

SHINING A LIGHT ON THE..... Regnan Global Equity Impact Solutions

AT A GLANCE

Investment Objective
The Fund aims to achieve capital growth in excess of the MSCI ACWI IMI Index (net of fees) over rolling 5-year periods and to generate a positive impact by investing in companies that have the potential to address the world's major social and environmental challenges. The Fund will invest at least 80% of the portfolio in shares of companies quoted and/or traded on Regulated Markets worldwide and which aim to generate positive, measurable social and environmental impact when measured against the taxonomy developed by the Investment Manager relating to sustainable development goals (the "Regnan Taxonomy"), alongside a financial return. It is anticipated the Fund will have less than fifty holdings. Up to 20% of the Fund may be invested in shares of other companies (including investment trusts and REITs), exchange traded commodities, investment grade and government bonds, convertible bonds and cash. Up to 10% of the Fund may be invested in collective investment schemes. Derivatives may be used for efficient portfolio management purposes (including hedging).

Inception Date	
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000015YIK

Management	
Manager Name	Start Date
Tim Crockford	27 th October 2020
Mohsin Ahmad	27 th October 2020

FUND PERFORMANCE

Performance from 21st December 2017 to 4th December 2019. The performance below is based on the previous fund they managed between 21st December 2017 and 4th December 2019. The process and team is the same, and the fund was one that they developed and launched.

	2017	2018	2019
Federated Hermes Impact Portfolios Fund	-0.72%	1.64%	22.94%
MSCI ACWI IMI NR	-0.16%	-4.49%	17.81%

Performance over 12 months, and since launch to leaving:

	1 year	Since launch
Federated Hermes Impact Portfolios Fund	11.63%	24.05%
MSCI ACWI IMI NR	10.23%	12.34%

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.

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Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	-	-	-	-	-	-

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

Investment Style Details	
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 5 Holdings		
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

Top 5 Sectors	
-	-
-	-
-	-
-	-
-	-

Top 5 Regions	
-	-
-	-
-	-
-	-
-	-

UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This is a brand-new fund which was launched on 27th October 2020. The whole team have come across from Hermes where they set up the previous strategy. At this stage we do not know the holdings for the fund, but we can show the performance under the previous strategy. The strategy is being set up under the Regnan brand which is an Australian ESG business. The process which they developed remains unchanged, but the big difference is the feeding of sustainable thematic research which

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identifies challenges. The team has a flat structure, and each member brings something unique to the table, with a culture of challenge.

The fund has had to be approved by the FCA, who wanted to make sure this was a genuine impact strategy before providing approval. Working with Regnan they have a blank sheet of how they develop moving forward and the aim is to open different strategies over time.

Where the strategy is very different is that it is solution driven. The impact case drives the investment case and therefore all companies within the portfolio will be a product or service driven solution provider. This will both be in terms of the environment and society. The businesses exist to contribute a solution. For example, rather than investing in Tesla, they might invest in a company that is a key enabler in the success of Tesla. Another example of the type of the company they would be interested in investing in is one that has developed reverse vending machines. Effectively by returning bottles to a supermarket, the consumer is paid for recycling, and behind the scenes the machines sort out the materials so it can be recycled more efficiently.

The types of companies they invest in are often those that offer emerging growth opportunities and are under the radar in terms of analysts. This means they can take advantage of market inefficiencies. They work from the UN 17 Goals but from there they have their proprietary system called the SDG taxonomy, which is a list of product services which are achieving these targets. They have identified 150 unique solutions and they expect this to grow over time. This is their knowledge base and helps them to identify the solutions they want to invest in and those that they do not.

The main themes for them are health and wellbeing, energy transition, circular economy, future mobility, food security, education, financial inclusion, and water. They are style agnostic. The fund tends to be more small and mid-cap and will tend to lag when one style is extreme. For example, a sudden positive shift in performance which favours value.

This is a high conviction portfolio with 30 names. They fairly weight the portfolio as every name is seen as a high conviction play and they do not want to be driven by one or two names. Also, by spreading the weighting they are not placing all their eggs in one basket. They are also long-term holders with a focus on holding for a ten-year period. Therefore, entry into the fund is difficult. They will sell when a company reaches its valuation target.

In summary, the key difference for us is that this is solution based. For them they see impact assessment as the key difference – this includes nature, intentionality (is it central to the company's mission), additionality (the positive impact has to prove it is generating something above its peers, an example was two companies which are driving down the cost of the wind industry), balance (negatives against the positives) and directionality. For us this is an interesting strategy, with a strong team and a clear vision. Although we expect to recognise some of the holdings, we also expect this to be very different to other impact investments currently available.

The source of information in this note has been provided by Regnan and is correct as at October 2020. 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.