# PROSPER
## SOCIAL FINANCE

## Annual Report 2025

# Contents

# 1.0 Executive Summary

# 1. Executive Summary

This academic year has marked a very successful and exciting stage in Prosper's development. As we entered the second year of our second five-year phase, we sought to action many of the goals laid out last year.

This year, Prosper Social Finance has refined its approach to ESG principles, aligning our approach with the evolving industry landscape and staying true to our founding core values. As the investment industry increasingly debates the role of ESG, and in some cases pushes back, Prosper is moving beyond a view of ESG primarily as a risk mitigation tool. Instead, we are adopting an opportunity identification strategy, seeking companies where ESG considerations are fundamental to the entire investment narrative. Our focus is on identifying businesses that are genuinely addressing environmental, social, or governance challenges, and whose core operations create intrinsic social value. This approach allows us to look past the superficial aspects of CSR and 'greenwashing,' and to identify companies with the potential for long-term sustainable returns and transformative impact. Our investment philosophy and mission is centred on the principle that value-based investing can coexist with competitive returns.

In line with this, we have refined our strategy regarding 'hard-to-abate' sectors, including industries such as steel, cement, and shipping, which are vital to the global economy and the energy transition, but which can also have high carbon emissions. Prosper is committed to open and thorough analysis of the challenges and opportunities these sectors present. We believe it is crucial for our analysts and students to engage directly with these complex issues.

This year has also seen a significant expansion of our portfolio's geographical diversity. While historically focused on equities in Europe, the UK, the US, and Canada, Prosper has strategically diversified into seven new and promising areas. These include: Japanese pharmaceuticals, HVAC technology, Spanish electrical utilities, Latin American digital banking, Swedish industrial tools, Norwegian recycling technology, and Dutch semiconductors. These investment opportunities were identified and rigorously analysed by our analyst cohort.

We have strengthened and formalised our investment and divestment strategy to reflect our move towards financial independence. As we transition away from reliance on funding from the University of Edinburgh, we are moving towards a self-sufficient model, funding both new Analyst Training Programme investments and our social impact grants through our portfolio returns. This represents an exciting step, allowing us to fully realise the vision for Prosper Social Finance as conceived in 2018.

A true highlight of the year was Scotland's first social finance conference, which Prosper had the pleasure of organising! It was a fantastic opportunity to bring together passionate industry professionals and engaged students from across the social finance sector. We extend our deepest gratitude to all the attendees, organisers, and speakers who contributed to the resounding success of this event. The conference not only fostered valuable connections but also raised funds for our incredible social impact partner, Invisible Cities. Beyond the conference proceeds, we were thrilled to allocate the full £1000 from our impact grants to Invisible Cities, further amplifying our support for their vital work to train people who have experienced homelessness to become walking tour guides of their own city.

We are also thankful to our external advisory board, whose guidance has greatly strengthened our governance and provided us with valuable external and unbiased advice.

# 1. Executive Summary

Our training programmes have had another year of resounding success. We have trained a total of 365 analysts over the past 7 years. This year we trained 60 new Junior Analysts and 27 Senior Analysts. We are incredibly proud and thankful for their hard work this year.

As a completely student-run company, our autonomy constitutes a key part of our social impact and demonstrates the talent and drive of the students at the University of Edinburgh.

Our goal in this report is to showcase this drive and Prosper's continued commitment to its mission, core values, and the strategic plan that was pitched to the University of Edinburgh Social Responsibility and Sustainability (SRS) department, which includes:

- Influence through collaboration with organisations and universities around the world.
- Contribution to and enrichment of the local community through Social Impact Grants.
- Enabling students to build their own talent, skills, and employability.

This report also highlights:

- The performance of our investments, rebalancing, divestment and the refinement of the portfolio through reinvestigation into underperforming stocks.
- The fulfillment of Prosper’s mission to generate a positive social impact.
- Development of Prosper’s long term strategic goals in our Senior Analyst Programme.
- Our governance structure.
- The performance of our training programmes and implementation of new resources.
- Our management of ongoing and potential risks.

Now in our next five-year horizon, our focus is on ensuring the long-term stability and continuation of the Prosper mission through the pursuit of new funding and broader outreach. We are thankful to our growing network of external contacts, including those at Baillie Gifford Positive Change, and we place particular emphasis on utilising our vast alumni network through events like our 'Share Your Ideas' sessions. We also want to thank those at Stewart Investors who we have built a close relationship based on a shared similar investment philosophy.

Finally, we would like to express our gratitude to the University of Edinburgh for their continued support.

*Ethan Cohn*

Ethan Cohn
*Executive Director*

# 1. Meet the Team

**Ethan Cohn**
*Executive Director*

**Grace Westrup**
*Head of Investment Tracking*

**Cormack Ross**
*Director of Portfolio Research*

**Ian Yu**
*Head of Strategic Relations*

**Alec Johnson**
*Head of Investment Strategy*

**Chaitanya Gupta**
*Head of Corporate Relations*

**Craig Paton**
*Director of Operations*

**Chelcie Mohammed**
*Head of Training*

**Lucy Langtry**
*Head of Marketing*

**Jamie Barbour**
*Head of Training*

**Aryan Chibber**
*Head of Strategy*

**Eve Graham**
*Head of Social Impact*

# 2.0

# Investment Report

# 2. Investment Report

## 2.1 Introduction

This section will provide an overview of Prosper's investments and add context to our investment performance over this year and since inception. This year has been turbulent for the portfolio, hitting an all time high in January 2024 before experiencing great disruption following the stock market reaction to Donald Trump's tariff policies.

This year has also seen strong turnover in the portfolio due to the focus we have placed on divestment this year following the end of some holdings' five year horizons. We would particularly like to thank the Senior Analysts for their work on this (see section 7.1.2). Following this divestment, we were able to make the most of our new brokerage, gaining exposure to Japan and South America.

| Heads of Investment | Grace Westrup & Cormack Ross |
|---|---|
| Report Date | |
| Fund Size | £57,820.16 |
| Initial Investment | £50,000 |
| Total Return | |

We continue to be proud of the quality of investment proposals that we receive and feel that the breadth within our portfolio exemplifies this.

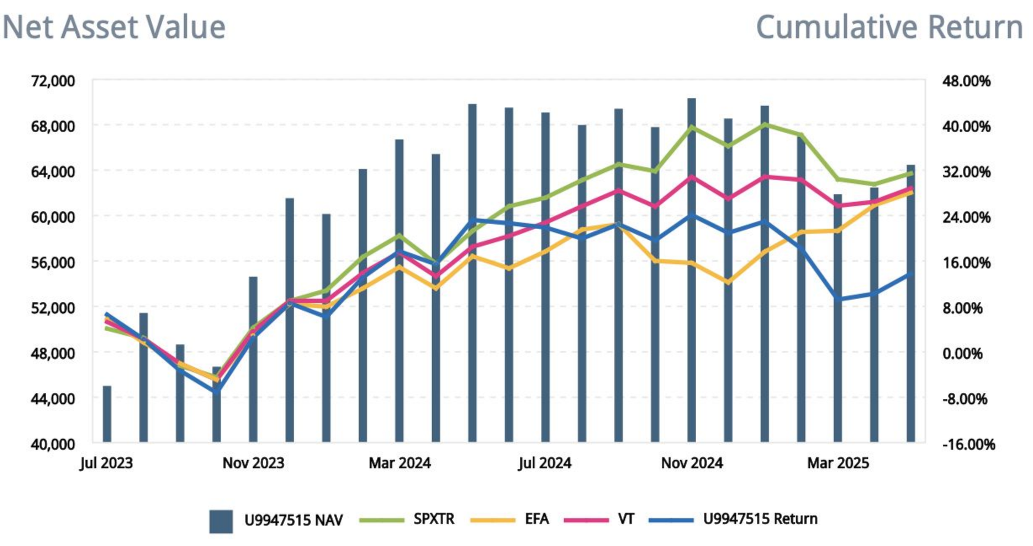
## 2.2 Portfolio Return in Context

Portfolio return this year can be contextualised in two parts. Firstly, in the latter part of 2024 the portfolio grew significantly, reaching an all time high of £72,668.62 on January 24th. This growth was primarily driven by the success of US technology stocks within the portfolio. In particular, top performers in this time frame were Nvidia, Microsoft and Cadence.

However, since then, the portfolio has reflected stock market trends, exhibiting a large downturn in value following Trump's tariff policies. The portfolio has seen a 17.48% decrease in value over the last 3 months. Unlike the first part of the year, this decrease is primarily due to downturns in US stocks that had performed well previously. This timeframe has illustrated the importance of diversification away from the US to decrease portfolio volatility. It should also be noted that downturns are also reflected in renowned indices such as the MSCI world index and S&P500, falling 8.99% and 12.08% in the time period respectively. It is a worry that the portfolio has seen greater losses during this period, however we maintain the long-term belief in the intrinsic impact of a portfolio and are confident in future value creation.

Despite this, we feel that this is another positive year for Prosper as we have been able to expand our exposition geographically due to our switch in brokerage. Following divestment from stocks reaching their five year horizons, we added five new holdings to the portfolio, each helping to diversify. These investments were ASML, Atlas Copco, Iberdrola, NuBank and Tomra, as well as investing in Chugai and Modine in September following last year's ATP cycle. With help from the Advisory Board, we recognise the importance of striking a balance between long-term holdings as well as rewarding the ATP. With this in mind, we believe that it fits the Prosper philosophy to replace underperforming stocks that have reached their five year horizon with new stocks generated from the ATP. This is why we felt comfortable with the high turnover this year.
Overall, we have decreased our relative exposure to the US and hope to see this trend continue as we are able to generate investment proposals for companies worldwide.

## 2. Investment Report




*Prosper Investment Return since brokerage transition vs Major Indices*

### 2.3 Portfolio Breakdown

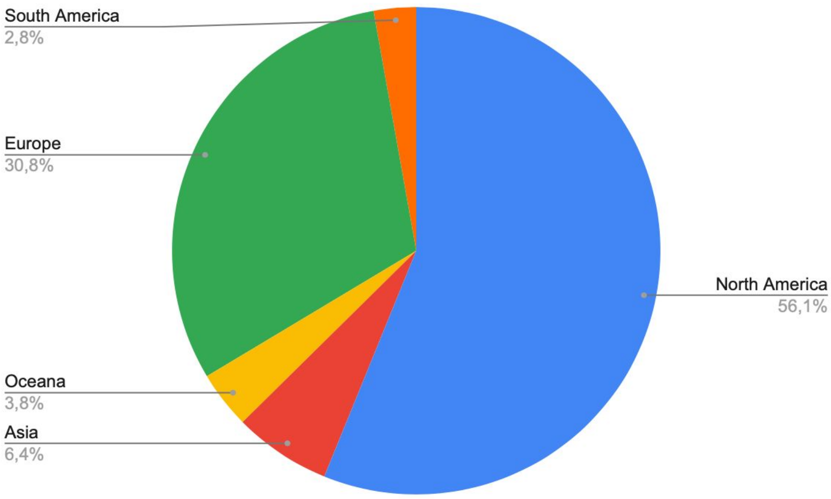
The portfolio continues to undergo key changes following the transition to a new brokerage platform prior as well as the implementation of a new divestment process.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Healthcare | Agilent | Chugai | Intuitive Surgical | Novozymes | Zoetis | | |
| Technology | ASML | Cadence | Cisco | Microsoft | Nvidia | Salesforce | Xylem |
| Utilities | Atlas Copco | Iberdrola | | | | | |
| Industrials | Brambles | RS Group | Stora Enso | Telus | Tomra | Trex | |
| Financial Services | NuHoldings | | | | | | |
| Consumer Cyclicals | Compass Group | Danone | | | | | |
| Energy | First Solar | Schneider Electric | Vestas | | | | |
| Manufacturing | Modine | | | | | | |

# 2. Investment Report

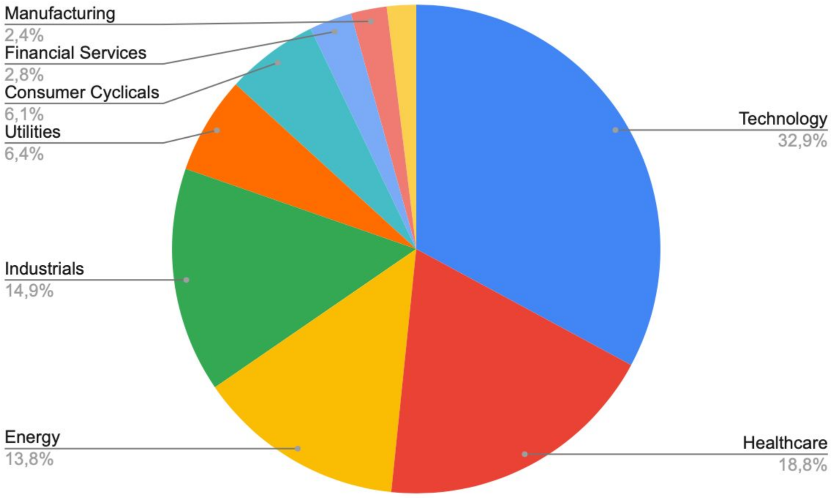
### Regional Breakdown

The portfolio still consists of majority US-based stocks however the team has worked towards decreasing this overweight position. As shown, the portfolio consists of 56.1% US stocks. Comparing this to the 69.5% weighting in 2024, we have successfully brought down this rating (it must be noted that losses arising from US tariffs may be greater for US equities). We seek this diversification to decrease the risk in the portfolio rather than to increase returns. This year has seen a high turnover in the portfolio, completely divesting from Williams Sonoma, McCormick and Etsy, decreasing our exposure to the US. Investments made in Chugai, Atlas Copco, Tomra and ASML evidence further diversification.




