

## We're improving the fund you're invested in

### Here's what you need to know

We're always looking for ways to improve how your money is invested, so we're making some changes to the Virgin Climate Change Fund.

As you're an investor in our Climate Change Fund we know that protecting the environment is as important to you as generating good returns. We believe our changes will improve the environmental focus of the fund and deliver better investment results over the longer term.

### What's changing?

- 1 Going global** – your fund currently invests at least 80% in European companies, but climate change is a global issue and it needs global solutions. The fund will now seek out more opportunities from around the world, investing in companies providing solutions for climate change and adopting best environmental practice. We believe investing across more countries will help deliver better returns in the future.
- 2 Clearer investment policy** – the new investment policy will be clearer on the types of companies we will invest in, as well as those we will not. We won't invest in companies with material revenues from fossil fuels, tobacco or prohibited weapons<sup>†</sup>. We'll also only invest in companies that are part of the UN Global Compact sustainability initiative, which focuses on human rights, labour, environment and anti-corruption principles.
- 3 New benchmark** – the benchmark we measure performance against will change from MSCI Europe to MSCI All Countries World, in keeping with the new global approach.
- 4 New Investment Adviser** – we're replacing MAN GLG with abrdn as our Investment Adviser. These are the experts who do all the company-specific research and pick which shares the fund holds. abrdn do this for all our other funds and are joint owners of Virgin Money Unit Trust Managers Limited.
- 5 Reduced annual management charge** – we believe the changes improve the fund, but we're not stopping there. We're also reducing the annual charge from 1.3% to 1.0% year.

<sup>†</sup> cluster munitions and anti-personnel landmines, and any other weapons prohibited under international conventions.

Take a look at the new Investment Objective and Policy in the enclosed leaflet for more details.

**We'll make these changes on or around 15 July 2022. There's nothing you need to do.**

Continued overleaf...

## Are there any risks associated with these changes?

In terms of environmental performance, we think the new strategy will have a more positive impact on climate change. We'll increase the proportion of your fund invested in companies that we consider to be 'solution providers', so we don't see any risk of failing to deliver on the environmental objectives of the fund. See the new Investment Policy for further detail about the type of companies the fund will invest in.

In terms of investment performance, nothing is guaranteed. As we're reducing the proportion of money invested in European companies, the main risk is that Europe outperforms other markets in the future, resulting in lower investment returns than if we kept the fund as it is. Also, as more of your money will be priced in other currencies, the value of your investment (in pounds) can fall if Sterling rises in value compared to these currencies - and vice-versa. However, we believe investing globally and across more companies will mean a better balance of risk and return compared to now.

## The cost of making these changes

There will be some transaction costs in making the changes, as we'll be selling the majority of shares the fund owns to buy new ones in line with the new investment approach. We expect it to be no more than 0.75% of the value of the fund. This will happen behind the scenes and reduce the unit price (and consequently the value of your investment) at the time of the change.

Over the medium to long term, we believe the additional potential return from the new approach, combined with the lower ongoing annual management charge, will more than make up for the cost of making the changes.

## What if I don't like these changes?

We believe these changes improve the environmental credentials and performance potential of the fund, and will be well received by our customers. However, we're giving you plenty of notice in case you decide they're not for you.

If you're not happy with the changes, you can switch to any of our other funds at no cost. You can also transfer your money to another provider. We won't charge you anything to leave but we'll be sorry to see you go.

## What if I have some questions?

Take a look at the enclosed leaflet which includes information on the investments within the fund and past performance. If you need anything else, just give us a call on **03456 10 20 30\*** between 8am-9pm, Monday to Friday, and 9am-6pm on Saturdays. We'll be happy to help.

## The team at Virgin Money

\*Calls may be monitored and recorded. Calls to 03 numbers cost the same as calls to 01 and 02 numbers and they are included in inclusive minutes and discount schemes in the same way.

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MONEY

The word "MONEY" is written in a large, white, sans-serif font. The letter "O" is replaced by a white circle containing the "Virgin" logo in its signature red script font. The background is a solid red color with large, faint, overlapping white and pinkish-red abstract shapes that resemble the Virgin logo's swoosh.

We're improving  
our Climate  
Change Fund

In this leaflet you'll find out about the key changes to the fund, where it will invest and how it's performed in the past. Please read it carefully.



# Key changes to the Virgin Climate Change Fund

The table below shows the current annual charge, the Investment Objective and Policy, and what these will change to.

