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SARASIN
RESPONSIBLE GLOBAL EQUITY FUND

August 2022

RSMR RESPONSIBLE FUND

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SARASIN RESPONSIBLE GLOBAL EQUITY

OUR FUND PROFILES provide an in-depth review of our leading rated funds and are designed to give advisers, paraplanners and analysts an 'under the bonnet' view of the fund. In providing more detailed commentary than a standard fund factsheet we believe our fund profiles set the standard for the next generation of research notes, aiding in fund selection and in meeting the ongoing suitability requirements expected by the FCA, and helping ensure firms deliver good client outcomes.

All of our rated funds are subject to rigorous and ongoing scrutiny on both a qualitative and quantitative basis. Our fund methodology is available for download from the RSMR Hub – www.rsmr.co.uk

The **Sarasin Responsible Global Equity Fund** has been an RSMR rated fund since April 2012. It is a global equity fund that is constructed using the depth of resource of the Global Thematic Equity investment team at Sarasin. The strategy launched in June 2011 with the current manager, Jeremy Thomas, taking over the reins in December 2016. Jeremy is CIO Global Equities at Sarasin and is co-manager of the fund along with Giles Money and Megan Brennan.

The thematic global equity investment process used by Sarasin & Partners on the Responsible Global Equity Fund produces an actively managed proposition with low turnover that is invested in long term sustainable themes. The portfolio construction process has a rigorous environmental, social and governance (ESG) element embedded into it which stems from Sarasin's heritage in running money for a range of charities, foundations and institutional investors. In addition, the fund has demonstrated compelling risk/return characteristics compared to the Investment Association Global sector.

For investors who wish to mitigate the underlying currency exposure of a global equity proposition, a sterling hedged share class is also available.

Stuart Ryan, Chartered FCSI, Chartered Wealth Manager, Investment Research Manager, RSMR

Stuart graduated from the University of Wales Swansea with a degree in Law and commenced his career in finance in 2004 at HSBC in Canary Wharf. He has gained wide range of experience in finance ranging from investment management and investment banking to financial trading and market making.

Stuart worked for over 6 years at London based IFA Holden & Partners as Investment Manager leading the in-house investment team. This included portfolio construction (including SRI & ESG portfolios), investment research, conducting face-to-face meetings with both fund managers and clients and being a member of the internal investment committee. He was subsequently the Performance & Risk manager at Redmayne Bentley based in Leeds and sat on the various asset allocation committees as well as the Model Portfolio Service committee

Stuart is a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI) as well as a Chartered Wealth Manager.

IA GLOBAL SECTOR

The Sarasin Responsible Global Equity fund is classified in the Investment Association (IA) Global sector. The sector comprises funds which are geographically diversified with at least 80% of their assets invested in global equities, typically with a primary objective of achieving long term capital growth. There are over 400 funds (excluding ETFs) within the sector with over £150bn of assets under management (June 2022).

The sector encompasses a significant number of strategies and methodologies, from passive index trackers, global large cap and thematic (water, clean energy, financials, technology), to global small cap equity funds. The variations between the funds make it difficult for an investor to compare them, as strategies will clearly perform differently depending on market conditions. It is important to recognise this when looking at both absolute and relative performance numbers. The sector tends to have consistent fund flows as many of the funds are used as core equity holdings in portfolios.

Stock markets are forward looking, tending to discount events nine months to a year in advance. This means sentiment and expectations can be powerful drivers of market performance. Fear and uncertainty are a major cause of market volatility, and 2020 was certainly a year for that. 2021 provided some optimism with indications that a recovery was underway, although there were some bumps in the road.

2022, so far, has not provided any respite for investors as global markets have experienced a volatile period, driven by the market rotation from growth to value, concerns over inflation and the response from central banks to temper this inflationary pressure. Although the market is expecting interest rates to continue to rise, the question that is yet to be answered is to what level. At the time of writing the upward trajectory of interest rates had started with the US Federal Reserve and Bank of England both increasing interest rates to 2.5% and 1.75% respectively. It will be a fine line of keeping inflation in check whilst not derailing economic growth as the remainder of 2022 is navigated.

Against this backdrop has been the increased political tensions as the world digested the Russian invasion of Ukraine in February leading to higher commodity prices and concerns over energy security. The economic impact of this event has been far reaching, not least due to financial sanctions being placed on Russian companies and high-profile individuals. Many governments and supranational bodies have condemned the invasion and withdrawn from trade agreements. Russian participation in global financial markets has been severally restricted and this has triggered the removal of Russian assets from most global equity and fixed income benchmarks, with many financial institutions writing down the value of such assets to zero.

It is important to remember that the global equity indices are not necessarily representative of the real-world economy. Single stocks on the US market, like Tesla, could have the same market value as all the other global companies in that sector. Likewise, the weighting to the top 5 US stocks in the global indices is greater than the weighting to the Japanese and UK stock markets combined, which is why the exposure to the US in the MSCI World Index is so large at 66%. Diversification is important and demonstrates the benefit of active over passive investing, where the fund manager does not have to concentrate their investments in the largest index names, but rather has the ability to add alpha by investing across different geographies and market caps.

The Sarasin Responsible Global Equity fund is able to add alpha via its investment process and the identification of investment themes that results in a diversified global portfolio with a high active share invested across a variety of sectors, industries and geographies.

SARASIN

Sarasin & Partners LLP is a specialist asset manager that manages assets on behalf of their clients across a range of capabilities covering multi-asset, third party funds, equities, fixed income and real estate.

As of 31st March 2022, Sarasin were responsible for managing £20.5 billion in investments on behalf of charities, private clients, institutions and intermediaries. Sarasin operates as a partnership with management owning 40% of the economic interest. The remainder is owned by Bank J Safra Sarasin Ltd. Combined, the group has total assets under management in excess of £159.2 billion as at the 31st December 2020.

The Board of Sarasin & Partners LLP has overall responsibility for the management of the business. The firm's overall strategy is set by the Board with implementation and day-to-day management delegated to the Executive Committee.