### Sector Breakdown

In terms of a sector breakdown, the portfolio remains concentrated in technology and healthcare. We feel this aligns well with Prosper's investment philosophy as these industries create products with an intrinsic social impact. Additions in this space are Chugai and ASML. We have continued to divest from Nvidia in the early parts of the year to keep it at a 10% weighting and to fund further investments. Perhaps the most significant change in sector breakdown is the incorporation of the investment strategy project on Hard-to-Abate sectors [See section 7.1.3]. We hope that this work can be added to our current investment matrix to allow for sympathetic analysis on best-in-class companies in this space.



# 3.0 Portfolio Composition

# 3. Portfolio Composition

**Agilent (NYSE: A)** 1 Year Return: -23.03% | Beta Value: 1.19
**Sector:** Life Sciences & Diagnostics
**Region:** USA

While Agilent Technologies has faced a challenging year, Prosper remains optimistic about the outlook of the company. Agilent is in a healthy financial position and has expanded its diagnostics and genomics portfolio by acquiring Biovectra in July 2024. Agilent continues to demonstrate strong ESG credentials, having expanded its portfolio of ACT-labeled sustainable lab products. We believe that Agilent will continue to lead in laboratory technology.

**Assura (LON: AGR)** 1 Year Return: +24.77% | Beta Value: 0.79
**Sector:** Healthcare Real Estate
**Region:** UK

Assura continues to appear to be a low risk and low volatility investment with an easily scalable model for building medical delivery locations. Prosper remains confident in Assura's ESG philosophy and corporate values. With a resilient, long-term tenant base in the NHS, Assura provides stable, inflation-linked rental income and strong defensive characteristics. Despite sector-wide valuation pressures, its focus on healthcare infrastructure supports long-term growth aligned with public health priorities.

**Brambles (ASX:BXB)** 1 Year Return: +6.13% | Beta Value: 0.52
**Sector:** Logistics & Supply Chains
**Region:** Australia

Prosper continues to believe that Brambles stands as a strong investment choice and aligns with our ESG philosophy across all three stages. Demonstrating strong core value alignment with special mention to innovation and positive social impact, the company excels in ESG. Brambles is geographically diverse, low in market volatility, generates positive social impact, and operates with a profitable and dependable business model, driving substantial environmental improvements.

**Cadence (NASDAQ: CDNS)** 1 Year Return: -12.9% | Beta Value: 1.14
**Sector:** Electric Design & Automation Software
**Region:** USA

Cadence provides exemplary evidence that it is both aligned with Prosper's values and ESG philosophy while maintaining a healthy financial position. Cadence is a leading provider of electronic design automation (EDA) software and IP, essential for designing semiconductors, systems-on-chip, and complex electronics. Despite a challenging year, Cadence has strong recurring revenue and strategic partnerships across the semiconductor ecosystem and is well-positioned for long-term growth.

**Cisco (NASDAQ: CSCO)** 1 Year Return: -5.65% | Beta Value: 0.78
**Sector:** Networking & Telecommunications Equipment
**Region:** USA

Cisco Systems appears to be a low risk and low volatility investment. It is a California-based designer and manufacturer of IP-based networking and communications products. With strong cash flow, a robust balance sheet, and growing demand for secure, scalable infrastructure, Cisco remains well-positioned to support global digital transformation.

# 3. Portfolio Composition

**Compass Group (LON: CPG)** 1 Year Return: -5.36% | Beta Value: 0.6
**Sector:** Foodservice & Support Services
**Region:** UK

Compass Group appears to be a low risk and low volatility investment. The company has refined its global footprint by exiting nine non-core markets, including Brazil, China, and Argentina, to concentrate on regions with higher growth potential. It has invested over $1 billion in acquisitions to bolster its sectorised approach and operational flexibility. These adjustments have resulted in lower financial returns in the short term, but Prosper remains confident in Compass Group's long term financial outlook and ESG philosophy, particularly given the strategic developments the company has enacted this year.

**Danone (PAR:DN)** 1 Year Return: +13.19% | Beta Value: 0.4
**Sector:** Food & Beverage
**Region:** France

Danone has performed particularly well throughout a challenging year. The company appears to be a low risk and low volatility investment, with a particularly low beta value of 0.4 The company's ability to control prices and focus on specialized nutrition products has led it to outperform competitors. Prosper remains confident in Danone and its ESG philosophy.

**First Solar (NASDAQ: FSLR)** 1 Year Return: -33.30% | Beta Value: 1.48
**Sector:** Solar Energy Technology
**Region:** USA

First Solar has faced a particularly challenging macroeconomic and political climate over the past year, as renewable energy has fallen out of political favour within the United States, in which First Solar operates. Despite this, First Solar retains a healthy financial outlook, driven by increased module sales and the sale of Inflation Reduction Act credits. This has allowed First Solar to expand its U.S. manufacturing footprint. First Solar may benefit from new tariffs on solar panel imports from Southeast Asia. Prosper remains optimistic about the technology that First Solar has developed in assisting the energy transition.

**HA Sustainable Infrastructure Capital Inc (NYSE: HASI)** 1 Year Return: -12.9% | Beta Value: 0.29
**Sector:** Foodservice & Support Services
**Region:** USA

Prosper remains confident in HASI's ESG philosophy and its focus on investments in climate solutions and commitment to growth. The company has increased its credit facility by $200 million, bringing the total to $1.55 billion, to support its sustainable investment projects. The company recently announced $1.1 billion in new transactions in the fourth quarter. These developments reflect Hannon Armstrong's strategic initiatives and position the company for ongoing growth in the sustainable infrastructure sector.

**Intuitive Surgical Inc (NASDAQ: ISRG)** 1 Year Return: -7.47% | Beta Value: 1.56
**Sector:** Medical Devices
**Region:** USA

Intuitive Surgical, Inc. is an American biotechnology company that develops, manufactures, and markets robotic products designed to improve clinical outcomes of patients through minimally invasive surgery. We believe that Intuitive Surgical embodies Prosper's core values: particularly positive social impact by improving patient outcomes, and innovation through their market-leading surgical technology.

# 3. Portfolio Composition

**Microsoft Corporation (NASDAQ: MFST)** 1 Year Return: -11.22% | Beta Value: 0.94
**Sector:** Technology
**Region:** USA

Microsoft has been markedly resistant to the unfavourable market climate resulting from the economic uncertainty in the United States. However, the company will certainly be impacted by the imposition of tariffs and potential trade war. Prosper will continue to monitor Microsoft's performance within these macroeconomic conditions.

**Novozymes (*formerly Novoensis*) (NYSE:NYZM)** 1 Year Return: -0.49% | Beta Value: 1.02
**Sector:** Biosolutions & Industrial Biotechnology
**Region:** Europe

Novozymes A/S merged with Chr. Hansen to form Novonesis in January 2024, and has subsequently acquired DSM-Firmenich's share of the Feed Enzyme Alliance for €1.5 billion. Novonesis has shown robust financials since the merger, and Prosper is confident that Novonesis' focus on growth and acquisitions make the company a strong contender within the biotechnology sector.

**Nvidia** 1 Year Return: -27.28% | Beta Value: 2.08
**Sector:** Semiconductors & AI Computing
**Region:** USA

Over the past year, Nvidia has experienced a period of remarkable growth followed by significant challenges, reflecting both its dominance in the AI chip market and the complex macroeconomic environment. Prosper remains confident in Nvidia's dominance in the global chip market and will continue to monitor this investment.

**RS Group (LSE: RS1)** 1 Year Return: -25.29% | Beta Value: 1.19
**Sector:** Industrial & Electronic Product Distribution
**Region:** USA

RS Group has faced significant challenges in the past year reflecting the current market environment and macroeconomic conditions. This is reflected in its near 10% profit decline in 2024. While RS group still maintains a strong ESG record, Prosper will continue to monitor this investment.

**Salesforce (NYSE: CRM)** 1 Year Return: -25.11% | Beta Value: 1.38
**Sector:** Cloud-Based Software
**Region:** USA

Salesforce has faced a challenging year facing increased competition and economic pressures. The company did not deliver on the adoption of its AI-powered Agentforce which has decreased investor confidence. While RS group still maintains a strong ESG record, Prosper will continue to monitor this investment.

# 3. Portfolio Composition

**Schneider Electric (EPA:SU)** 1 Year Return: -15.02% | Beta Value: 0.98
**Sector:** Energy Management & Automation
**Region:** France

Schneider Electric has faced a challenging year. In May 2024, Schneider Electric announced the end of discussions with the US-based engineering software firm, Bentley Systems, regarding a potential strategic transaction. In October 2024, France's competition authority fined Schneider Electric €207 million for participating in price-fixing agreements in the low-voltage electrical equipment sector. The investigation revealed that Schneider, along with distributors Rexel and Sonepar, engaged in practices that limited competition by fixing resale prices between 2012 and 2018. Schneider Electric has contested the decision and plans to appeal. In November 2024, Schneider Electric's board replaced CEO Peter Herweck after 18 months in the role, citing disagreements over the implementation of the company's strategic roadmap. Olivier Blum, a long-time executive with over 30 years at the company, has been appointed as CEO. Prosper will continue to monitor this investment.

**Stora Enso (LSE: SEOAY)** 1 Year Return: -24.08% | Beta Value: 0.68
**Sector:** Renewable Materials & Packaging
**Region:** Europe

Stora Enso has faced pressures from high wood costs and high fiber costs, which has impacted their financial health. However, Stora Enso has continued to execute its growth strategy, having recently gotten approval for acquisition of the Finnish sawmill company Junnikkala Oy. Furthermore, Stora Enso has recently had some ESG concerns, but Prosper is confident that the company has resolved these significantly. Prosper will continue to monitor this investment.

**Telus (TSX: T)** 1 Year Return: +5.76% | Beta Value: 0.82
**Sector:** Telecommunications
**Region:** Canada

Telus has performed well throughout a challenging year, partially due to its successful execution of its development strategy through its heavy investment in its 5g infrastructure over the past year. However, the Canadian telecommunications industry has experienced regulatory changes, which leaves Telus exposed to a loss of market share to new entrants and because of an ongoing price war with major competitors. Telus continues to hold a strong market share and Prosper will continue to monitor any regulatory developments affecting Telus.

**Tokyo Electron (TYO:8035)** 1 Year Return: -19.89% | Beta Value: 1.29
**Sector:** Semiconductor & Flat Panel Display Equipment
**Region:** Japan

Tokyo Electron has faced a challenging year given the ongoing difficulties in the semiconductor industry. However, Tokyo Electron appears poised for growth in the upcoming year given increased demand from China. Tariffs may impact this growth potential. Furthermore, Tokyo Electron must diversify its revenue sources to mitigate long-term risks from China's semiconductor indigenization efforts. Prosper will continue to monitor this investment.

