

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 March 2022:

	2016	2017	2018	2019	2020	2021	2022
Legg Mason ClearBridge US Equity Sustainable Leaders Fund	30.62%	10.27%	2.58%	32.16%	27.29%	25.09%	-6.70%
Russell 3000 TR	34.47%	10.64%	0.65%	25.96%	17.16%	26.82%	-2.56%

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	12.73%	76.75%	113.98%	212.09%
Russell 3000 TR	17.28%	63.60%	94.35%	203.56%

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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.05	0.44	76.57	79.62	64.88	52.78	0.81	1.89	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	13.93%
3-Yr Mean Return (average)	20.91%

Investment Style Details	
Giant	39.47%
Large	30.95%
Medium	24.34%
Small	5.63%
Micro	0.00%

Top 5 Holdings – 71 Equity Holdings		
Microsoft Corp	Technology	6.92%
Apple Inc	Technology	5.47%
UnitedHealth Group Inc	Healthcare	2.93%
Bank of America Corp	Financial Services	2.88%
CVS Health Corp	Healthcare	2.62%

Top 5 Sectors	
Technology	28.52%
Consumer Cyclical	17.06%
Financial Services	15.75%
Healthcare	15.30%
Industrials	8.53%

UPDATE....

This is an “all weather” fund aiming to outperform across all market conditions using an all-cap strategy, with a bias towards mid and large-cap stocks. They have a quality bias but valuation plays an important part in stock selection.

They have their own proprietary ESG screen and at least 50% of the fund will be invested in the highest AAA rated companies. Currently 61% is in AAA, 38% AA and there is one A rated company. ESG depends very much on the company so for social is more important in technology service companies, whereas environment and in particular energy, waste and wastewater management is more important in tech hardware.

We discussed Amazon which is a new addition to the strategy. They explained this has involved nearly four years of engagement before they have made the decision to invest. Amazon is in other strategies they manage and therefore they have been able to engage.

Amazon announced nearly six years ago that they would be building sustainability practices, but they were not ready to engage on this until about three years ago. They have seen improvements including workforce, packaging, and carbon neutral targets. Examples they talked about were the Universities

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within Amazon to enable workers to pursue degrees or better their education. With packaging they have moved to biodegradable packaging and they have set carbon neutral targets.

Amazon still has a lot to do. They would like to see higher wages and more improvements across ESG, but being able to invest at the right valuation means that they can engage and ensure change happens.

This is perhaps where investors need to be comfortable. This is not about solutions but about investing in companies that are doing the right things and are on the right path. This means that it will have names that are more familiar to investors.

The strategy does have exclusions which include tobacco, defence, traditional energy, pornography, gambling, and alcohol.

Not holding the likes of Nvidia, Tesla, Google and Berkshire Hathaway have held back performance and they have seen underperformance from holdings like Walt Disney and Williams Sonoma. Good stock returns came from Costco and Microsoft, and they have added Intel and John Deere.

In summary, we would class this as an ESG + fund. It screens to find the very best companies which have the right ESG characteristics and at the same time it excludes parts of the market. Engagement and valuation are key elements to the process. This will have household names and there will always be debates on whether a company should be held or not. The key really comes down to whether the companies are making the right moves in terms of ESG. If Amazon did nothing despite engagement then it can never be part of the fund, but the fact that it is making improvements means that it can be held, but equally if things stall or change then it will come out.

The source of information in this note has been provided by Legg Mason ClearBridge and is correct as of April 2022. 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.