SARASIN RESPONSIBLE GLOBAL EQUITY

Managers	Jeremy Thomas (Co-Manager), Giles Money (Co-Manager), Megan Brennan (Deputy Manager)
Structure	OEIC
IA Sector	Global
Launched	01.06.2011
Fund Size	£312.78m (as at 30.06.2022)

Fund Management Team

The fund is co-managed by Jeremy Thomas and Giles Money with Megan Brennan as deputy fund manager. Jeremy joined Sarasin in 2016, Giles in 2018 and Megan in 2017. In addition to the unitised fund, the strategy is run in segregated mandates across Sarasin & Partners. The combination of both the segregated mandates and the unitised fund results in over £1 billion of assets in the strategy.

Jeremy was promoted to CIO Global Equities in April 2022 when the existing CIO, Guy Monson, stepped down to undertake the role of Chief Market Strategist. Phil Collins will be the CIO for Multi-Asset as part of that change.

Jeremy Thomas – CIO Global Equities, Portfolio Manager/Analyst – Jeremy is the CIO of Global Equities and manages a range of Sarasin & Partners' global thematic and global dividend strategies. He joined Sarasin & Partners in 2016 from Allianz Global Investors where he spent 12 years as a UK, European and Global Equity fund manager. He co-managed the Brunner Investment Trust from 2010-2016. Prior to this he spent three years at Isis Asset Management, five years at Schroders, and five years as a British Army Officer. Jeremy is an Associate of the CFA Society of the UK (ASIP) and has a degree in Philosophy, Politics and Economics from Mansfield College, University of Oxford.

Giles Money – Portfolio Manager/Analyst – Giles joined Sarasin & Partners in 2018, having started in the investment industry in 2004, and has expertise in global, ESG and sustainable investment. Prior to joining Sarasin & Partners, Giles was the lead fund manager of climate change and thematic/sector funds at Schroders, as well as holding responsibilities as an analyst within the global sector specialist team. Giles has also been a portfolio manager at F&C asset management for their flagship ESG and thematic product. Giles is a Chartered Financial Analyst, holds the Investment Management Certificate and has a Bachelor of Commerce degree.

Megan Brennan – Portfolio Manager/Analyst – Prior to joining Sarasin, Megan spent 4 years at Coutts & Co working as an Assistant Fund Manager for the Coutts Multi Asset Funds. Megan is a graduate of Trinity College Dublin with a degree in Business, Economics & Social Studies. Megan also holds the Private Client Investment Advice and Management certificate (PCIAM) as well as the Investment Advice Diploma (IAD) and is a CFA Charter holder.

Portfolio management team

Jeremy Thomas
Portfolio manager
CIO Global Equities

Giles Money
Portfolio manager

Nikki Martin
Portfolio manager

Megan Brennan
Portfolio manager

Stewardship Specialists

Natasha Landell-Mills
Head of Stewardship

Therese Kieve
Social lead

Ben McEwen
Climate analysis

Julia Kochetygova
Lead Engagement Analyst

George Waldon
ESG & Corporate Voting Analyst

Global Equity / ESG Analyst Coverage

Digitalisation
- Josh Sambrook-Smith
- Kwai San Wong
- Brook Harris

Evolving Consumption
- Giles Money
- Jeneiv Shah
- Colm Harney

Automation
- Alex Cobbold

Climate Change
- Ben McEwen
- George Waldon
- Jeremy Thomas

Ageing
- Alex Hunter
- Nikki Martin

Sustained Income
- Neil Denman
- Angel Ganchev

Cross-theme Specialists:
- Rolando Rodrigues: Financials
- Raymond Lahaut: Real Estate

Source: Sarasin 31/08/2022

Fund Objectives & Targets

The Sarasin Responsible Global Equity Fund is a global thematic strategy adopting a responsible approach to investment that fully integrates stewardship and environmental, social & governance (ESG) factors as well as climate analysis. The fund also excludes activities that are considered the most harmful.

The benchmark for the fund is the MSCI All Countries (AC) World Daily (Net Total Return) and the fund targets an outperformance of the benchmark of +2-3% per annum gross of fees over a 3-year rolling period.

Investment Philosophy & Process

The global equity investment philosophy at Sarasin & Partners is founded on the key principle that to invest in a company is to participate in the long-term success of that company. Underpinning this principle are three pillars on which the fund management process is based, namely thematic, responsible ownership, and active management.

- Thematic – Themes are ultimately what drive long term corporate profitability, and these have the potential for attractive long-term investment returns. The team look for themes which are likely to persist for at least 5-10 years across industry sectors and geographies, using a combination of macro and micro factors. Companies are sought that are most likely to benefit from the theme and have attractive returns on capital and a sustainable competitive advantage.

- Stewardship (Responsible Ownership) – Environmental, Social and Governance (ESG) analysis forms an integral part of the investment process as does the fundamental analysis of companies. Active engagement with the companies owned is important and can lead to the proactive raising of concerns where necessary.

- Active Management – Companies are invested in where the long-term economic profits are not currently being reflected in the market valuation. This is based on a belief that markets are not wholly efficient.

The investment philosophy can then be overlaid onto the investment process:

- Idea Generation (Thematic) – The thematic process is used to identify various growth trends, and research resources are then focussed on these areas to identify which companies will benefit. The team believe that there are a number of mega-themes which cause the inexorable growth that forms the backdrop for the fund and identifies companies that have long term sustainable businesses. This aids in identifying the mega-themes on which the fund is based. The mega-themes for the fund are Digitalisation, Automation, Ageing, Evolving Consumption and Climate Change. Sub-themes within the mega-themes are used to locate industry niche companies for stock ideas. Typically, there are between 25 and 30 sub-themes covered at any one time which reduces the universe of stocks down from circa 3000 to a thematic universe of around 600 stocks.

- Stock Selection (Stewardship) – The identified themes are then populated by companies that Sarasin expect to benefit from the theme using fundamental bottom-up analysis. Further due diligence is undertaken assessing the long-term valuations and applying a variety of metrics to analyse the prospects for each stock. Each company is subject to an in-depth multi-stage research process where detailed modelling and an investment thesis is constructed. The starting point is a short note explaining the investment thesis (typically 4-6 pages) which is discussed and challenged by the wider team. A pre-mortem also occurs which enables another member of the team to provide a more balanced view of the risks to a business. The assessment looks at a company from the perspective of the impact on the valuation of the business if something went wrong. This is important as the team want to ensure there is a balanced view of the upside/downside capture of a business. Fundamental analysis is undertaken on a company to determine its fair value using detailed modelling to determine a bear, base and bull case. This part of the process also includes ESG analysis that generates an ESG score derived by the analysts with support from the Stewardship team. The final investment case is then written up into a more detailed note which can be used as a reference point throughout the ownership of a stock. Once this research has been completed, the stock is voted on by the team. A successful vote allows the stock onto the Global Buy List, which comprises around 100 stocks.