# 3. Portfolio Composition

**Trex Co Inc (NYSE: TREX)** 1 Year Return: -18.52% | Beta Value: 1.62
**Sector:** Composite Decking & Outdoor Products
**Region:** USA

Trex is poised to benefit from American tariffs and potentially capture market share within the country due to limited American substitutes for sustainable decking materials. Trex maintains its strong ESG position, having recently received notable recognition, including top honors in the Environment & Energy Leader Awards, being named America's Most Trusted Outdoor Decking for the fifth consecutive year (2021-2025), and inclusion in Barron's 100 Most Sustainable U.S. Companies (2024 and 2025).

**Vestas Wind Systems (CPH: VWS)** 1 Year Return: -4.73% | Beta Value: 1.57
**Sector:** Wind Energy
**Region:** Denmark

Despite a challenging year for Vestas and the broader renewable energy sector, which has faced challenges such as supply chain disruptions, intensified competition from Chinese manufacturers, and delays in project approvals, Vestas has improved its financial health over the past year, with a marked return to profitability. Vestas has also had a leadership transition that Prosper will continue to monitor.

**Xylem (NYSE: XYL)** 1 Year Return: -4.77% | Beta Value: 1.10
**Sector:** Water Technology & Solutions
**Region:** USA

Xylem achieved a record revenue of $8.6 billion, marking a 16% increase on a reported basis and 6% organically in 2024. This can be partially attributed to their integration of Evoqua Water Technologies, acquired in 2023, which progressed ahead of schedule and contributed to operational efficiencies and earnings growth. The company announced an 11% increase in its quarterly dividend, reflecting confidence in its financial position. Xylem maintains a strong ESG position.

**Zoetis Inc (NYSE: ZTS)** 1 Year Return: -8.57% | Beta Value: 0.93
**Sector:** Animal Health Pharmaceuticals
**Region:** USA

Zoetis has retained a healthy financial outlook, in part due to significant growth in its companion animal products. Zoetis has also received conditional approval from the U.S. Department of Agriculture for its bird flu vaccine for poultry, aiming to address the H5N1 outbreak. However, the European Commission initiated an antitrust investigation into Zoetis for allegedly obstructing the market launch of a competitor's dog pain medication by halting the development of an acquired compound. Zoetis is cooperating with the investigation. Prosper will continue to monitor this investment.

# 3. Portfolio Composition

## New Investments

### ASML (NASDAQ: ASML)

**Sector:** Semiconductors/Photolithography Equipment
**Region:** The Netherlands
1 Year Return: -17.67% | Beta Value: 1.26

Prosper purchased ASML in January 2025, following a successful pitch. ASML is the world's leading supplier of photolithography machines used in advanced semiconductor manufacturing. Despite geopolitical pressures and export restrictions, ASML continues to deliver strong financial performance. Prosper believes that ASML is well-positioned to benefit from long-term trends in AI, high-performance computing, and global semiconductor capacity expansion.

### Atlas Copco (STO:ATCO-A)

**Sector:**Industrial Equipment & Engineering
**Region:** Sweden
1 Year Return: -13.28% | Beta Value: 0.9

Prosper purchased Atlas Copco in January 2025 following a successful pitch. Prosper believes in Atlas Copco's ESG performance: with a strategic focus on energy efficiency and sustainable innovation, Atlas Copco is well-positioned to support the green transition in industrial operations.

### Chugai (4519.T)

**Sector:** Pharmaceuticals
**Region:** Japan
1 Year Return: +21.40% | Beta Value: 0.7

Following a successful pitch in March 2024, Prosper purchased Chugai in September 2024. Chugai marks Prosper's first investment in Japan following our transition to Interactive Brokers. Chugai is a Japanese pharmaceutical company specialising in the research, development, production and marketing of prescription pharmaceuticals. The company strategically focuses on sustainability, digital transformation and global expansion, detailed in its " "TOP I 2030" growth strategy". Chugai entered a strategic alliance with Roche in 2022, which considerably strengthened its financial position and operational capacity. Prosper believes that Chugai is an exciting, well performing company that is well-aligned with Prosper's core values of innovation and positive social impact.

### Iberdrola (BME: IBE)

**Sector:** Utilities/Renewable Energy
**Region:** Spain
1 Year Return: +13.70% | Beta Value: 0.64

Prosper purchased Iberdrola in January 2025 following a successful pitch. Iberdrola, S.A. is a Spanish multinational electric utility company based in Bilbao, Spain. Subsidiaries include ScottishPower, Avangrid and Neoenergia. Iberdrola exemplifies Prosper's ESG commitments and core values, with a particular focus on the innovation within the clean energy transition. We believe that Iberdrola represents a low risk and low volatility investment for Prosper.

### Modine (NYSE: MOD)

**Sector:** Manufacturing
**Region:** USA
1 Year Return: -21.41% | Beta Value: 2.18

Following a successful pitch in March 2024, Prosper purchased Modine in September 2024. Modine is a thermal management company specialising in heat transfer technology with two main operating segments: The Climate Solutions segment provides climate-controlled solutions and components, heat transfer products, heating, ventilating, air conditioning and refrigeration products, and data center cooling solutions. The Performance Technologies segment designs and manufactures air- and liquid-cooled technology for vehicular, stationary power, and industrial applications. Modine is a global leader in sustainable technologies for HVAC systems. Prosper believes that Modine's focus on innovation and emissions reduction aligns well with our ESG philosophy. However, In March 2025, Modine's heating products were affected by retaliatory tariffs

# 3. Portfolio Composition

imposed by the Canadian government. These tariffs, set at 25% of the product's value, apply to importers of record shipping these products into Canada.

Additionally, Modine is preparing for potential impacts of tariffs on U.S. imports from Canada, Mexico, and China. The company plans to expand manufacturing capacity in North America and the UK to meet increasing demand, particularly in the data center market. Prosper will continue to monitor this investment due to ongoing tariff challenges and potential supply chain disruptions.

**Nubank (NYSE:NU)**
**Sector:** Fintech/Digital Banking
**Region:** Brazil
1 Year Return: +3.20% | Beta Value: 1.14
Prosper purchased Nubank in January 2025 following a successful pitch. Nubank is a Brazilian neobank headquartered in São Paulo, Brazil. It is the largest fintech bank in Latin America, with around 88 million customers in Brazil and 6 million between Mexico and Colombia. Nubank is an interesting acquisition for Prosper following a concerted effort to diversify our portfolio into various geographies following our transition to Interactive Brokers. Nubank is also strongly aligned with Prosper's ESG philosophy, particularly innovation and for its positive social impact in Latin America.

**Tomra (OTCMKTS: TMRAY)**
**Sector:** Environmental Services/Recycling & Sensor-Based Sorting Technology
**Region:** Norway
1 Year Return: +9.45% | Beta Value: 1.33
Prosper purchased Tomra in January 2025 following a successful pitch. Prosper believes that Tomra has a very strong ESG product and philosophy that is perfectly aligned with Prosper's ESG ethos and core values. Tomra has exceptional market share and is poised to capture more market share in new markets due to its sole-supplier agreements with European nations.

# 3. Portfolio Composition

## Divestments

**Biogen:** Prosper divested from Biogen in October 2024. Biogen failed Prosper's financial screening in its five-year performance review and was sold in accordance with Prosper's divestment strategy. The stock's underperformance can be attributed to a decline of sales of about 10% year-by-year due to increased competition from branded alternatives, generic pressure on one of its main products Tecfidera and biosimilars for another of its products, Tysabri.

**Etsy:** Prosper divested from Etsy in January 2025. Etsy failed Prosper's ESG screening in its five-year performance review. The company had several governance scandals, including its treatment of sellers and customers on the platform.

**GRID:** Prosper divested from GRID in October 2024. GRID has massively underperformed from Prosper's expectations. Increased competition, decline in natural gas shortage, regulatory delays, increased costs, and shifts in investor sentiment due to high interest rates may be attributed to this underperformance.

**McCormick:** Prosper divested from McCormick in January 2025. McCormick did not pass Prosper's ESG screening due to sustainable packing challenges and has suffered from decreasing market share and revenue. McCormick has been struggling to maintain its record high revenue growth rate during lockdown. Its increased pricing strategy to compensate for increasing output cost has affected its market share, as private labels entered the market with more attractive prices.

**Phillips:** Prosper divested from Phillips in January 2025. Phillips failed Prosper's ESG screening in its five-year performance review. This was because of several governance issues, namely several alleged tender irregularities in the medical device industry in China, and because of Phillips' alleged breaking of the U.S. Foreign Corrupt Practices Act.

**Williams Sonoma:** Prosper divested from Williams Sonoma in January 2025. The company failed Prosper's ESG screening due to governance concerns. Williams Sonoma has been repeatedly sued by the Federal Trade Commission due to false and misleading claims about the origins of its products, and the directors of the company have orchestrated illegal kickbacks with contractors in exchange for awarding lucrative company contracts to vendors connected to company directors.

**Yara:** Prosper divested from Yara in October 2024. The company failed Prosper's ESG screening due to environmental concerns. The company's increase of hazardous waste emissions increased by almost 5-fold from 2019. The company underperformed Prosper's expectations due to a slower shift from gray production to green production, an increase in costs and US producers' prepay programs and weak chemical demands from China.

## Partial Divestments

**Nvidia:** Prosper conducted a partial divestment from Nvidia in accordance with Prosper's new divestment strategy, which states that the value of any one stock in Prosper's portfolio must remain below the 10% threshold. While Nvidia is still relatively overweight within Prosper's portfolio, at 8%, Nvidia's continued overperformance has strengthened Prosper's portfolio over the past year. Prosper will continue to monitor this investment and divest accordingly if needed.

**Trex:** Prosper conducted a partial divestment of Trex, in part because it was overweight relative to the rest of the portfolio, but also to fund Prosper's new investments.

# 4.0
# Value Added by Prosper

# 4. Value Added by Prosper

## 4.1 Analyst Training Programme

The Analyst Training Program (ATP) underwent several significant changes following the previous year's overhaul. Keeping in line with Prosper's core value of innovation, further changes to both its structure and content were implemented. In addition to the supplementary summary document created, the Microsoft Excel session was converted to an online exercise accompanied by an individual exercise. This allowed the analysts to go over the concepts in their own time and ensured full comprehension of the software. This was especially important as Excel is heavily utilised in the financial section of the Investment Proposal. Moreover, time was allotted in the following session to cover any doubts regarding the content as well as cover the solutions to the individual exercise. This change acted as a convenient tool to further enhance the analysts' understanding of key concepts, especially for those who may have had no prior financial knowledge, thereby further increasing the accessibility of the ATP to students from all academic disciplines.

The ATP continued with 30 analysts per semester, made possible by the addition of another team head. The expansion of the ATP served to increase Prosper's social impact. Further expansion of the ATP to include even more analysts is also being considered by management.

*Image of second semester analysts delivering their final pitch at Stewart Investors*

To increase the overall interactivity of the ATP, all in-session exercises were restructured as inter team activities. This allowed analysts to interact with peers outside of their assigned teams fostering a more social environment. This was mentioned by the previous semester's analysts as was well-received by both analysts and team heads and will be further integrated into the ATP.

Previously, the ATP final pitch night was usually held at Old College, however this semester we were able to host it at Stewart Investors following the first ever occurrence of this last year.. This allowed for further professionalism and enhancement of the program itself as the analysts were given the opportunity to contextualise the culmination of their work in the ATP in a more real-world setting.

There have been some issues raised which are to be acted upon by the incoming management team. These include the allocation of more specific roles to each Training Head. Within teams, only the member compiling the financial aspects of the investment summaries really had the opportunity to develop their financial skills, this will be addressed following the reshaping of next year's programme.

"For me, the structure of the ATP and accountability gives it a distinctive edge that you won't find in many similar societies." -
*William Franklin, Semester Two Analyst*

"I found the ATP to be an incredibly rewarding experience." -
*Casey Chu, Semester Two Analyst*

"Completing Prosper's 8-week Analyst Training Programme was a fantastic experience." -
*Jamie Barbour, Semester One Analyst*

"My experience at Prosper was highly informative and challenging but rewarding." -
*Yousef Quaba, Semester Two Analyst*

# 4. Value Added by Prosper

## 4.2 Social Return on Investment

This year a social return on investment (SROI) calculation was again implemented, with focus on the ATP. An SROI measures the social impact created from each £1 of investment (e.g. an SROI of £3 would mean that £3 of positive social impact is created for every £1 of investment). Calculating an SROI will serve as a quick and quantitative way to communicate the positive social impact of Prosper, as well as enhance our internal tracking.