	Current	New (from 15 July 2022)
<b>Annual charge</b>	1.3%	1.0%
<b>Investment Objective</b>	<p>The investment objective of the Fund is to provide capital growth by investing in the listed shares of companies based on their commitment to positive environmental business practices. The Fund aims to provide a total return (income and capital growth) which is benchmarked against the MSCI Europe Index. This index represents the performance of hundreds of shares across Europe. By actively selecting which shares to invest in, the Fund aims to beat the returns of this index, measured over periods of three years or more, less charges.</p>	<p>The Fund aims to grow your money over the longer term (five years or more) by investing in the listed shares of companies from around the world that develop or use products and services designed to maximise resource efficiency, support the transition to a low carbon economy and address wider environmental challenges. The Fund aims to provide a total return (income and capital growth) which is benchmarked against the MSCI All Countries World Index GBP. This index represents the performance of hundreds of shares from around the world. By actively selecting which shares to invest in, the Fund aims to beat the returns of this index, after charges, measured over periods of three years or more.</p>

	<b>Current</b>	<b>New (from 15 July 2022)</b>
<b>Investment Policy</b>	<p>The Fund aims to achieve the objective by investing a minimum of 80% in the shares of companies domiciled in Europe, including the UK, with up to 20% invested outside of Europe. As most of the shares owned by the Fund are denominated in currencies other than Sterling, the Fund uses derivatives to reduce the impact of currency exchange rate movements.</p> <p>The Fund invests in the shares of listed companies that have a better than average “environmental footprint” for their industry sector, or who are actively developing or adopting products and/or services which benefit the environment. Environmental footprint is measured by the quantity of natural resources used or pollutants emitted, with consideration given to the impact on society of each type of resource or emission. This company-by-company analysis is provided to the Investment Adviser by an independent expert.</p> <p>Following consideration of the environmental footprint analysis described above, the Investment Adviser is free to choose which company shares to invest in. Shares are selected based on their return potential, whilst some companies may also be chosen because they are leaders in developing products or services which benefit the environment, or who actively use such products or services.</p>	<p>The Fund will typically invest in a concentrated portfolio of the shares of 35–45 companies from around the world selected by the Investment Adviser in keeping with the Investment Objective of the Fund described above. The Fund seeks to be fully invested at all times, but may hold cash (up to 5%) for cash flow and transactional purposes as deemed appropriate to manage costs.</p> <p>The Fund invests in companies providing products and services which enable businesses and society to transition to a low carbon economy or reduce their environmental impact in other ways (we refer to these companies as ‘solution providers’), and also companies who are leaders within their respective industries in terms of reducing emissions, waste or resource usage (we refer to these companies as ‘leaders’). The Fund will actively engage with the companies invested in to ensure that their products and services deliver on stated environmental and positive change or impact aims.</p>

## New (from 15 July 2022)

The Fund seeks to hold the shares of companies based on a medium to long term view (typically no less than 3–5 years); however, aside from changes in conviction around the financial case for investment, the Investment Adviser will sell shares in the event that a company falls outside of the criteria of companies the Fund can invest in as detailed in this policy.

The Fund will not invest in companies with material revenues (>10%) from tobacco manufacturing, or who are involved in the extraction or processing of fossil fuels (coal, oil and gas), controversial weapons, or companies that are not participants in the UN Global Compact sustainability initiative, which focusses on principles relating to human rights, labour, environment and anti-corruption.

As the Fund is actively managed, the Investment Adviser retains freedom of what companies to invest in, and also the geographical allocation across the Fund, as long as this is in keeping with the Investment Objective and Policy of the Fund. The Investment Adviser will use third party data on emissions and wider environmental impact, combining this data with proprietary research to form a view on which companies to invest in. The Fund will at all times seek to maintain a diversified portfolio of companies across different countries and markets in order to manage risk.

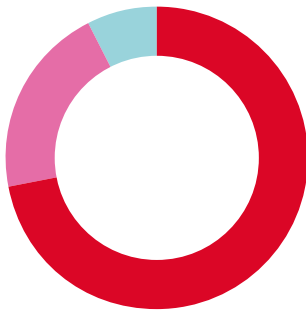
The benchmark is used as a reference point for portfolio construction; however, the Fund may deviate significantly from the benchmark, and may also invest in companies which are not included in the benchmark. A measure of how much a fund differs from its benchmark is known as tracking error (the standard deviation of the difference in returns), which is very low for a fund seeking to replicate the performance of a benchmark, and higher for actively managed funds. The Fund is expected to have a tracking error in the range of 4–10% measured over annual periods.

The Fund may use derivatives to reduce trading costs and generally for the efficient management of the Fund, for example managing money coming in and out of the Fund. The Fund will not use derivatives for speculative purposes or to increase the risk profile of the Fund.