Portfolio Construction (Active Management) – A core list of stocks is created comprising companies in whom the managers have long term conviction, from which the portfolio can be constructed. This results in a portfolio of between 35-50 stocks, all of which are derived from the Global Buy List. The Global Buy List consists of 100-120 stocks with only stocks listed on the Global Buy List considered for inclusion in the fund.

Idea generation

- Uncover exciting ideas with potential to grow along sustainable thematic trends
- Narrows the investable investment universe from ~8,000 to ~600 thematic companies

Thematic universe (~600 stocks)

Stock selection

- Rigorous, fundamental process to identify the highest quality companies to capitalise on these trends
- ESG and climate impact analysis
- Team-based process to build strong conviction

Global buy list (~100 stocks)

Portfolio construction

- Concentrated portfolio of high conviction ideas
- Actively managed, and unconstrained from the benchmark
- Responsible ownership discipline, actively engaging with companies

Sarasin Responsible Global Equity (35 – 50 stocks)

Source: Sarasin

Corporate Characteristics

The research process also assists in identifying where a company currently is in its lifecycle allowing for a corporate characteristic category to be determined. As businesses evolve and change over time, so do their risk and return characteristics. Each of the corporate characteristics has unique quality, growth and valuation elements which assist in identifying the risk and return factors for companies held in the portfolio. By looking at the corporate characteristics, a more diverse portfolio can be achieved avoiding too much concentration in companies in the same stage of their lifecycle.

The corporate characteristics are defined as follows:

- **Disruptive Growth** – Companies with the ability to attack large entrenched profit pools with a superior product or service. These companies may not generate high returns on capital when investing to drive growth but can be enormous creators of shareholder value.
- **Defensive Franchise** – These are typically market leaders in their industries, with demonstrable barriers to entry. They consistently earn high returns on invested capital with limited variability across the economic cycle. Free cash flow generation is usually high and predictable. The companies usually have pricing power and a sustainable competitive advantage. The compounding effect of this can be very powerful.
- **Cyclical Franchise** – Generally market leaders with high barriers to entry. Cyclical franchise companies create value over a full economic cycle, but a degree of cyclicality means they may not achieve this every year. End market demand is usually highly dependent on levels of economic activity.
- **Cash Harvest** – Usually mature businesses with limited internal need for the excess cash that they generate. As a result, they are likely to return this excess cash to shareholders via dividends or share buybacks. The market can underestimate the duration over which these companies are able to maintain superior and growing cash returns to shareholders.
- **Special Situations** – A broad category of investments with specific and unusual investment case drivers, such as corporate restructuring, spin-off businesses, companies which own real estate and other financial assets and family-controlled businesses, where a conservative approach can be a source of superior returns.

Once a holding is established in the portfolio via the investment process, a sell discipline is maintained using the following conditions:

- Share price reaches intrinsic value estimates – Each investment case has an estimate of intrinsic value and an expected absolute return. If the investment case transpires (with the intrinsic value being reached) then a mandatory review of the holding will take place.
- Change in investment case – If the original investment case alters due to new information becoming available, the investment held will be reviewed.
- Superior idea – Holdings may be sold in favour of better ideas to include in the portfolio.
- Portfolio risk profile – Risk analysis of the portfolio can, on rare occasions, highlight unintended factor, style or correlation risks that require action. This may result in adjustments to existing holdings being made.
- Theme removal – When a theme is removed or replaced, the underlying holdings related to that theme will be reviewed.

Environmental, Social and Governance Factors

Stewardship is an important part of the investment process at Sarasin and is integrated into the decision making on all stocks held with a team dedicated to this area who actively engage with companies on issues, as well as voting and producing thought leadership pieces. ESG analysis forms part of this overarching stewardship approach and is fully integrated into the investment process and all analysts in the team are ESG specialists.

The managers do not think of ESG as three separate subjects, they think of them as fifteen areas of analysis'. Each of the areas of environmental, social and governance comprise five component parts. For environmental, the underlying components of climate change, circular economy, land, air and water are identified. The same principle applies to social issues with the underlying areas of suppliers, employees, customers, bribery & corruption and cohesive society identified. The governance aspect comprises board structure, ownership rights, reporting & controls, executive remuneration and business ethics.

ESG issues are a fundamental part of the assessment undertaken on every stock with circa 135 data points collated covering both qualitative and quantitative areas. These are factored into the modelling of the revenue and cost projections for the business as well as the threats to the business model. By focusing on these component parts, issues can be identified with a premium added to the cost of capital in the models for that business. Combining this ESG analysis with the additional Stewardship work Sarasin undertake (policy outreach and active engagement), enhances the thematic investment process of the strategy in identifying companies that are set to be better positioned with a positive tailwind delivering alpha to the portfolio.

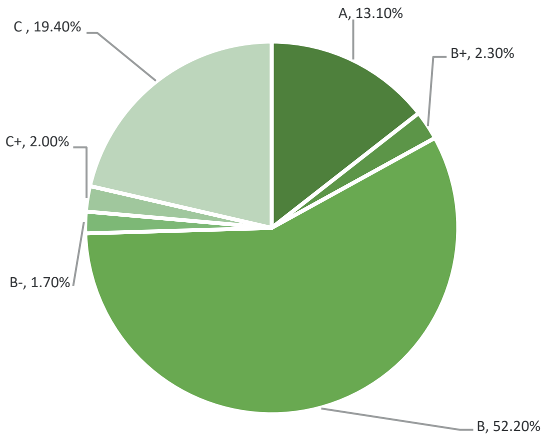
Each of the fifteen areas of ESG analysis are assigned a traffic light which then determines an overall ESG score that ranges from A to E. A indicates a positive ESG tailwind to the business with E indicating the business is not investable and therefore will not be included on the Global Buy List. This may be due to clear breaches of environmental and social norms, unethical business practices and/or a failed governance structure.