The SROI methodology first needs an input, this being a monetary value which represents, and equals, the value of the resources invested into hosting the ATP. It was decided that the most accurate way of doing so would be to calculate the monetary value of the time invested into the ATP by the Heads of Training, and Team Heads, running the ATP sessions, with the living wage used to proxy the value of each hour invested into Prosper. The below shows the estimate from the past year:

| Operation Category | No. Employees | Hours Invested | Living Wage (in £) | Investment (in £) |
|---|---|---|---|---|
| Heads of Training | 2 | 64 | 12.21 | 1,562.88 |
| Team Heads | 5 | 64 | 12.21 | 3,907.20 |

Total Investment = £5,470.08

Next, an output is needed, this being a monetary value which represents, and equals, the value of the social benefit created through the ATP. It was decided, upon evaluating different methodologies, that the best way to do so would be using a willingness-to-pay calculation. The final ATP survey incorporated an additional question, asking analysts to assign a monetary value to their experience with the programme. The question is shown below, along with an associated disclaimer to avoid bias responses:

‘How much, in monetary terms, do you value your experience on the ATP, this should consider value added to your social life, through skill development, and career prospects, etc?’

*Note: your response to the above question will not impact the cost of the ATP to future analysts, but rather will be used to help us better understand the impact of the programme.*

Once the above question had been answered, an average (mean) value was calculated across the responses. The purpose of calculating an average is to account for the differing perceptions of monetary value by each of the analysts. Once an average willingness-to-pay had been calculated, this was multiplied by the number of analysts, and used as the output value. The result is shown below:

ATP Average Willingness-To-Pay x Analysts = £146.64 x 54 = £7,918.56 (Output)
Total Investment in ATP = £5,125.12 (Input). SROI for ATP = £7,918.56 / £5,125.12 = £1.55 (of positive social impact created for every £1 of investment)

The outcome of this calculation reveals that the value which analysts perceived to have received from the ATP outweighed the value of the time invested into running the programme. This helps to confirm the positive SROI of the ATP, and can serve as a reference point for which to improve upon going forward.

# 4. Value Added by Prosper

## 4.3 Social Impact In The Edinburgh Community

### Social Impact Grants and Fundraisers

At Prosper, our Impact Investments take the form of an Impact Grant we make to local causes and projects using the profits made from our socially responsible investments. The profit that we make (less CPI) is taken out of our portfolio and is redirected to the local Edinburgh community in the form of grants.


### Invisible Cities

This year marks the second year that we have awarded Invisible Cities £500 each semester, as the recipient of our Social Impact Grants. Invisible Cities is a social enterprise which trains people affected by homelessness in Edinburgh (and other UK cities) to become walking tour guides, helping them to achieve financial stability and personal goals. All training has a focus on confidence building, public speaking and customer service, partnering with professional tour guides to practice routes and build bespoke tours. Invisible Cities was chosen as the recipient of our Social Impact Grants in the 2022/2023 academic year, through work with Steve Lawrence, the CEO of The Good Stuff Network and our bottom-up selection process and evaluation matrix.

The social impact grants given to Invisible Cities this year have so far gone towards the organisation of two training sessions on money management (Budget and Payroll) and the support of a guide with 12 hours of paid work to put together some self-care boxes made of stock left over from previous campaigns and events. This highlights the tangible impacts that Prosper's investments and social impact grants have on the community.

### Further Outreach Explained

Since its inception, Prosper has compiled a network of approximately 100 professional contacts spanning a wide range of industries, including asset managers, social enterprise founders and consultants. Many of these professionals have attended our investment panel, events and our termly 'Share your Ideas' session or helped us to develop our investment strategy, adding further value to Prosper. The organisation of Prosper's first Social Finance Conference this year also expanded our network, developing new relations with Edinburgh Innovations, the University of Edinburgh Sustainability and Social Responsibility Department and Social Investment Scotland.

These professional networks have also provided Prosper with networking opportunities, career advice and internship advice at our Internship Panel event. Prosper continues to work closely with Edinburgh Social Enterprise, specifically, Steve Lawrence (CEO). They continue to introduce Prosper to new professional contacts within the Edinburgh community who may offer funding opportunities or share aligned interests with Prosper. Steve Lawrence was also particularly helpful in the beginning stages of planning for the Prosper Social Finance Conference, providing us with contacts and insights.

# 4. Value Added by Prosper

### The Prosper Social Finance Conference

We are proud to spotlight the Prosper Social Finance Conference, Scotland's First Student-Led Social Finance Conference, which took place on January 30th, 2025. This event provided a valuable platform for Prosper to promote the idea of sustainable investing and its impact on the world, while continuing our efforts to further expand our presence in the university. Through ticket sales, donations, raffle revenue, we were able to raise £590 for Invisible Cities.

### Speakers

Speakers included Sarah Sheard, Investment Analyst at Stewart Investors; Chris Jamieson, Head of Investments at Social Investment Scotland; Gemma Gourlay, Head of Social Impact at the University of Edinburgh Social Responsibility and Sustainability Department; as well as Zakia Moulaoui Guery, CEO of Invisible Cities. Zakia gave us a rundown of Invisible Cities and the impact it creates and Gemma Gourlay discussed the University of Edinburgh Social Investment Fund. Sarah Sheard, using case studies, showed us how ESG scores can be misleading and how what matters can't always be measured, highlighting frameworks used by Stewart Investors. Chris Jamieson highlighted Social Investment Scotland's mission and the impact it has, using case studies such as its support of FARE Scotland.

### Value Added by The Conference

The conference raised almost £600 for Invisible Cities whilst creating more exposure for the social enterprise, enhancing the positive social impact that we generate for them on top of our social impact grants. The event was also well-aligned with Prosper's largest form of positive social impact, teaching students from non-finance backgrounds about socially-responsible finance, giving them the opportunity to hear from both sides of the social finance coin - those financing change through investment, and the organisation delivering that change in our community . The conference served as a powerful educational platform; for the attendees that weren't part of our current or previous analyst cohorts, the conference may have been the first event they've attended purely focused on social finance as a concept, emphasising that finance and social impact are not mutually exclusive. By bringing together a diverse panel of speakers from both investment and social impact spheres, attendees were encouraged to challenge more conventional views of finance and were able to gain a thorough understanding of how finance can be used to drive social change. The opportunity to interact with the speakers and ask questions was informative and empowering for students and professionals alike with a shared interest in sustainability, finance and social responsibility.

The conference strengthened Prosper's presence within the university community and provided Prosper with a platform to give visibility to Invisible Cities. This reflects that we not only provide the social enterprise with monetary support, but furthermore directly engage with them by giving them a space to share their growth story and mission with a large pool of students and professionals. We aim for the event to be continued each year by future management team members, who will work to improve the event, its outreach and the positive social impact created.

# 4. Value Added by Prosper

## 4.3 Social Impact In The Edinburgh Community

| Event Description | Number of Attendees | Ticket Price | Total Benefit |
|---|---|---|---|
| Early Careers Internship Panel | 30 | Free | Analysts gained valuable insights into various industries, networking opportunities, and firsthand advice from MMT members who had previously been in their positions. |
| OC&C: Consulting Event | 50 | Free | Prosper joined hands with 180 Degrees Consulting and FreshSight to bring the OC&C team to Edinburgh and allow students from all degree disciplines to learn more about consulting and how to approach case studies. |
| Invisible Cities Talk | 30 | Free | Zakia Moulaoui, founder of Invisible Cities, came in once a semester to speak to the ATP cohort. This provided Intangible value for the analysts as they were able to understand more about Prosper's social impact grants as well as gain a better insight into our relationship with Invisible Cities. |
| Prosper Social Finance Conference | 79 | £5-7 | Our annual Social Finance Conference served as a vital platform, bringing together engaged students and experienced industry leaders for insightful discussions centered on impactful investing and the crucial principles of sustainable finance. This year's event successfully fostered valuable connections and facilitated the exploration of innovative approaches aimed at driving positive change within financial markets, solidifying its importance in Prosper's calendar. All the profits were donated to Invisible Cities. |
| Insights by Lee Qian | 30 | Free | We were delighted to have Lee Qian at our ATP session, where he shared his ideas on sustainable investing and offered insights into his day-to-day work. As an Investment Manager at Baillie Gifford, Lee started the Positive Change Fund in 2017, a portfolio that works similarly to Prosper and invests in companies that create a sustainable and positive impact to the planet. Lee shared with us the objectives of the funds, the four main themes that the fund uses to evaluate its stocks, and a brief introduction to some of the companies in their portfolio, such as Remitly and John Deere. Currently, Lee is writing a book that examines the history of several companies who have grappled to various degrees with the meaning of ethics in business. We look forward to maintaining and strengthening our relationship with Lee and Baillie Gifford in the coming years! |

# 4. Value Added by Prosper

## 4.4 Diversity and Inclusion

We take pride in representing a diverse community of members and remain committed to advancing inclusivity even further. In the most recent Analyst Training Programme cohort, we saw a 40%/50% male/female split, with 10% of analysts preferring not to disclose their gender. Moreover, the analysts reported a 66.7%, 6.7%, and 26.7% split across the sexualities of heterosexual, bisexual and prefer not to say respectively. Regarding ethnicity, analysts disclosed a 43.3%, 26.7%, 6.7%, 3.3% and 3.3%. split across White/White British/Scottish/Welsh, prefer not to say, Malay, British/Middle Eastern and British Indian respectively. The following ethnicities made up 3.3% each: Arab, Chinese, South African Indian, Taiwanese and Caucasian. Lastly, 43.3% of analysts attended a fee-paying school, whilst 36.6% of analysts attended a non fee-paying school, with the remaining 20% preferring not to disclose this information.

In addition, the 2024/25 Management Team reports a male/female split of 58.3%/41.7%. Although female representation in management is slightly lower than previous years, this split continues to be well above the industry average within financial services, highlighting our commitment to the inclusion of women and marginalised groups in finance.

# 5.0 Strategic Relations

# 5. Strategic Relations

## Pitch Night at Stewart Investors

This was Prosper's second year hosting pitch nights at Stewart Investors and they were a tremendous success. Our analysts had the opportunity to pitch their chosen stocks in front of industry professionals and showcase the work they have produced for the past few months, developing key teamwork, presentation and equity research skills along the way. Working in groups of two to three, they created comprehensive investment proposals, which involved screening their chosen company's ESG policies, alignment to Prosper's core values, and an evaluation of financial metrics. The proposals were subsequently refined into pitches and delivered to the investment panel. To mirror the professionalism and credibility of real-world investment presentations, we invited former Prosper members to sit on our investment panel, where they had the opportunity to contribute during the Q&A session. The thought-provoking questions asked by our investment panel challenged our analysts to defend their arguments and refine their recommendations.
The investment panel noted the professionalism of the analysts and the quality of the pitches, which encapsulates the success of our ATP program. Congratulations to the teams who pitched Millicom and Vesuvius as they won the Best Pitch Award, and the team who pitched Trane for winning the Best Proposal Award!

## Industry Professionals

To create a tight community between Prosper and its alumni, we host a 'Share Your Ideas' session each semester. By leveraging our alumni network, we invite former Prosper members to discuss their career paths, reflect on their experiences with Prosper, and share the latest trends in the world of ESG finance. These conversations allow our analysts to have a better understanding of Prosper's operations and spark enthusiasm for our current initiatives. This year, we were thrilled to welcome former Prosper Executive Director Grace Gubbay, who discussed her experience studying MSc Climate Change Management and Finance at Imperial Business School and her upcoming sustainable finance role at Morgan Stanley. We had the pleasure of hosting esteemed professionals including Prosper Advisory Board member Chris Hegarty, current chair of Parmenion Investment Management's Ethical Oversight Committee, and Lee Qian, Investment Manager at Baillie Gifford and co-founder of the Positive Change Fund. Their insights greatly benefited our ATP members and highlights the rewarding and enriching nature of Prosper's strategic partnerships.