# Where the Fund invests

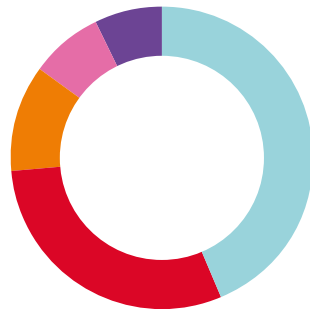
The pie charts below show how we expect your money will be spread across more countries and regions, so it's less reliant on Europe and the UK. The key change here is greater investment in the US – the world's largest stock market where innovation is often ahead of other markets. The split is based on the fund manager's current views, so it might be a little different after the changes are made in July 2022.

**Where the fund invests now**



- Europe ex-UK
- UK
- US

**Where it might invest from July 2022**



- US
- Europe ex-UK
- Asia
- UK
- Japan



The table below shows how the type of companies the fund invests in is expected to change. The biggest change will be an increase in companies within the industrials sector. How we make and use products is a key part of our new strategy, and where some of the most interesting environmental solution providers can be found.

The total number of companies the fund invests in is expected to rise from about 30 to 40. The fund will continue to actively manage which shares are held. That means the companies, industries and countries will change based on our Investment Advisers' research and views, but they'll always follow the Investment Objective and Policy.

<b>Industry breakdown</b>	<b>Current</b>	<b>New</b>
<b>Healthcare</b>	21%	4%
<b>Information technology (IT)</b>	17%	18%
<b>Industrials</b>	18%	36%
<b>Financials</b>	13%	0%
<b>Consumer discretionary</b>	11%	4%
<b>Energy</b>	6%	0%
<b>Consumer staples</b>	5%	7%
<b>Utilities</b>	4%	9%
<b>Materials</b>	2%	10%
<b>Real estate</b>	2%	9%
<b>Communication services</b>	0%	3%

This table shows a sample of the top 10 companies we might invest in based on our current thinking and research, and the way we might categorise them. For example, solution providers include Vestas Wind Systems who construct wind turbines and Samsung who manufacture batteries for electric vehicles.

Company	% of fund	Industry	Region	Category
<b>Samsung</b>	4.4%	IT	Asia	Solution provider
<b>Schneider Electric</b>	3.9%	Industrials	Europe	Solution provider
<b>NXP Semiconductors</b>	3.7%	IT	US	Solution provider
<b>Vestas Wind Systems</b>	3.6%	Industrials	Europe	Solution provider
<b>Microsoft</b>	3.6%	IT	US	Leader
<b>Autodesk</b>	3.5%	IT	US	Solution provider
<b>Orsted</b>	3.1%	Utilities	Europe	Solution provider
<b>Trane Technologies</b>	3.1%	Industrials	US	Solution provider
<b>Deere &amp; Co</b>	3.0%	Industrials	US	Solution provider
<b>Kornit Digital</b>	3.0%	Industrials	US	Solution provider

**Solution providers** are companies that provide products and services which enable businesses and society to transition to a low carbon economy or reduce their environmental impact in other ways. **Leaders** are companies at the forefront of their respective industry in terms of reducing emissions, waste or resource usage.



# Past performance comparison

Although past performance isn't a reliable indicator of future returns, it can be helpful to understand the performance of the current fund against the existing benchmark and the new benchmark.

The table below looks at the past 10 years. The total return over this time would have been 9.0% per year for the Virgin Climate Change Fund, 9.5% per year for the current European benchmark and 13.4% per year for the new global benchmark. Both the new and old benchmark assume no cost of investing.

	2012	2013	2014
<b>Climate Change Fund</b>	14.2%	27.2%	-1.2%
<b>Current benchmark</b> (MSCI Europe EUR)	16.4%	22.3%	5.2%
<b>New benchmark</b> (MSCI All Countries World GBP)	11.7%	21.2%	11.2%

Source: Lipper for Investment Management, net income reinvested.

**Past performance is not a reliable guide to the future. Remember, the value of your investments can go down as well as up and you may get back less than you invest.**

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<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
5.1%	-1.2%	13.5%	-6.1%	21.9%	7.3%	14.2%
5.5%	7.9%	13.7%	-10.0%	24.6%	-1.7%	22.6%
3.8%	29.4%	13.8%	-3.3%	22.4%	13.2%	19.6%

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# Any questions?

Just call a member of our team on **03456 10 20 30** and they'll do all they can to help.

You can reach them Monday to Friday 8am to 9pm, and 9am to 6pm Saturdays.