If a company is already on the Global Buy List and then is assigned an E, it would be removed from the Global Buy List. The Global Buy List consists of 100-120 stocks, around 8 of which have a D ESG score. This includes Facebook, Alibaba and Tencent where Sarasin have identified privacy and governance concerns. Responsible Global Equity is precluded from owning any stocks on the Global Buy List that have an ESG score of D. Through the course of ownership and engagement activities Sarasin would press for change to turn, for example, the amber traffic lights into green traffic lights.

For example, NextEra Energy is held in the portfolio with currently eight ESG green traffic lights and six amber traffic lights for the fifteen areas of analysis. This results in an overall green light for Environmental and Social areas and amber for Governance. The amber for Governance is driven by aspects covering the board structure and length of tenure of the auditors. The output from this analysis is a Sarasin ESG score of B.

Putting this into context, the following pie chart illustrates an example of how the composition of the portfolio can look from a Sarasin ESG score perspective:

ESG



Source: Sarasin 30/06/2022 & RSMR. Numbers may not add up to 100% due to rounding or the exclusion of cash. The fund is actively managed, and its composition will vary. Fund details and characteristics are as of the date noted and subject to change.

In addition to the 15 ESG traffic lights, Sarasin have developed a proprietary climate risk and opportunity assessment tool as well as conducting proprietary climate risk analysis. This enables a clearer indication of the potential risk to climate change and a transition to a net-zero economy for specific businesses and their operations. This analysis includes a proprietary measure of Value at Climate Risk (VACR) which is a stress-test adjustment to a discounted cash flow (DCF) valuation that enables the impacts of the Paris Agreement-aligned scenarios to be modelled. This can result in either a negative or a positive measure that helps identify companies that will be adversely affected by climate risk or positively impacted by the transition to a net zero economy.

Ethical Restrictions

In terms of restrictions applied to the fund, Sarasin & Partners publish a 'Guide to Ethical Restrictions' which contains the sectors that have been deemed unethical and are not held within the portfolio.

Exclusions are applied to investments which are prohibited under International Treaties (e.g. landmines and cluster bombs), which are excluded for all clients at Sarasin as well as for Responsible Global Equity typical ethical exclusions (e.g. tobacco) and climate related (e.g. thermal coal and tar sands).

Currently there are eight sectors excluded from the portfolio namely, adult entertainment, alcohol, armaments, civilian firearms, gambling, tobacco, predatory lending and fossil fuels extraction. Six of these sectors would not pass the investment process of the fund anyway, the only ones that would being alcohol (due to growth trends in emerging markets) and armaments (due to in most cases being a subsidiary of a larger business). Due to being identified as unsustainable, extraction of thermal coal and production of oil from tar sands exposure is not held in the portfolio.

Portfolio Construction Parameters

The fund is benchmarked against the MSCI AC World Daily (Net TR) and the active share of the fund is typically above 90% with a tracking error between 3% and 7%.

The portfolio usually consists of 35-50 stocks with an upper active weight limit of 5%, although 2-2.5% weights are more usually found and there is no tail within the portfolio as holding weights do not typically go below between 1-1.5%. Turnover in the fund is in the region of 30% per annum.

Summary of Exclusions

Ethical Exclusions	Restriction Applied
Cluster Bombs	Companies that manufacture cluster munitions, whole weapon systems, components, or delivery platforms
Landmine	Companies that manufacture landmines, whole systems or components
Armaments	Zero exposure to the manufacture of whole weapon systems.10% of revenues from any company with activities connected to weapons systems, including components and services designed for weapons use products or services designed for weapons use
Gambling	5% of revenues from gambling operations. 10% of revenues for any company with gambling related activities
Adult Entertainment	5% of revenues for activities connected to adult entertainment.
Alcohol	5% of revenues from alcohol producers. 10% of revenues for any company with alcohol related products or services.
Tobacco	Zero exposure to any revenues from tobacco producers. 10% of revenues for any company with tobacco related products or services
Civilian Firearms	Zero exposure to the manufacture of automatic and semi-automatic civilian firearms. Zero exposure to any revenues from the retail of civilian firearms
Predatory Lending	5% of revenues for activities connected to predatory lending
Fossil Fuels	5% of revenues from the extraction of fossil fuels. 10% of revenues from fossil fuel extraction related activities

Source: Sarasin & RSMR

Sarasin publish a 'Climate Pledge' setting out the firm's commitment to the Paris Accord of 2015 via its stewardship of the companies it invests in. In addition, there is a Climate Active Advisory Panel that was established in 2017 and meets four times a year and comprises of four members. The purpose of the panel is to assist in considering the matters related to investing against a backdrop of climate change and the need for the world to 'decarbonise'.

PAST & CURRENT POSITIONING/STRATEGY

'We are trying to buy long term thematic winners, but we are certainly using valuation as our reason to do so'
– Giles Money

The thematic approach of the investment process enables the identification of trends that have the potential to be both positive and sustainable in the future. Areas such as low carbon energy, electric vehicles and smart grids have been identified as likely to benefit in the future from sustainable cashflows with a lower risk of regulation or consumer concerns. In contrast, oil, plastic wrapped consumer products and coal are areas that are unsustainable and as such have a higher risk of declining cashflows and are actively avoided.

To encapsulate these trends, the five mega-themes of Digitalisation, Automation, Ageing, Evolving Consumption and Climate Change have been identified with sub-themes sitting under each of the mega-themes. For example, digital media and digital commerce are sub-themes of Digitalisation, low carbon transport and resource efficiency fall under Climate Change with test & verify and food chain technology categorised within Automation. The sub-themes are reviewed regularly to test the assumptions and beliefs of the team with the events of the Covid-19 pandemic prompting such a review which resulted in sub-themes such as test & verify within the mega-theme Automation, pandemic fragility and funding the 100-year life being included under the mega-theme of Ageing.

The mega-theme of Digitalisation, and the sub-themes within it, have been accelerated by the crisis and this theme is set to benefit from the changes to society going forward. For other themes, this may not be the case with consumer behaviour changing in terms of increased consumption at home as well as a potential decrease in travel and the experiences associated with that. This is reflected in the sub-theme of travel and leisure changing to the sub-theme of experience economy. In addition, for the sub-theme of low carbon transport, rail travel is now looking more interesting than passenger vehicles as behaviour changes. The theme of Automation was also assessed to factor in the aspects of the crisis, especially around the areas of security of supply chains, as well as the theme of Ageing as opportunities are presented in the protection of the elderly in society.