## External Investment Panel

This year, we welcomed a diverse group of industry professionals to join our external investment panel at pitch night. We would like to extend our appreciation to our fantastic panelists: Chris Hegarty, Prosper Advisory Board Member and current chair of Parmenion Investment Management's Ethical Oversight Committee; Angus Sandison, Prosper co-founder and Investment Analyst at FSSA Investment Managers; Eric Hertz, Prosper alumni and ESG analyst at Baillie Gifford; Sarah Sheard, Investment Analyst at Stewart Investors; Jovan Vojnovic, Economics lecturer at the University of Edinburgh. The contribution and expertise offered by these individuals to the investment decisions made by our management team are integral to the success of our portfolio.

# 6.0

## Strategic Goals

# 6. Strategic Goals

## 6.1 Introduction

The 2024/25 academic year has been a successful year for Prosper as we navigate the second Five-Year horizon originally set in 2018. We have achieved significant milestones while strategically evaluating our goals and objectives to ensure continued growth. By expanding our network of partnerships, we have improved both our reputation and credibility in the field. This section of the annual report examines Prosper's progress over the 2024/25 academic year, focusing on our key strategic initiatives and our progression in the Five-Year Horizon.

## 6.2 Enhancing Internal Communication

This year, Prosper focused on improving internal communication across the organisation. A WhatsApp Broadcast Channel was introduced to centralise essential updates and reduce the noise created by active group chats. The aim was to streamline communication and ensure that all members received timely and relevant updates without being overwhelmed. The channel quickly became a reliable way to coordinate deadlines, share opportunities, and send weekly reminders. This shift significantly improved internal workflow and cohesion. Looking ahead, Prosper is exploring the use of more structured communication tools, such as Slack or Notion, to support long-term knowledge sharing and cross-team coordination.

## 6.3 Expanding Digital Presence Through Video Production

In semester one, a new video production stream was launched to support both analyst development and external engagement. The objective was to create foundational learning content that analysts could revisit throughout their time at Prosper, while also offering external audiences a clear understanding of the organisation's values and thinking. The videos were written by Aryan and Chelcie, the Head of Training, who also led the filming process.

Three core videos were produced. The first, *Essentials of Accounting*, focused on income statements, balance sheets, and cash flow, linking them to the basic tools of financial analysis. It aimed to make accounting more accessible and help new analysts connect financial reporting with valuation. The second video, *ESG vs CSR: What's the Difference?*, examined the evolution of ESG from CSR, highlighting how ESG embeds sustainability into financial decision-making while CSR often reflects reputational commitments. The third video, *Entrepreneurship vs Intrapreneurship in ESG*, explored how innovation can emerge within institutions as well as through startups, showing how ESG progress can be driven by both internal and external actors.

Each video involved detailed scripting, conceptual framing, and multiple rounds of editing. The initiative demonstrated the value of well-crafted video content in shaping both internal culture and public understanding of ESG investing. These videos have since been embedded into Prosper's analyst training programme and shared through LinkedIn. There are plans to expand the series into sector-specific explainers in the coming year.

## 6.4 Strengthening Strategic Research and Reporting

In semester two, the Senior Analyst Programme was refined to include a formal research and reporting stream. This initiative was designed to encourage long-form, high-conviction thinking on topics relevant to Prosper's investment strategy and the broader ESG landscape. Each Senior Analyst produced one major report and a short-form commentary, with a focus on independent research, critical analysis, and direct relevance to portfolio positioning. The strategic research reports played a key role in identifying hidden risks, such as ethical blind spots in supply chains and regulatory shifts in key markets. By surfacing these insights early, the reports supported more informed divestment decisions and contributed to a proactive approach to portfolio resilience.

# 6. Strategic Goals

Helena's report on conflict minerals examined Prosper's potential exposure to cobalt and tantalum sourced from the Democratic Republic of Congo. She analysed how certification failures, smuggling routes through Rwanda, and the opacity of refining processes allow conflict minerals to enter legal supply chains. Her findings underscored the need for greater scrutiny of supply chain ethics within technology and clean energy investments.

Rio's deep dive on the rise of the far right in Europe explored growing political resistance to ESG regulation, particularly the future of the Corporate Sustainability Reporting Directive. His report highlighted the risks posed by a more fragmented European Parliament and provided guidance on how Prosper might approach European equity exposure in this shifting environment.

Shivansh's report on the appointment of Robert F. Kennedy Jr. as US Secretary of Health and Human Services assessed the impact of regulatory uncertainty on pharmaceutical and biotech firms. He also identified opportunities in generics, healthcare IT, and wellness, offering recommendations on how Prosper could realign its healthcare holdings with both ESG priorities and market trends.

This stream became one of the most meaningful strategic developments of the year. It enabled analysts to contribute beyond their day-to-day roles and influence Prosper's long-term thinking. The reports are now being used internally by the investment committee and management team. In the coming year, Prosper aims to expand the stream's reach through external publication and a more formal editorial process. The goal is to deliver at least five major reports and publish two externally, positioning Prosper as a student-led thought leader in ESG.

## 6.5 Expansion of the Management Team Structure

As part of broader strategic planning, a review was conducted on the management team's structure to ensure Prosper remains well-equipped to meet its long-term objectives. Two key developments emerged from this review:

- Introducing an Additional Team within Strategy Roles: Consideration was given to expanding the strategic division by introducing at least one additional team to increase capacity for research, long-term planning, and external engagement. This expansion is expected to enhance Prosper's ability to develop and execute forward-thinking initiatives.
- Creation of a Legal Position within the Management Team: To support Prosper's growth and ensure compliance with relevant governance frameworks, a legal position was introduced within the management team. This role aims to provide guidance on regulatory matters, intellectual property, and contractual obligations, reinforcing Prosper's operational sustainability.

## 6.6 Future Considerations

To sustain Prosper's momentum and ensure continued strategic development, the following priorities have been identified for the coming year:

- **Optimising internal communication** through structured digital channels.
- **Further integrating video content** into Prosper's branding and outreach efforts.
- **Expanding the scope of Strategic Research & Reporting** to enhance analyst engagement and knowledge dissemination.
- **Formalising the integration of new strategic and legal roles** within the management team to strengthen governance and long-term planning.

# 6. Strategic Goals

These initiatives represent a significant step towards ensuring Prosper's continued growth, operational efficiency, and strategic alignment with long-term objectives.

## 6.7 Goals for the Upcoming Year

- Reevaluate Prosper's direct social impact through the restructuring of the ATP to improve its dynamism. This includes further integration of Stewart Investors resources and expertise.
- Expand the reach of the PSF conference by integrating innovative marketing channels and building on the quality of last year's speakers.
- Develop a SRI network within the university as well as with those across Edinburgh with potential for future
- Improve organisational capacity and leadership by strengthening management's engagement in securing financial and governance through the introduction of several key new roles

# 7.0
# Senior Analyst Projects

# 7.1 Introduction

This year, we continued to formalise the Senior Analyst Projects (SAP) to increase its effect on the portfolio as well as improving the skills, and increasing autonomy for the analysts. It is important for us that the senior analysts feel they can build on the skills learnt in the Analyst Training Program, so the SAP must maintain this quality. We have aimed to achieve this in multiple ways.

Firstly, we have more formally structured the senior analyst projects, increasing the number of deliverables. Each project has required analysts to deliver a report on the research or event management done throughout the semester. This not only increases the accountability for analysts, delivering higher quality output, but it also allows us to record the progress of our objectives. Having this tangible output ties the projects back to Prosper's long-term goals such that they can be used to increase the quality or impact of our operations. For example, the Investment Tracking project informs the investment panel's divestment decisions, funding a new investment horizon. Further, we have taken a more active route to increase impact through the Prosper Conference.

Similarly, this year, we asked analysts to give a presentation back to the management team and other analysts at the end of each semester. This reinforces the quality of project output as it holds the analysts accountable for their own work. It also responds to previous feedback we've received from analysts that SAP projects felt disconnected from each other. These presentations allow analysts to build a holistic picture of Prosper's operations.

Overall, we are delighted with the work achieved in the SAP this year, and hope that these projects will increase the quality of Prosper's long-term operations.

# 7.1.1 Investing Tracking

## Semester One

In the first semester, the Head of Investment Tracking led a team of five senior analysts in producing a comprehensive evaluation of the portfolio's current composition, performance, and alignment with Prosper's long-term sustainability and financial objectives. This initiative was driven by the introduction of Prosper's new divestment strategy, which necessitated a fundamental reassessment of our holdings. The team produced 2-year, 3-year, and 5-year reports, each offering a distinct horizon for assessing asset performance, ESG compliance, and strategic risk exposure. These reports incorporated both quantitative analysis and qualitative risk assessment, including deep dives into sector-specific trends, emerging ESG concerns, and macroeconomic projections. The reports informed a set of forward-looking recommendations designed to streamline the portfolio and prepare it for future capital allocations, including anticipated investments through the ATP.

The analysis identified key areas of underperformance and misalignment with the divestment strategy, particularly in relation to ESG concerns, financial volatility, and diminishing long-term viability throughout a particularly difficult macroeconomic environment. Based on these insights, the team developed a comprehensive set of recommendations for portfolio rebalancing, which prioritised the divestment of underperforming or non-aligned assets and recommending strategic reallocations toward sectors and instruments better suited to Prosper's core values and ESG philosophy.

The process began with the analysts learning Excel-based tracking and analysis tools, equipping these analysts with the skills to independently evaluate Prosper's assets. Each analyst then applied these tools to assess every stock in the portfolio under four key headings aligned with the divestment strategy: Environmental, Social, and Governance (ESG) performance, financial metrics, reputational or legal scandals, and the macroeconomic outlook. Several of these recommendations led to the timely exit of high-risk holdings, avoiding potential losses and ESG controversies. In doing so, the analysts not only enhanced the portfolio's ethical profile but also contributed directly to Prosper's financial sustainability and commitment to ESG investing.

These efforts were particularly valuable for Prosper at a critical transition point: the end of the first 5-year investment horizon, and the beginning of a new capital planning cycle. The review ensured the portfolio was not only aligned with ethical and sustainability standards, but also financially optimised to support upcoming ATP investments and other strategic priorities, such as dividends.

**Grace Westrup**
*Head of Investment Tracking*
4th Year, Economics and Politics

**Jacob Antons**
*Senior Analyst*
2nd Year, Economics

**Mae Campbell**
*Senior Analyst*
2nd Year, Geography

**Isabel Del Pino**
*Senior Analyst*
3rd Year, Computer Science and Mathematics

**Tess Galloway**
*Senior Analyst*
2nd Year, International Business with French

**Gergely Márton**
*Senior Analyst*
3rd Year, Finance and Business

**Iskander Sawalha**
*Senior Analyst*
4th Year, Economics with Finance

**Zi Yee Teoh**
*Senior Analyst*
4th Year, Economics with Finance

**Maren Wagner**
*Senior Analyst*
3rd Year, Mathematical Physics

**Lavinia Webb**
*Senior Analyst*
2nd Year, Geography

**George Wooding**
*Senior Analyst*
4th Year, Business and Economics

# 7.1.1 Investing Tracking

## Semester Two

In the second semester, the Head of Investment Tracking led a team of eight senior analysts, split between two teams.

Team one was comprised of six new SAP analysts. The analysts were tasked with conducting a climate risk stress test of the portfolio, drawing on the Bank of England's Climate Biennial Exploratory Scenario (CBES) framework. This framework was selected because it offers a structured methodology for evaluating how portfolios may perform under various long-term climate trajectories.

The team conducted detailed scenario planning that spanned a range of geographic regions and economic sectors, ensuring that the analysis accounted for both global and sector-specific climate vulnerabilities. Three distinct climate scenarios were modelled: an Early Net Zero transition, in which swift and coordinated policy action drives rapid decarbonization; a Late Action scenario, characterized by delayed intervention and more abrupt economic adjustments; and a No Additional Action pathway, where current policies remain in place and climate change accelerates without further mitigation. These scenarios allowed the team to test the portfolio's sensitivity to changes in regulatory environments, physical climate risks, and shifts in consumer and investor behaviour.

The team produced a detailed report which outlined where Prosper faces the most climate-related financial and ESG risk and where potential opportunities may lie under each scenario. The stress test informed high-level strategic recommendations, These included specific proposals regarding which sectors, regions and assets to possibly divest from in order to mitigate risk, as well as which sectors, regions and assets to possibly strengthen or expand to position Prosper advantageously under each future scenario. Through this work, the SAP analysts played a pivotal role in ensuring that Prosper's portfolio is not only aligned with its climate values, but also structurally resilient to the diverse challenges and disruptions that a changing climate may bring.

