN Sustainable Development Goal 11 – aiming for Sustainable Cities and Communities – we at RM Funds will be actively engaging with companies to spotlight our dedication towards seeing advancements in critical areas:

1. Ensuring provision of adequate, safe, and affordable housing along with essential services.
2. Diminishing the negative environmental footprint of buildings, with a keen focus on enhancing air quality and managing municipal and other forms of waste efficiently.
3. Advocating for the adoption of inclusive policies and strategies that promote resource efficiency and effective responses to climate change through mitigation and adaptation measures.

This strategic approach is a testament to RM Funds' enduring commitment to fostering significant social and environmental progress within the sphere of real estate, contributing to the creation of sustainable and resilient communities.



**Capital at risk.
Past performance
is not a guide to
future returns.**

RM Capital Markets Limited is a company registered in Scotland under number SC380707 whose registered office is at 7 Castle Street, 4th Floor, Edinburgh EH2 3AH. RM Capital Markets Limited is authorised and regulated by the Financial Conduct Authority, Number 562209. RM Funds is a trading name of RM Capital Markets Limited. Past performance is not a guide to future returns and there is a risk of loss of capital. The shares and the income from them can go up as well as down. The yield target is an objective and is not guaranteed. Full details of the fund specific risks are available in the fund Prospectus and the Key Information Documents available on the company website. Any investor is strongly recommended to obtain advice from a suitably qualified investment professional prior to committing to any investment. This advert has been approved as a financial promotion under s21 of the Financial Services and Markets Act 2000 by RM Capital Markets Limited.