It is important to note that the themes are not isolated silos and the sub-themes within the mega-themes interact, complementing each other in the portfolio. More traditional sectors of investment may also be included, for example financials, where the team prefer to gain exposure via a technology company providing a solution to the financials sector rather than holding large exposure to financials directly.

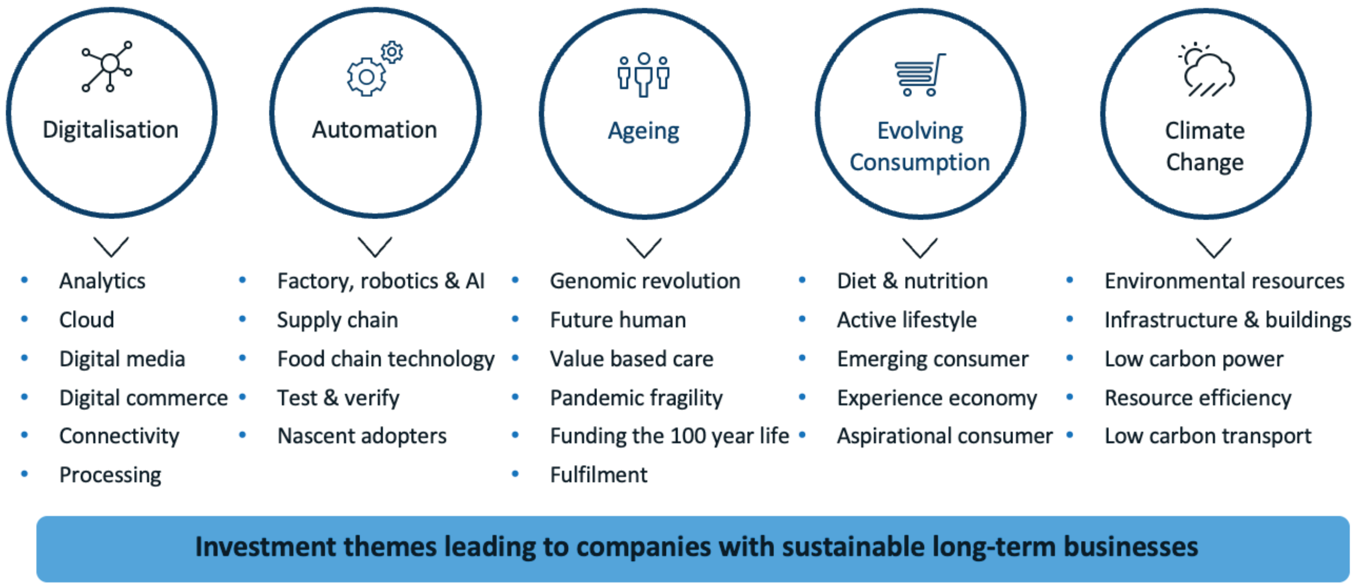
The fund does not take large positions in just one theme as there has to be an equity to populate that theme at an attractive valuation. A theme may be viable at the headline level, however locating the equity to gain exposure to that theme can be the issue if the valuations are unattractive. As the managers confirm, 'we are trying to buy long term thematic winners, but we are certainly using valuation as our reason to do so'.

Stocks that touch on more than one theme are favoured the most by the team, with many of the names held within Digitalisation and Automation straddling the mega-themes. Where a company covers more than one theme, the theme that is driving the top line growth is selected.

Schneider Electric can be used as an example of the investment process in action. The company provides energy and automation digital solutions for efficiency and sustainability and is categorised under the mega-theme of Automation with the key trend of smart buildings. The factors that support the investment case for Sarasin include that Schneider Electric is well positioned to benefit from the growth linked to energy efficiency within the urbanisation, digitalisation and energy conversation themes. Schneider Electric is an asset light business, which Sarasin feels is a positive differentiation in a marketplace which is fragmented and competitive. Compared to its peers, Schneider Electric has the greatest exposure to faster growing regions with over 30% of sales generated in Asia. Sarasin categorise the business as being a cyclical franchise from a corporate characteristic perspective.

For the other mega-themes, the following are examples of companies held with their corporate characteristic in brackets

- **Digitalisation** – Alphabet (disruptive growth), SVB Financial (cyclical franchise), Microsoft (defensive franchise) and Equinix (cash harvest).
- **Ageing** – Illumina (disruptive growth), Prudential (cyclical franchise) and Medtronic (defensive franchise)
- **Evolving Consumption** – HDFC (disruptive growth), Samsonite (cyclical franchise), International Flavors and Fragrances (defensive franchise) and Shiseido (special situations).
- **Climate Change** – Daikin Industries (cyclical franchise), Air Liquide (defensive franchise) and Alstom (special situations).



There can be situations where a growth trend interlinks with an area that has been identified as being unsustainable. Interestingly, road tyres (in their current guise) are seen as unsustainable whereas electric vehicles (that currently use them) are sustainable. The issue with tyres surrounds the particles that enter the environment when driving that can impact the respiratory system as well as entering the water system due to run-off from the roads. This is an issue that needs addressing and the team are engaging with tyre manufacturers to understand the growth implications to their businesses to as they adapt. Currently there is no tyre exposure within the portfolio (Bridgestone is on the Global Buy List, although at this stage it is not deemed appropriate for inclusion in the strategy) with component parts of electric vehicles preferred, as this is a more sustainable area for growth.

The team will always try to position the fund with less carbon intensity than the benchmark, and this is a topic the team discuss regularly, although they highlight that relying on the data alone can lead to interesting opportunities being missed as it can exclude scope three emissions. Air Liquide, an industrial gasses business, is an example of this. The company in isolation has a very high emission figure, however this is because many businesses outsource their emissions to Air Liquide as this is seen as quick solution to reduce their own emission levels. The positive of this is that when Air Liquide take over the emissions of a business, they make it more efficient and reduce the emission levels. NextEra is another example of this in North America focusing on renewable energy. By conducting fundamental research and engaging with the businesses, the team can fully understand how a company operates and what they are looking to achieve.