The second team, composed of two continuing SAP analysts, concentrated their efforts on a comprehensive overhaul of Prosper's internal investment tracking infrastructure. Due to specific limitations of the former tools, the team updated and reinforced the operational backbone that supports portfolio analysis and decision-making. A central component of their work involved repairing the portfolio ledger, which had suffered from data inconsistencies and structural inefficiencies that risked impairing the accuracy of performance tracking and compliance monitoring.

In parallel, the analysts led the design and implementation of new, bespoke tracking tools, tailored to Prosper's specific needs under its evolving divestment strategy. These tools enabled greater specificity in ESG and financial data capture, and improved the capacity for real-time updates across asset classes for Junior and Senior Analysts. Their work significantly improved the fund's operational efficiency and enhanced real-time visibility into Prosper's ESG and financial performance. Special thanks are due to these analysts, Gergely Márton and Maren Wagner, whose contributions were essential to Prosper's continued performance.

Gergely Márton developed two specific quantitative tracking and analysis tools as a continuation of his work as an Investment Tracking Senior Analyst. These were an Excel Spreadsheet and a Webapp, designed to integrate quantitative analysis into Prosper's investment decisions.

The developed Excel spreadsheet is designed to speed up the data-gathering process for simpler financial analyses and organize the results in an

# 7.1.1 Investing Tracking

easily readable format. It retrieves data from a financial database with only the ticker symbol of the desired company required as input. With the press of a button, the spreadsheet displays the income statement, balance sheet, and cash flow statement, along with other calculated metrics broken down into components for the past 10 years. Additionally, it enables users to perform DuPont analysis, Monte Carlo simulation, GARCH(1,1) volatility forecasting, and stress testing. Overall, the spreadsheet allows analysts to retrieve and manipulate financial data more flexibly and efficiently.

The web application coded in Python enables analysts to perform more advanced quantitative analysis compared to the Excel spreadsheet, while also extending its capabilities through several portfolio optimization algorithms. This empowers analysts to make more data-driven decisions and generate meaningful recommendations when combined with their qualitative ESG-related research.

# 7.1.2 Portfolio Research

## Semester One

The Director of Portfolio Research led a small team of two analysts in producing a dividend analysis, with the primary goal of understanding whether dividend income would be able to sustainably fund our social impact grants going forwards. In addition to this, the project involved compiling a spreadsheet to track all Prosper dividends in order to support further analysis in the future. This was a timely project for Prosper's operations, as our funding from the university no longer supports our impact grants. Therefore, it was important for Prosper to devise a strategy to sustainably fund the impact grants from the portfolio. Acting on this, we tested whether our dividends could support this going forwards.

Analysis started with defining how dividends should be viewed in the portfolio. Prosper gives a social impact grant of £500 per semester to Invisible Cities. Therefore, for dividend income to be the complete source of the grant, £1000 per year would have to be accrued in dividend income. We believe that funding our social impact grant wholly through dividends aligns perfectly with the Prosper ethos as it embodies successful investments creating social impact. We can derive direct social impact through our investment return in this way.

**Cormack Ross**
*Director of Portfolio Research*
4th Year, Philosophy and Economics

**Ian Yu**
*Senior Analyst*
3rd Year, Economics with Finance

**Harry Avent**
*Senior Analyst*
4th Year, Economics

**Karim Mashal**
*Senior Analyst*
2nd Year, Economics with Finance

**Tamara Miltz**
*Senior Analyst*
2nd Year, Finance and Business

Following this, we decided to structure our analysis into a backwards and forwards-looking overview, as well as highlighting the key dividends in our portfolio. To start, we observed a steady upward trend in dividend income since inception. This aligns with expectations that dividend income grew along with the number of holdings in the portfolio. Another key trend was that dividend income correlates with portfolio return on a time lag. We can expect dividend returns to be delayed by up to a year compared with portfolio return.

Then I would particularly like to commend Senior Analyst Ian Yu for his work on identifying Prosper's top contributors: Hannon Armstrong, Telus and Assura. These account for 38.8% of dividends received and so remain vital in this strategy being successful going forwards. These companies help to offset low dividends from blue-chip stocks in the Prosper portfolio. However, we recognise the risk of relying too heavily on just three holdings and so must consider this when growing the portfolio in the future.

The analysis concludes that Prosper should be able to sustainably support our social impact grants through dividends in March 2026. This result is reached on the assumption that no new dividend paying equities are added to the portfolio which is likely not the case, increasing the robustness of our conclusion. We must recognise however that dividends are greatly affected by macroeconomic risk as shown by downturns in the Covid-19 pandemic. In light of what is currently occurring with Donald Trump's tariffs we must be sure we are able to fund the social impact grant going forwards. This project recommends further research into a "fail-safe" strategy, following macroeconomic shocks.

Overall, I am extremely impressed with the output that has been produced; it will be greatly beneficial to the team going forwards. For more information, please request a copy of the analyst's dividend report.

# 7.1.2 Portfolio Research

In the second semester, I led a team of three analysts in building an investment framework to formalise the investment watchlist. Previously, the watchlist has been a collection of interesting companies suggested by management and senior analysts. Whilst this has provided some successful selections, we felt as though Prosper would benefit from a more formalised watchlist. The watchlist is hugely important in the Prosper ATP cycle as it ensures that high quality companies are presented by the analysts by providing a pool of companies to select from for groups who are unsure. With this in mind, the senior analysts created a framework designed to be a small-scale company analysis that allows Prosper to collate interesting companies through a consistent process. It also enables a sustainable way of tracking watchlist suggestions and maintains the continuity of understanding of why certain equities were originally suggested.

We started by walking through the prosper investment process, seeking to simplify each of its sections. Aiming for two sides of A4, we discussed what we deemed to be most important and the best use of time when researching. Initially, we started with some key background questions and a brief summary of the investment thesis. Following this, we decided to break the core values into binary questions that best align with Prosper's philosophy. For the ESG section we used a traffic light system for the headings of the Prosper ESG matrix, in order to briefly contextualise a company to the rest of the industry. The financials remained a table, but crucially we included a space for key competitors in order to make sense of key metrics. Finally, we returned to the traffic light system for the PESTLE and SWOT analysis. For each section, we included a comments box, so that the analysts could make a note of key information. We also included a final word as to whether the company should be considered now, or in the future, as well as if the analyst had discovered any further companies through their research.

Following this design phase, the analysts each tested out the framework to add some companies to the new formalised watchlist. The feedback of their experience was positive but a few minor changes were made to ensure clarity and continuity. Following this, an excel spreadsheet has been made to track each watchlist submission, which I will hope will be a greatly useful tool for Prosper management going forwards.

It should be noted that it was not our intention to provide an exhaustive analysis of each company by designing this framework. We simply wanted to allow for a comprehensive "first look" where we could uncover any red flags or areas of comparative advantage. The point here is that these companies will once again be analysed through the ATP if they are selected; no investment decisions should be made on the watchlist alone. It is our recommendation that the management team ask each SAP analyst to submit one company to the watchlist per semester by completing our framework. This way, Prosper will build up a bank of interesting companies to be considered by the ATP.

Further, since completion of this project, the management team have spoken of using the framework in the ATP as part of selecting a company. Prosper has noted that many companies would fail at one specific part of the investment philosophy meaning time could have been saved uncovering this flaw at the beginning of the ATP. Therefore, there is scope for using our watchlist framework to ensure that a company is an appropriate fit as an investment proposal aiding in the analysts education.

I would like to thank all the analysts who participated in this project. I am very grateful for the hard work put in and proud of the deliverable we have produced. I hope that the formalised watchlist will greatly increase the quality of investment proposals going forwards.

# 7.1.3 Investment Strategy

## Introduction

The Head of Investment Strategy led a year-long project developing tools to incorporate hard-to-abate sector analysis more actively into Prosper. This project has delivered additions to Prosper's mission and investment strategy, as well as new analysis tools and materials that will be incorporated into Prosper's teaching course in time for the Analyst Training Program (ATP) in September 2025.

## Semester One

In semester 1, our SAP team laid the groundwork for the inclusion of HTA sectors, developing a preliminary research bank of material on seven key sectors that are hard to decarbonise. These are shipping, aviation, cement, chemicals, plastics, steel and heavy duty vehicles (HDV). This research focussed on identifying the key technical challenges to decarbonising, the frontier technologies driving decarbonisation, and the companies at the forefront of decarbonisation efforts. The theme driving this project was contextualising investment analysis for analysts, to keep Prosper's investment philosophy of seeking out those 'best-in-class' companies that deliver intrinsic impact in their operations.

We also developed the rationale for including HTA sectors into the Prosper Investment Strategy. This was a vital element in establishing the goals and value-added of HTA analysis, and ensuring that it maintained the integrity of our missions (delivering positive social impact) and our best-in-class, passive investor philosophy. The team developed key arguments for HTA inclusion by aligning the project with each of the core values and explaining the value-added to the current investment strategy. This was primarily framed around Prosper's evolving ESG philosophy, which is shifting from one principally concerned with risk-mitigation to one centred around intrinsic impact delivered by companies. In this context, companies focused on decarbonising emissions-heavy industries are a clear target for our equity analysts.

## Semester Two

In semester 2, the new SAP team built on the work completed in semester 1 with the goal of refining the research and analysis tools ready for implementation. This project delivered four key deliverables: Research infographics, updated HTA matrix, changes to Prosper's investment strategy and teaching material updates for the ATP.
First, the team distilled the research completed across the seven HTA sectors into user-friendly infographics built around a "decarbonisation timeline", which charts the low-carbon technology deployment targets across the sector, as well as the technical readiness of current

**Alec Johnson**
*Head of Investment Strategy*
4th Year, Geography and Economics

**Henry Bury**
*Senior Analyst*
3rd Year, Environmental Science

**Bea Brockman**
*Senior Analyst*
2nd Year, Economics with Management Science

**Anya Kumra**
*Senior Analyst*
4th Year, Economics with Finance

**Satvik Singla**
*Senior Analyst*
1st Year, Economics with Finance

**Katerina**
*Senior Analyst*
2nd Year, Economics

**Sienna Howley**
*Senior Analyst*
4th Year, French and German

James Teague
Senior Analyst
3rd Year, Politics and Philosophy

# 7.1.3 Investment Strategy

technologies. These are designed to be used in the preliminary weeks of the ATP, when analysts are first selecting stocks. These infographics are designed to be updated by the Investment Strategy SAP team once every other year to ensure the information on technological frontiers is up to date.

We also finalised the HTA matrix (shown in Figure 1.0). This matrix is designed to replace the Environmental analysis of the current ESG analysis, assuming that a HTA sector company would be pitched under the Sustainable Consumption theme. The Social and Governance analysis would be completed as normal. We have included six key areas for analysis. Emissions category is broken down by scope (and we have also developed a table that details the relative emissions intensity of each HTA sector by scope) and we include a box for revenue carbon intensity. We retain the Pollution & Waste and Sustainability of Business sub-categories from the original ESG matrix as we felt they are very much relevant to HTA industries. We introduced specific Supply Chain Management analysis to ensure that HTA companies are introducing sustainable practices throughout their value chain. Innovation & Circularity jointly captures the metrics we feel are relevant to a company's commitment to these business practices. The team developed a proprietary TRL scale identifier to help analysts assess technologies developed to tackle high emissions, and quantify their progress. Finally, we include Environmental Scandals as a qualitative assessment of a company's past indiscretions and subsequent credibility.

We also made a key addition to Prosper's Investment Strategy, to be enacted as a change on all public platforms. This is change is as follows:

> "We have recently adapted our strategy to encourage the incorporation of hard-to-abate (HTA) sectors in our portfolio. Investing in HTA sectors demonstrates our innovation and commitment to achieving global net-zero"

## Goals

This solidifies Prosper's commitment to Hard-to-Abate equity investments as an enrichment of Prosper's mission to tackle social challenges head on, and recognising that industries such as cement and steel are important pieces in the net-zero jigsaw. Research conducted during semester two found that hard-to-abate sector companies had made up a large portion of the companies brought to the Investment Summary stage in the last four cycles of the ATP, so it is our aim to capitalise on this pattern and identify the additional value in making these HTA investments.

