

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	46.28%
Large	31.70%
Medium	19.42%
Small	2.60%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	43	
Assets in Top 10 Holdings	35.80%	
Name	Sector	% of Assets
Microsoft Corp	Technology	6.06%
Apple Inc	Technology	4.55%
Alphabet Inc A	Technology	4.05%
Costco Wholesale Corp	Consumer Defensive	3.50%
Ecolab Inc	Basic Materials	3.19%
Trex Co Inc	Basic Materials	3.10%
Automatic Data Processing Inc	Industrials	3.07%
The Home Depot Inc	Consumer Cyclical	2.79%
Danaher Corp	Healthcare	2.75%
Visa Inc	Financial Services	2.74%
Unilever NV ADR	Consumer Defensive	2.67%

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Volatility Measurements	
3-Yr Std Dev (volatility)	11.88%
3-Yr Mean Return (average)	17.83%

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%	29.97%
Vanguard Russell 3000 Index Fund	11.73%	34.13%	10.57%	0.23%	23.32%
iShares MSCI North America ETF	10.89%	34.26%	10.18%	-1.16%	23.25%

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

	1 year	3 years	Since launch
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	15.80%	60.35%	105.36%
Vanguard Russell 3000 Index Fund	8.22%	51.54%	104.81%
iShares MSCI North America ETF	8.40%	49.27%	99.84%

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....

We met the team a couple of months ago and this was a follow up meeting. We discussed passive vs active, macro views, and the approach they take to investing. In terms of passive, this is very popular for those investing in the US. However, this strategy has an ESG angle.

As a company ESG has been embedded into their processes since 1987 and forms part of the process of finding companies that they wish to invest in. 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.

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In terms of the macro picture they believe the US economy is stable, and although there are concerns with yield curve, employment is strong, and wage growth is under control. They still believe equities should do well. In terms of trade they are seeing firms turn to other providers and profit margins remain good.

They think a recession is at least 2 years out (or more) but they think growth will slow from the highs of 3%. The risks lie in a policy mistake, and negative sentiment from the fall out of a no deal Brexit. We talked about Trump and the positive impact of reforms and they are not convinced he has actually done a great deal. Some of this has come from the Obama years, other things have come from monetary policy and tax incentives.

In terms of stocks they feel that all stocks are value focused. Ultimately you want to buy when the valuation is not fully recognised. There are businesses that they would naturally avoid like Tesla which just seems to burn capital. They are looking for businesses which they can understand and that they can see have the ability to grow. They aim to hold about 40 to 50 stocks which they see as the perfect number.

They don't have a sector or index bias they are just looking for the best companies where the value is not yet fully recognised.

Much of what the fund holds comes down to the spirit of the company. For example, they prefer Cosco to Walmart because Cosco treat staff better, particularly in terms of pay. Nike is a company they would not have owned but they now have good clothing governance, waste management, recycling of materials etc. This came through a change of management. Microsoft is another company where the culture is much better.

In summary, where this fund is different to an index strategy is its ESG which cannot be replicated other than through active management. By its very nature the fund involves deep analysis of a business looking at those that are easy to understand and can grow. They also understand that businesses change, and this can give them opportunities to invest.

The source of information in this note has been provided by Legg Mason and is correct as at September 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.