Turnover is typically low in the portfolio at around 30% per annum, although this did increase marginally in response to the pandemic as the portfolio was positioned towards more defensive areas and then to more cyclically orientated businesses to capture the economic reopening expectations of the market.

New additions to the portfolio include International Flavors & Fragrances within the theme of evolving consumption. The company provides a vital role in the global food, beverage, beauty, household and personal care, and pharmaceutical supply chains. The rationale for inclusion is that the team are taking advantage of a US restructuring opportunity of the company Du Pont and its Nutrition & Biosciences business and the new management team in place. This part of the Du Pont business is being incorporated into International Flavors & Fragrances which will result in the company becoming the third largest company in its field. The share price does not currently fully reflect the changes due to the prior management teams decisions weighing on market sentiment which should decrease as the current management team deliver shareholder value.

Marriott was removed from the fund in Q2 2022 as the investment thesis had played out. The revenue per available room had appreciated due to the increased number of people on holiday at the same time forcing prices up. The company had experienced a favourable backdrop post the pandemic restrictions as a large number of people sought to travel, and the team reassessed how the company would look going forward. The decision was taken to sell the holding as there was limited upside in future hotel growth to support the position being held after the strong run it had encountered (combined with increased US wage growth). The position had been held for some time, but as the investment thesis had expired the position was removed with potentially a better chance to own the stock in the future.

Early in 2022 the position in Shimano was removed, although the long-term thesis for the company is still viable, (i.e. reducing traffic whilst promoting walking and cycling in cities). Shimano also make the motors that are fitted to electric bikes, an area that is seeing increased demand. The rationale for the sale was that during the pandemic, there was an increased number of bikes sold resulting in a surge in demand in a short period that would typically take years to occur. This is a situation seen across a number of areas that are now experiencing a form of pandemic hangover as an abundance of product, produced to meet the demand during the pandemic, is being marked down in stores as the demand has faltered. This was the same rationale as to why Home Depot was removed from the fund and is being seen across a number of stocks –

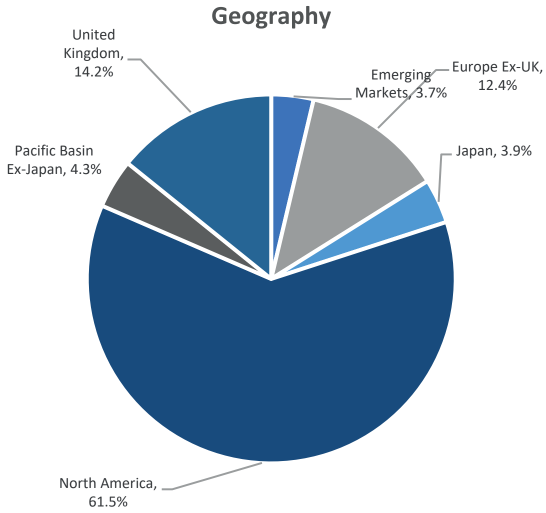
although inflation is surging, deflation is occurring for some companies and the team trying to avoid the super cycle that the pandemic created. In contrast Smith & Nephew was purchased due to the backlog in demand for healthcare that was paused during the pandemic.

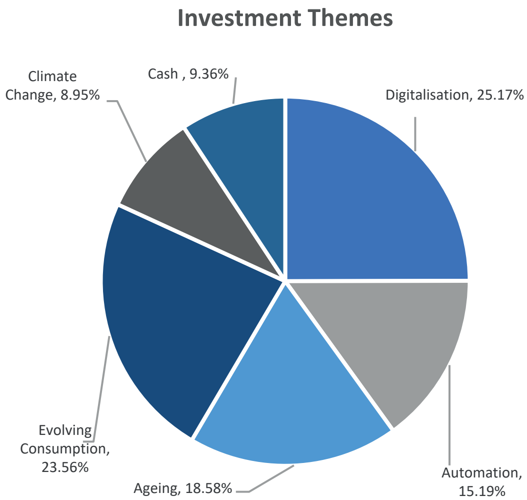
The utility company Enel was sold, a position that benefited the fund during the period of ownership. However, concerns were held as to the ability of the company to sustain growth going forward. Dassault Systemes (software) was also exited due to concerns over the company valuation and the accounting treatment for software sales.

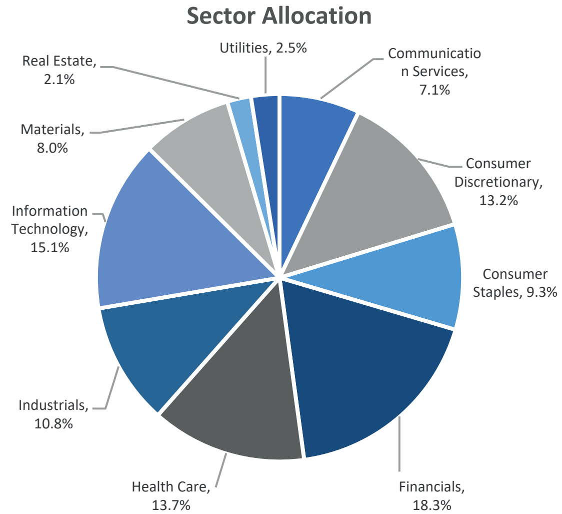
'Responsible Stewardship is absolutely at the heart of what we want to offer all of our customers'
– Jeremy Thomas

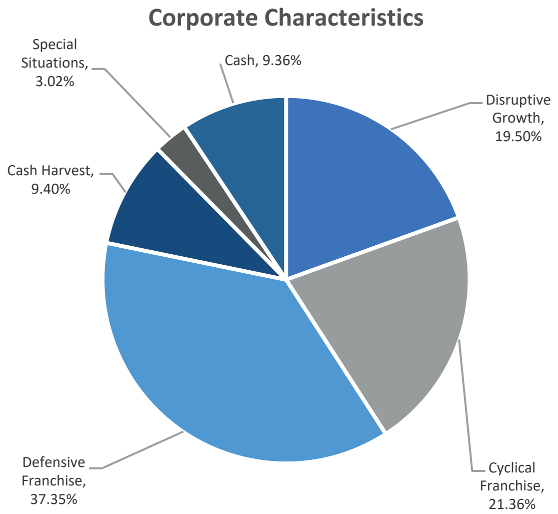
Although the fund follows a thematic approach to investment, it is still a global equity portfolio and should be viewed that way. As Jeremy comments, 'Responsible Stewardship is absolutely at the heart of what we want to offer all of our customers'. As such, the fund has the benefit of accessing the resource of the investment professionals at Sarasin to populate the portfolio with ideas from across the other strategies managed as well.