Finally, the team proposed a proportion of the portfolio to be dedicated to HTA investments. Based on analysis of other climate change defence funds relative to more balanced ESG funds at major investment firms, we opted for a figure of 15%, with a target to achieve this by Semester 2 of 2028/29. As there is already a strong flow of HTA companies being selected by analysts, we feel that further illumination of these sectors as investment opportunities, as well as additional analysis tools will mean the portfolio naturally achieves this level without artificially directing analyst efforts towards HTA equities. This would also act as a key diversification strategy, reducing exposure to firms directly affected by technology markets and volatility surrounding AI speculation.

## Conclusion

The changes to the ESG analysis are part of wider changes to the teaching that are being introduced next year. Work will be ongoing over the summer to ensure that the relevant materials are developed to ensure HTA analysis is properly integrated and can be effective some time next semester.

I would like to thank Henry, Bea, Anya, Satvik, Katerina, Sienna and James for all their hard work

# 7.1.3 Investment Strategy

on the projects this year. They have helped deliver a significant step forward for Prosper which will improve our long-term operations and enhance the ATP.

| | Investment Analysis Criteria for HTA Companies: | | | | |
|---|---|---|---|---|---|
| | Scope 1 (Report as % of total) | Scope 2 (Report as % of total) | Scope 3 (Report as % of total) | Revenue Carbon Intensity (Total Emissions/Total Rev.) | Score |
| Emissions | | | | | |
| | Toxic waste | | Biodiversity/Ecosystem impact | | Score |
| Pollution & Waste | | | | | |
| | Raw Material Intensity | | Sustainable Supplier Requirements | | Score |
| Supply Chain Management | | | | | |
| | Decarbonisation Targets (relative to Industry) | | Revenue Stream Breakdown (what proportion of sales are renewable products) | | Score |
| Sustainability of Business | | | | | |
| | TRL Score | Design for ease of Circularity | Circularity in Input Material | Product life extension | Score |
| Innovation & Circularity | | | | | |
| | Number of significant scandals | | Type of Scandals | Effectiveness of Response | Score |
| Environmental Scandals | | | | | |
| | | | | Total Score | 0/60 |

*Figure 1.0: HTA Matrix*

# 7.1.4 Social Impact Project

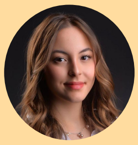
## Fundraising Project

The initial idea for the fundraising project was to enhance the positive social impact that we generate for Invisible Cities and to increase our monetary donations to the social enterprise beyond our social impact grants. The team landed on the idea of the conference as although we were keen to fundraise, we were determined to do this in a way that's aligned with Prosper's core values and other form of social impact - teaching students from non-finance backgrounds about socially-responsible investment. We also saw this as an opportunity to create more exposure for Prosper, connecting with a wider pool of students and professionals.

Led by the Head of Social Impact, the Senior Analysts began to reach out to social finance organisations, organising meetings and calls. The analysts also made use of Edinburgh Innovations, organising an initial meeting in which they provided invaluable support by recommending potential speakers for the event. The analysts also had a meeting with the Social Responsibility and Sustainability Department, with a focus on two critical areas: event planning and fundraising, discussing key aspects such as speaker formation and budget allocation options. Finding an event space was a challenging aspect of the project, as we don't get automatic access to university space, being a community-interest company rather than a university society.

**Eve Graham**
*Head of Social Impact*
4th Year, ????

**Soraya Chaudhari**
*Senior Analyst*
2nd Year, Biological Sciences



**Isil Usta**
*Senior Analyst*
2nd Year, International Business

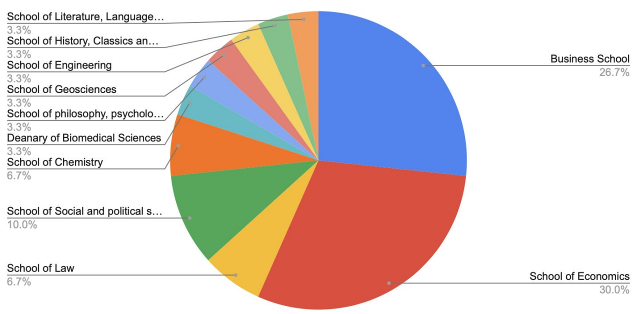
**Alex Cunningham**
*Senior Analyst*
???

**Benedetta Bosco**
*Senior Analyst*
3rd Year,

A key contribution of the analysts was the organisation of the raffle, managing to secure donations from local businesses, with the aim being to increase the funds generated for Invisible Cities on top of ticket sales. The analysts were also heavily involved in the marketing stage of the event, flyering around campus as well as the actual event itself, working on the door and being responsible for handling the raffle.

### Degree Background Data Analysis

Senior Analyst Soraya Chaudhari also worked on some data analysis alongside the organisation of the conference. Looking at the degree backgrounds of previous analyst cohorts, Soraya transferred this information into key metrics and graphics. This can now be looked at and analysed by future management team members, looking to improve degree background diversity within our analyst programmes.



# 7.1.4 Social Impact Project

## Conference Report and Diversity & Inclusion Data Analysis

### Conference Report

Following on from last semester's project, Alex Cunningham created a report on Prosper's first Social Finance Conference, outlining what was successful about the event and where there is room for improvement. This document should be critical for next year's management team, as the conference is something that we would like to continue and we would like it to be improved year-on-year. The main strengths of the conference highlighted throughout the report include the close link the event had to Invisible Cities, fundraising via the raffle, a broad range of speakers and attendance. The potential next steps highlighted by Alex include an improvement of marketing strategies in order to publicise the event to a wider range of people, including students, non-students and professionals.

### Data Analysis

Benedetta Bosco carried out thorough analysis on our gender and diversity statistics, in order to create a guided and informed strategy for encouraging the participation of marginalised groups within the Prosper analyst programmes. Benedetta identified key demographic trends such as the fact that Prosper attracts a high proportion of Economics and Business students and gender balance varies, with recent trends showing room for improvement. Using this data, Benedetta outlined key strategic recommendations for Prosper, such as showcasing experiences from non-Economics/Business alumni to break stereotypes and demonstrate the programme's value across disciplines, collaboration with women-led/female-focused societies and the promotion of female alumni success stories.

# 8.0 Risks and Risk Mitigation

# 8. Risks and Risk Mitigation

## 8.1 Recruitment Risks

The recruitment of committed analysts through the Analyst Training Programme is essential to the continued growth and long-term impact of Prosper. As one of Prosper's key channels for driving social impact, the development of analysts is central to our strategy and mission.

Many of these analysts ultimately progress to form part of the future management team, who play a pivotal role in shaping Prosper's direction and ensuring its sustainability. It is therefore essential that we maintain a robust recruitment process in order to take on dedicated analysts. The following processes have been developed to ensure this:

### Analyst Training Programme Selection Process

To ensure the recruitment of dedicated analysts, Prosper implements a rigorous two-stage recruitment process for the Analyst Training Programme. Initially, applicants submit a written application, allowing them to express their motivations and demonstrate alignment with Prosper's values. These applications are assessed anonymously by current members of the management team to ensure fairness and objectivity.

Shortlisted candidates are invited to participate in two interviews: a group interview based around a case study, and a one-on-one individual interview. While the majority of interviews this year were conducted in person following remote interviews in recent years, virtual interviews were used where necessary on a case-by-case basis. In-person interviews facilitate a deeper assessment of the communication and teamwork skills of analysts so are the favoured method of identifying dedicated analysts.

### Management Team Selection Process

The selection of the incoming management team follows a similarly robust structure. All candidates must have completed the Analyst Training Programme, ensuring they have a deep understanding of Prosper's values, mission, and reporting process before taking on a leadership role.

Similar to the Analyst Training Programme recruitment, this process includes a written application followed by an individual interview. These interviews are conducted by outgoing members of the management team who will not be part of Prosper in the following year. This approach helps ensure an impartial and transparent selection process of the new management team.

### Workload Balance

Prosper remains committed to helping its members manage their academic responsibilities alongside their roles within the organisation. We continue to encourage open communication and collaboration through weekly management team meetings, whereby each member is made aware of each other's current priorities, and tasks can be shared and collaborated on, where suitable.

To better address the evolving needs of both the team and the analyst cohort, we are introducing a structural change to the Head of Training position. This includes the allocation of more specific roles to each Training Head, with one being focused on wellbeing. This change is designed to provide analysts with more targeted support, particularly in managing wellbeing, challenges, or concerns throughout their training journey.

Additionally, the Corporate Relations role, which was introduced last year, has proven to be a valuable addition to the team. Working in close partnership with Strategic Relations, this role has enhanced Prosper's external engagement and contributed to a more balanced distribution of responsibilities as we continue to grow our partnerships with student societies and corporate organisations.

## 8.2 Investment Risks

Twenty months after the switch of brokerage, this year marked the third and fourth ATP cycles where the analysts were able to select from a global range of stocks. From a diversification point of view, this has allowed us to distribute risk more effectively in

# 8. Risks and Risk Mitigation

our portfolio. Despite this, the team recognises the risk of investing and so aim to maintain robust processes to manage this effectively.

**Rigorous screening process**

Investment ideas are generated through the Analyst Training Program where they are screened according to our bottom-up investment framework. This allows for a breadth of ideas due to the diversity of the analyst cohort as well as more experienced judgement when this shortlist is voted on by the investment panel. This year we have continued to include sense checks for the ATP, an example being asking Senior Analysts to submit key questions of the investment thesis to try and guide the thinking of our junior analysts. We believe these measures increase understanding and the quality of investment proposals.

More generally, this year we have aimed to place more emphasis on the holistic investment thesis of companies in the ATP, promoting analyst autonomy and ensuring quality portfolio turnover.

**Divestment Strategy**

This year, Prosper has introduced major changes to the investment horizon framework. Under the founding investment strategy, investments are made on a 5-year time horizon, at the end of which they are automatically sold. There are no defined check-in points so any divestment for poor performance or ESG failings rely upon reactive analysis by the Investment Panel or Senior Analyst Programme (SAP), a strategy which has resulted in major losses. The IP developed a more dynamic, strategic approach to both investment tracking, and to divesting from matured equities which have reached their five-year horizon while maintaining the passive investor philosophy at the core of our investment process. Prosper's new strategy for monitoring the performance of stocks in our portfolio will consist of two thorough SAP 'check ins' throughout the five-year investment horizon of the stock: once after two years and then again at four years. The purpose of these checks is to comprehensively assess the performance of individual stocks within the portfolio and ensure awareness of any ESG concerns.

After 5 years, the end of the investment horizon, matured equities will now be reassessed by the Investment Panel and SAP. Depending on the outcome of this evaluation, Prosper's holding in that stock will either be entirely retained, partially retained, or sold (once the relevant funding commitments have been met). This decision will be through an evaluation process in accordance with the standard screening and analysis processes. Importantly, our Investment Panel will still closely monitor the portfolio throughout the year and may divest at different points if they deem necessary. These check-ins ensure a safe guard for the portfolio, as future management teams will have a more defined timeline for each stock, whilst incorporating the SAP (which has been revitalised this year) into the tracking process.

This timeline is important for delivering our funding commitments, building a framework where the stocks that mature each year can be charted and a subsequent strategy for divestment and reinvestment can be produced.

The two-year assessment is intended to protect Prosper from serious underperformance and ESG concerns. A comprehensive review of the equity will be conducted by the Senior Analyst Programme in which analysts will review the equity against the original investment proposal.

# 8. Risks and Risk Mitigation

This will ensure Prosper understands how the stock is maturing and if there are any trends in our portfolio that need addressing. The assessment will include:

- ESG review against the investment proposal
- Macroeconomic analysis.
- Comprehensive financial review.
- Stock performance review.
- Recommendation: is the stock performing as expected? Are there causes for divestment?

Crucially, this is to insulate PSF against flawed investment convictions. Our passive investor philosophy still dictates that stocks are held for the full 5-year horizon unless there is new research that undermines the investment rationale. This check-in is a mechanism designed to catch that scenario. One such underperforming stock is Gresham House Energy Fund, a holding which has collapsed in value and would in all likelihood have been sold on the recommendation of a 2 Year investment assessment.

At the four-year stage of a stock's investment horizon, a crucial forward-looking review will be completed. As with the two-year review, this will be the role of the SAP. This forward-looking report will detail several elements:

- ➔ The stock's weight in the portfolio.
- ➔ The stock's contribution to annual dividend profits.
- ➔ Target sale price for achievement of the 5-year horizon.

