

SHINING A LIGHT ON THE.....
Legg Mason ClearBridge US Equity Sustainability Leaders Fund

AT A GLANCE

Investment Objective	
<p>The Fund's investment objective is to provide long term capital appreciation. The Fund invests at all times at least 85 per cent of its Net Asset Value in US equity securities that are listed or traded on Regulated Markets in the United States as set out in Schedule III of the Base Prospectus and that are issued by companies that meet the Sub-Investment Manager's financial criteria and its criteria for sustainability and environmental, social and governance ("ESG") policies. The Sub-Investment Manager uses an established proprietary research and engagement process to determine whether a company is a Sustainability Leader. This proprietary process of the Sub-Investment Manager includes generating an ESG ratings system based on the Sub-Investment Manager's long standing experience managing ESG investment strategies and identifying ESG best practices.</p>	

Inception Date	30 th September 2015
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000WH13

Management	
Manager Name	Start Date
Mary McQuillen	30 th September 2015
Derek Deutsch	30 th September 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	45.35%
Large	33.94%
Medium	15.09%
Small	5.62%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	43	
Assets in Top 10 Holdings	34.50%	
Name	Sector	% of Assets
Microsoft Corp	Technology	5.89%
Alphabet Inc A	Technology	4.10%
Apple Inc	Technology	3.92%
Automatic Data Processing Inc	Industrials	3.26%
Nike Inc B	Consumer Cyclical	2.95%
Costco Wholesale Corp	Consumer Defensive	2.95%
The Walt Disney Co	Consumer Cyclical	2.94%
Ecolab Inc	Basic Materials	2.91%
Danaher Corp	Healthcare	2.91%
Unilever NV ADR	Consumer Defensive	2.67%

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Volatility Measurements	
3-Yr Std Dev (volatility)	12.20%
3-Yr Mean Return (average)	19.39%

FUND PERFORMANCE

Performance from 1st January 2015 to 31st May 2019:

	2015	2016	2017	2018	2019
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	6.93%	30.62%	10.27%	2.58%	14.47%
Vanguard Russell 3000 Index Fund	11.73%	34.13%	10.57%	0.23%	12.17%
iShares MSCI North America ETF	10.89%	34.26%	10.18%	-1.16%	12.72%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	13.55%	66.61%	80.86%
Vanguard Russell 3000 Index Fund	8.24%	59.93%	86.29%
iShares MSCI North America ETF	8.35%	57.39%	82.76%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This was our first introduction to the team who are based in the US but are in the UK promoting the fund. ClearBridge are a specialist US investment manager, wholly owned by Legg Mason but operating with investment independence. They manage circa \$140 billion of assets.

The fund was launched in 2015. We have shown performance vs the Russell 3000 and the North America Index. The North America Index has a bias to large cap and its top holdings are Microsoft, Apple, Amazon, Facebook, Johnson and Johnson and Alphabet. The Russell 3000 is an index of the largest 3,000 companies in the US. It is like the North American Index with the top five holdings being Microsoft, Apple, Amazon, Facebook and Berkshire Hathaway.

The fund aims to outperform the Russell 3000 Index although we tend to compare against the MSCI North America Index, and therefore have included both for comparison purposes.

The point of difference for this fund is the ESG angle. As a company it has been embedded into their processes since 1987 and forms part of the process of finding companies that they wish to invest in.

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The ESG issues vary by sector. For a retailer it might be labour management and for a wholesaler it might be how products are made, the supply chain and raw materials used. Across all sectors they consider whether environmental issues, social or governance are more important. So, for example utilities would have a higher focus on environmental issues.

This fund tends to focus on large cap, and although there will be a cross over in holdings with the index, they believe that the focus on ESG is something the index cannot do, and this is where they will add value over time. They are active with engaging with companies. We talked about whether they will engage with companies on the road to better ESG. They used the example of a firm that still has nuclear, coal and gas plants but is leading the way in developing wind power and this is becoming a significant part of the business.

10% of the of the fund has holdings outside of the Russell 3000. Research covers looking for attractive valuations, looking at the strength of the company and management discipline which includes capital discipline. Turnover within the fund is low and they are long term holders of stocks, but they have a long list of names that they are constantly researching and looking at.

We talked about the US economy and they explained that they are looking for businesses that can perform across the cycle. They don't think a recession is coming yet and that tax cuts and de-regulation are positive for the US economy. However, tariffs are a potential issue and they are aware that companies are re-working supply chains, and ultimately tariffs could end up as a tax on the US consumer.

In summary, over three years this fund has outperformed the index but since launch it is behind. This might reflect in 2016 the fund underperformed through a mix of having a growth bias and some stock specific risk. With all these funds the challenge remains can US active funds outperform the index and is the outperformance of significance to justify the fees. In terms of where this is different is the ESG angle and something that has been part of the business for many years.

The source of information in this note has been provided by Legg Mason and is correct as at June 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.