The following charts provide an example of how the portfolio may be positioned. The geographic exposure illustrates the global nature of the portfolio with the sector allocation translating the mega-themes and sub-themes identified by Sarasin into the common language of the benchmark. The investment themes are also provided, along with the corporate characteristics which are used to identify where in the life cycle a business is and provide diversification.









Source: Sarasin 30/06/2022 & RSMR. Numbers may not add up to 100% due to rounding or the exclusion of cash. The fund is actively managed and its composition will vary. Fund details and characteristics are as of the date noted and subject to change.

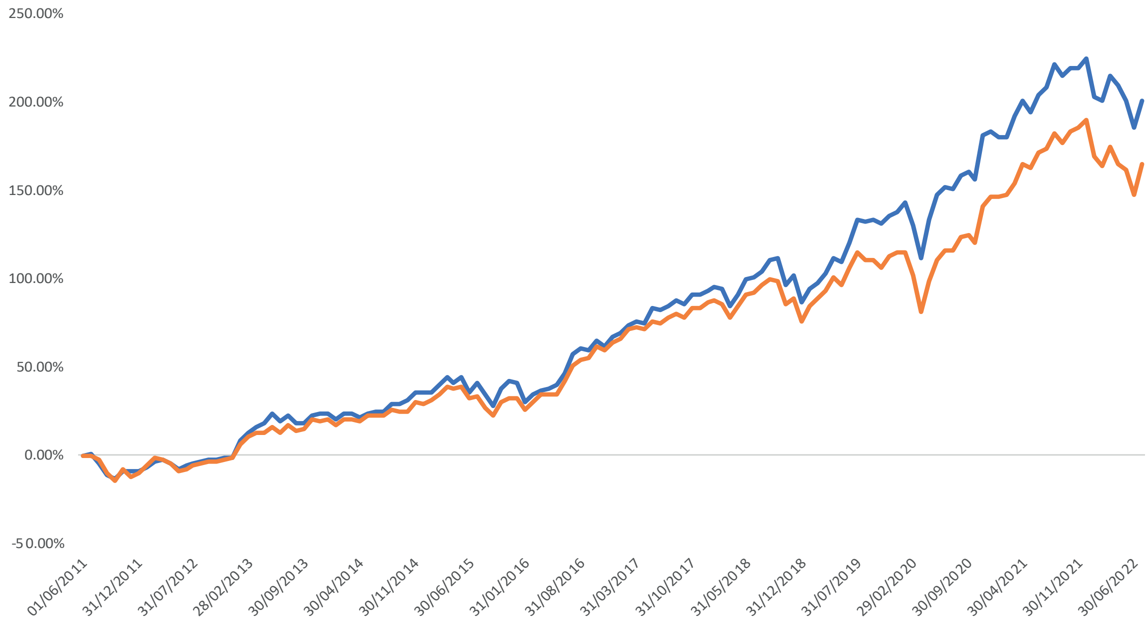
As the above charts illustrate, diversification is achieved in terms of geographic exposure as well as thematic and the life cycle of the businesses held. The manager is mindful to ensure this diversification is maintained, avoiding concentration in any one theme or type of business in the fund.

PERFORMANCE

Since launch, the Sarasin Responsible Global Equity fund has delivered a total return of 201% versus the IA Global sector average over the same time period of 165%.

This performance history since launch is illustrated in the following chart:

Sarasin Responsible Global Equity Fund vs IA Global Sector – (June 2011 – July 2022)



Source: Sarasin (31/07/2022) & RSMR. Figures shown are for the P Acc share class in sterling.

The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

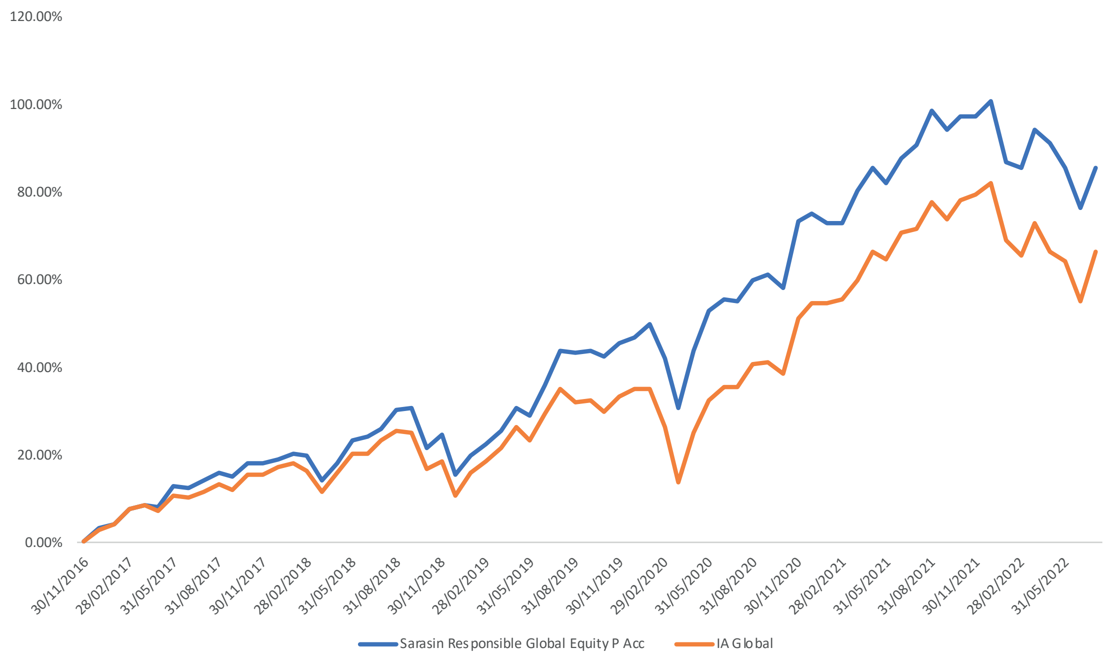
Drilling down further, the period from when Jeremy Thomas became Head of Global Equities (December 2016) until July 2022, the fund has delivered a total return of 85.8%. Over the same period, the IA Global sector delivered 66.4%, again on a total return basis.