This report will answer the key question of is this stock still worthy of a place in Prosper's portfolio. The report will detail the stock performance, financial growth since investment, ESG credentials and progress relative to investment proposal. This will be a review of the stock in absolute terms, irrespective of investment alternatives. The recommendation from this review will then determine whether the stock will be sold on completion of its horizon, or if it will be considered further by the investment panel.

At the achievement of the five-year horizon, the final divestment decision will be made for the stock. In each divestment window, the priority will be to reallocate funds to the Social Impact Grant Cushion, and then to the ATP fund. Ensuring they are appropriately funded takes priority over retaining high performing or high yielding stocks.
At the 5-year horizon, a stock will be assessed by a dedicated SAP project, delivering research and investment recommendations in time for the upcoming investment window (the timeline is detailed).

Stocks which were recommended for sale at the 4-year check-in will be sold on completion of their investment horizon (sold with 5-year review with a divestment rationale provided by the SAP team). Stocks that receive a "further review" recommendation at the 4-year check-in will also be reviewed again at the 5-year horizon. Stocks proposed for "further review" will be divested first to meet the funding commitments of the Impact grants, and then the next ATP cycle. If the stock need only be partially divested in order to meet these funding commitments, the IP will then have discretion as to whether the holding is kept in the portfolio, or fully divested to facilitate a larger investment in the new equity.

At the 5-year horizon, a mature stock will have both a 4-year check-in review a 5-year horizon review and recommendation.
The divestment decisions, both to balance the portfolio and to appropriately fund the next ATP cycle.

Depending on how the maturing stocks have performed, there are three scenarios for the divestment decision:

- In the aggregate, the mature stocks have grown during their horizon.
- In the aggregate, the mature stocks have

# 8. Risks and Risk Mitigation

held their value with no significant change during their horizon.

- In the aggregate, the mature stocks have fallen in value during their horizon.

For net underperformance where divestment does not make up the required £5,000 for the next investment cycle, top-slicing the portfolio will be used to the make up the gap. Top-slicing will always be a tool used to mitigate risk at a certain threshold (such as 10% portfolio weight). In the event of underperformance, the top-slicing threshold will be lowered to take more evenly from the top performing stocks.

The particulars of meeting funding commitments are met, and portfolio management with respect to reinvesting profits will be at the discretion of the IP. We recognise the discretion and autonomy of the IP to be one of the key highlights for members, and a position to aspire to within the organisation. It is one of the most fundamental vehicles for social impact at Prosper and the divestment strategy has been written to maintain that autonomy.

Top-slicing is a tool that will be employed by the IP for two reasons. Topping up the ATP fund for the following cycle and managing exposure from large growth of any single holding.

This yields two key benefits:

1) Reduced exposure to potential bubbles, or industry-based disruption and sell offs. One such stock in the portfolio is Nvidia which has performed extremely well since investment, and currently sits at 10.9% of our portfolio value, despite having been top sliced from 12% in May 2024. Top slicing from this stock hedges against the risk of an AI bubble or industry-wide regulatory tightening to which Nvidia's performance is exposed. Nvidia was reduced again to 8% of the portfolio in January 2025 to fund our Semester 1 investments.

2) The cash generated from top slicing sell offs will be used to reinvest in new stocks. This offers more flexibility and opportunity to the ATP in terms of stock buying options, enhancing the ATP which is a flexibility and opportunity to the ATP in terms of stock buying options, enhancing the ATP which is a key vehicle for Prosper's social impact.

The proceeds for top slicing would not be used to fund the social impact grants, as the selling of mature stocks together with revenues from dividends will cover the £500, and any slack will be taken from the grant cushion.

Instead, top slicing will be a tool for managing the portfolio and the resulting funds will be used for the next round of investments and as a tool to balance ATP funding commitments in the case of aggregated underperformance of maturing stocks.

Also, in alignment with this element of Prosper's philosophy, 'top slicing' of the portfolio will be conducted to ensure no single holding exceeds 10% of our total portfolio value (the value including any cash held at the time). However, this 10% threshold will be under continual review by the Investment Panel.

Given that only 3 of Prosper's 30 equity holdings currently sit at more than 8% of the total portfolio value, and Nvidia has been the only stock to exceed the 10% threshold, top slicing will likely be a rarely used tool in the portfolio management. As such, any top slicing decisions will be taken on a tailored case by case basis, and the threshold could be subject to change.

### Timeline

A key part of the long-term sustainability of the divestment strategy, and Prosper as a whole, has developed a strong timeline for divestment and investment decisions across the year. This will be outlined below.

Stocks that reach maturity will do so in either May/June or January/February (depending on which investment cycle they were pitched in).

Stocks maturing in the January/February window will be divested from to fund the ATP cycle running concurrently in that period, with the funds required for reinvestment by the IP in May of that

# 8. Risks and Risk Mitigation

year (see figure below for investment cycle timeline). The May/June maturity window will fund the autumn ATP cycle of the following academic year. The 5-year horizon analysis will be completed concurrent with the autumn ATP by the autumn SAP. Given that the outcome of an investment cycle could be retaining a stock, no divestment or investment transactions will be made until all research and decisions have been made. This is not withstanding coverage of Social Impact Grants. In the case that SIG need funding, the required funds will be taken from the matured stocks.

| | | |
|---|---|---|
| | | September |
| October | November | December |
| **January** | **February** | March |
| April | **May** | June |
| July | August | September |
| October | November | December |
| **January** | **February** | March |

Key:

= ATP

= SAP

October & February = Social Impact Grant Payments

January = Investment & Divestment Window 1

**May** = Investment and Divestment Window 2.

For stocks that are maturing in January, the dedicated divestment review SAP project during the SAP window prior to that horizon completion (September – November) will research the stock and deliver the recommendation to the IP for further review or not. For stocks maturing in May, the SAP review will be completed in the SAP window prior to that horizon completion (January – March), delivering recommendations for the IP discussion. SAP projects assessing the divestment decisions will run concurrently with the ATP cycle in January and February, ensuring funds are available for the IP to reinvest by May. This will also be the case for the stocks that mature in May/June. They will be assessed in the SAP running concurrently to the Autumn ATP, with the funds made available for the IP to reinvest in January of the following year. This strategy has the advantage of minimising the time that the divested funds sit in the portfolio as cash.

## New Sectors and Regions

The ability to invest globally through our brokerage brings with it new macroeconomic risks for us to consider. Whilst we have encouraged this challenge, we recognise that it requires our investment process to be as robust as ever. We have aimed to address this through our Senior Analysts projects such as the *Prosper Reporting* project [See Section 6.4] where analysts compiled macro-focussed articles on topics directly affecting our portfolio holdings. We hope that this can be used to inform investment decision making for future investment panels.

## Continuation of Tracking Tools

Following the switch to Interactive Brokers, we now have access to in-depth tracking tools as part of the *Portfolio Analyst* feature. This has decreased the need for us to manage our own tracking tools. This being said, we have run multiple Senior Analyst projects addressing tracking, informing our divestment decisions and monitoring portfolio trends.

# 8. Risks and Risk Mitigation

## 8.3 Security and Proper Use of University Funds

The University needs to be confident that all funds given to Prosper will be used in the way intended, as outlined in our Memorandum of Understanding. No significant changes were made, over the last year, to the structure that was agreed upon with the University. Aspects of our current structure, ensuring the appropriate use of funds, are outlined below:

### CIC Structure

Being a Community Interest Company (CIC), limited by guarantee, ensures that funds can only be used for our stated mission and only in the interest of the community which we aim to serve. As indicated in our articles of association, if at any point we should fail to meet our legal requirements as a CIC, all funds would be returned to the University of Edinburgh Development Trust (Charity Number: SC004307).

### Directorship Roles

Three members of each year's management team are named directors on Companies House. This spread of responsibility ensures an even balance, along with the need for a majority vote on any important legal or accounting decisions.

### Account Access

Only management team members who sit on the investment committee have access to the Interactive Brokers trading account which is used to manage our portfolio. The Executive Director has the legal right to place trades. Moreover, for both the trading account and operational bank account, we have best practice security protocols in place to protect access to these accounts.

### Advisory Board

The establishment of an external advisory board represents a key mission for this management team- strengthening our governance structure, and preserving our ethos as a socially responsible and student led organisation. Providing oversight above the existing governance structure, their expert advice hopes to guide future management teams through unbiased external perspectives and expert industry opinion. As of 2024/25 the Advisory Board is made up of Charlie Lietchi, Tyler Thomas and Chris Hegarty. The Legal Directors meet with the Advisory Board biannually to ensure that Prosper is aligning with its core mission and acting responsibly.

### Formalised MoU with the University

Succinctly, Prosper is to pay back the £50,000 loan by 2034, paying the principal+CPI. Accordingly, the university calculates the permitted divestment amount which can be distributed to Social Impact Grants.

## 8.4 Legal and Accounting Risks

As a company, we continuously ensure that we meet all legal and accounting requirements imposed by law. The related commitments include:

### Relationship with the Business School

We continue to have a good relationship with the Business School. We are grateful to the business school for continuing their support of Prosper as a supported enterprise, which we largely capitalise upon through extensive use of the School's facilities. The majority of SAP, MMT and Director's meetings took place in the Business School.

### Independent Accountant

This year, we have acquired accounting services, relating to filing our Corporate Accounts and Tax Return, through leveraging the University's accounting resources. Particularly helpful was Angela Cairns, an Accounting lecturer at the Business School, who checked our accounts. While accounts can now be filed online at Companies House, our CT600 (Corporation Tax) was filed with the accountancy firm Philosoph Limited through Sophie Wheeler. Both Angela and Sophie have agreed to assist Prosper's future MMTs, thus increasing the operational stability of the company in the future. Additionally, the assistance offered

# 8. Risks and Risk Mitigation

by Angela has allowed us to reduce our administrative costs, as independent accountants are no longer required for our annual accounts.

## 8.5 Cash Flow Risks

Prosper continues to be a financially stable company and meet its operational cash flow needs, without charging excessive administrative fees. This is achieved through:

### Effective Budgeting and Planning

We continue to ensure that our funds are spent towards the enhancement of our Analyst, and Senior Analyst, Training Programmes and operations. We have managed to, once again, remain cash flow positive and ensure that the company has enough liquidity to cover unexpected expenses that may occur within the next academic year.

### Efficient Spending of Funds

Our main source of revenue is the optional administrative fees charged in our Analyst, and Senior Analyst, Training Programmes. We ensure this fee covers all expenses of Prosper; however, that it is also fair and non-discriminatory. This year, we retained the use of free surveying software, Google Forms, allowing us to continue monitoring our social impact, whilst maintaining low operating expenses. Our administrative fees are calculated using a numerical tool that looks to guarantee that the amount charged to our analysts is fair and sufficient to cover the operational and marketing expenses. Our fees remain optional for both the SAP and ATP. The ATP fee is £18.00 and SAP is £14.00.

### Memorandum of Understanding with Invisible Cities

Part of our established partnership with our social enterprise Invisible Cities means we donate biannual £500 impact grants. To ensure these funds have their maximum social impact we require 2 reports from Invisible Cities to tell us what the funds were used for as per last year's new Memorandum of Understanding. This document outlines the scope of the agreement for both parties, aiming to ensure that the donated funds are spent efficiently, maximising positive social impact, and that an effective relationship is kept. See section for more detail [See Section 4.3]

# 8. Meet Next Year's Team

**Chelcie Mohammed**
*Executive Director*

**Ian Yu**
*Director of Portfolio Research and Managing Director*

**Katerina Taylor Mojsovski**
*Director of Investment Tracking*

**Paula Quevedo Herrera**
*Head of Investment Strategy*

**Jacob Nesling**
*Director of Social Impact*

**Benedetta Bosco**
*Head of Operations*

**Aryan Chibber**
*Head of Training (Development)*

**James Priestley**
*Head of Training (Welfare)*

**Mae Campbell**
*Head of Marketing*

**Henry Bury**
*Head of Strategy*

**Satvik Singla**
*Head of Strategic Relations*

# Thank You!

Thank you for taking the time to read through this report. Please do not hesitate to get in touch if you have any questions or concerns. We may be contacted by email at: operations@prospersocialfinance.co.uk.

We would also like to express our gratitude to the University of Edinburgh for their continued support. The growth and development of Prosper would not be possible without their sustained belief in us and their generous financial support.

On behalf of this year's Prosper Team, thank you.

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