

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

AT A GLANCE

Investment Objective
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.

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

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

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2021:

	2016	2017	2018	2019	2020	2021
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	30.62%	10.27%	2.58%	32.16%	27.29%	19.61%
Russell 3000 TR	34.47%	10.64%	0.65%	25.96%	17.16%	22.43%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since Launch
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	31.81%	91.80%	140.43%	217.92%
Russell 3000 TR	35.74%	67.68%	111.74%	200.75%

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.

LWM Consultants Ltd

Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.99	0.78	78.39	84.53	72.11	55.56	0.82	2.53	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	14.39%
3-Yr Mean Return (average)	24.27%

Investment Style Details	
Giant	35.31%
Large	36.41%
Medium	21.18%
Small	5.77%
Micro	0.00%

Top 5 Holdings – 71 Equity Holdings		
Microsoft Corp	Technology	6.34%
Apple Inc	Technology	4.34%
Bank of America Corp	Financial Services	2.86%
Danaher Corp	Healthcare	2.40%
UnitedHealth Group Inc	Healthcare	2.29%

Top 5 Sectors	
Technology	27.42%
Consumer Cyclical	16.32%
Financial Services	15.96%
Healthcare	15.86%
Industrials	8.34%

UPDATE....

ClearBridge manage this strategy for Legg Mason. ClearBridge have been in existence for 50 + years and have been a fully integrated ESG manager for over three decades. This means they have developed their own proprietary research and ESG ratings. The team have been together for a long time and there are 4 keys of the team supported by 15 sector analysts who generate 80% of the ideas for the team to consider. In terms of adding a new stock, this can take months before it is considered for addition to the fund, and the holding periods are four to five years on average.

They look to invest in sustainable business practices that support ecological, human, and economic well-being. They also look for those companies which have a positive impact by offering products and services that address global challenges and operate in a responsible and ethical manner. They believe these companies are proven to deliver superior returns over the long term, and the fund has outperformed the benchmark since launch.

The benchmark is the Russell 3000 Index, and they can invest up to 10% in non-US companies, but if they do then these companies will generate most of their revenue from the US. They are only looking at the best companies, which screens down to 600 names. Once they place the ESG screen over this it reduces it down to about 100 names. The fund has 50 to 60 names and the remaining companies they are looking at and may add in the future.

LWM Consultants Ltd

Analysis includes looking at the industry, business model, management, valuation / risk / reward and ESG rating. All of this leads to a decision whether to action or not. Valuation is important and if something has a full valuation they will watch and wait to see if an opportunity comes up in the future.

The fund has underperformed recently as in the first quarter there was a cyclical and commodity rally, and this fund will lag. The fund also has around 8% to renewables and this pulled back as oil and gas stocks did well.

They don't own Google and Facebook because they don't meet their ESG criteria, but they recently added Amazon. They explained they had been engaging with Amazon over the last five years and with the positive change they are seeing they can only see this getting better and now seems a good entry point.

Microsoft is a longer term holding and they explained that only with the change in management did they see a change in mindset and culture, which made this an investable company. Another holding is Costco who have been paying staff above the living wage, source food responsibly and look down the supply chain to ensure this is responsible as well.

EV is another area of interest and they have added ARM Semiconductors who they believe will be a beneficiary of the multi decade growth in EV. But there are other opportunities across EV and other areas of interest include carbon capture and recycling.

In summary, there are not many responsible / ESG US strategies and this has a good team in place, delivering a strong performance. We would certainly see this as a strategy that we would follow.

The source of information in this note has been provided by Legg Mason ClearBridge and is correct as of November 2021. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.