The outperformance that can be seen over this period is attributed to the investment themes and stock selection in the portfolio, however it can also be attributed to the changes that occurred once Jeremy Thomas became Head of Global Equities. The existing process evolved, with the Global Buy List becoming more concentrated to the current level of around 100. The reduction in names enables the team to concentrate resource and dedicate the time required to get to know the companies on the list in depth. Restructuring also took place within the team itself with greater vigour applied to the overall investment process, all of which has come through in the returns generated.

The team are proud that the beta of the portfolio is less than that of the benchmark due to the fund being relatively defensively positioned. The fund has also been able to capture alpha in different markets which is demonstrated by the compelling upside market capture as well as downside market capture under the current manager's tenure.

The following chart illustrates the performance of the fund since Jeremy Thomas became Head of Global Equities:

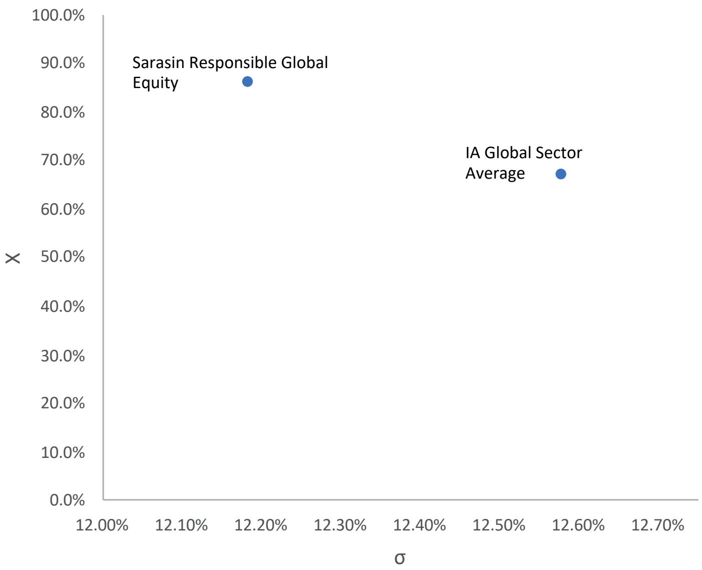
Sarasin Responsible Global Equity Fund vs IA Global Sector – (December 2016 – July 2022)



Source: Sarasin (31/07/2022) & RSMR. Figures shown are for the P Acc share class in sterling.

The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Interestingly, over the same period, the fund has delivered compelling risk reward characteristics versus the wider IA Global sector. Annualised risk has been slightly lower than the wider sector with greater annualised return. This is illustrated in the following scatter chart.



Source: Sarasin (31/07/2022) & RSMR. Figures shown are for the P Acc share class in sterling.

The figures shown relate to past performance. Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

The market backdrop of 2022 has been incredibly challenging and volatile, especially for growth orientated strategies exacerbated by not owning certain sectors which provided a headwind (e.g. energy). Progressing through 2022, the fund has started to buy, at the margin, the better more long-term growth names which prior to that time the team felt excluded from on valuation grounds. An example of this would be the addition of PayPal which the team have been monitoring and undertaking work on for the past three years but has only now (in mid-2022) reached a level the team are comfortable to own.

Due to the ongoing concerns over inflation, as well as the geopolitical tensions in Ukraine, the portfolio became more defensively positioned to reflect the changing backdrop as we entered 2022. The team have a preference for high-quality defensive names that are well positioned to navigate the current backdrop. This is reflected in the increased allocation to defensive franchise names which incorporated 34% of the fund in June 2022 and 45.5% in June 2022.

Reflecting on the first quarter of 2022, the position in the US software company Splunk assisted returns due to the announcement of strong results as well as the position in Deere due to continuing strong demand for its products in the agriculture sector. Alstom detracted as the European rail-stock manufacturer was impacted by the wider negative sentiment to European equities in response to the Ukraine conflict. In Japan, Daikin Industries (air conditioning manufacturing) also detracted reflecting the wider concerns in the Japanese market (e.g., inflation, supply chains).

The market concerns surrounding inflation and central bank monetary policy tightening continued in the second quarter of 2022. In that period, the fund benefited from owning the US pharmaceutical company Merck (due to better-than-expected earnings) as well as the insurance company AIA reflecting the easing of Covid restrictions in China. The kitchen equipment manufacturer Middleby detracted from returns as concerns were raised with regards to the cost of raw materials used and the increased possibility of a recession as well in the US. The position in the semiconductor company ASML also detracted.

SUMMARY & EVALUATION

The Sarasin Responsible Global Equity Fund, although thematic in approach, is first and foremost a core global equity proposition. The fund invests in global equities to gain exposure to themes that have the potential to be positive and sustainable, whilst avoiding those that are in decline.

Since Jeremy Thomas became Head of Global Equities in 2016, the process has evolved with the Global Buy List reducing to its current level of around 100, and the team has been restructured with greater vigour applied to the overall investment process. By having a smaller Global Buy List, the team are able to keep abreast of changes and fully understand these companies in great depth.

The thematic global equity investment process produces a proposition that does not mirror the benchmark. As such the portfolio can include a diverse number of industries, geographies and themes ranging from diet & nutrition to low carbon transport and digital media. This naturally leads to a high active share with the managers typically running a fairly concentrated portfolio of around 35 to 50 stocks with low annual turnover.

Stewardship is a fundamental part of the investment process, and the fund does apply ethical screens to remove eight sectors that are deemed the most contentious. In a time where ESG has become very much in vogue, their history and clients mean that Sarasin have been investing in a responsible way for some time with their overarching approach to stewardship (which incorporates ESG), and it is very much part of their DNA. The team have the experience and resource to facilitate this approach to investing supported by a dedicated stewardship team that are active in engaging with companies, voting and being thought leaders.

The Sarasin Responsible Global Equity fund can form part of the core global equity allocation of a portfolio providing both diversification and exposure to key long-term mega-themes, many of which have been accelerated by the effects of the 2020 pandemic.

The fund has the additional benefit of providing both hedged and unhedged share classes of the strategy.

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