

## SHINING A LIGHT ON THE..... Montanaro Better World Fund

### AT A GLANCE

Investment Objective
The investment objective of the Fund is to deliver long-term capital growth. The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.

<b>Inception Date</b>	10 <sup>th</sup> April 2018
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010MAT">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010MAT</a>

Management	
Manager Name	Start Date
Charles Montanaro	10 <sup>th</sup> April 2018
Mark Rogers	1 <sup>st</sup> January 2019

### FUND PERFORMANCE

Performance from 10<sup>th</sup> April 2018 to 31<sup>st</sup> March 2022:

	2018	2019	2020	2021	2022
<b>Montanaro Better World Fund</b>	-3.80%	29.80%	35.01%	20.01%	-16.97%
<b>MSCI World SMID NR</b>	-3.09%	21.93%	12.20%	17.82%	-3.99%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
<b>Montanaro Better World Fund</b>	1.83%	53.22%	67.98%
<b>MSCI World SMID NR</b>	6.36%	39.21%	49.96%

*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.*

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
14.20	-	97.38	73.83	63.89	0.78	6.40	Growth/Mid

# LWM Consultants Ltd

Volatility Measurements	
3-Yr Std Dev (volatility)	18.99%
3-Yr Mean Return (average)	15.28%

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

Top 5 Holdings – 50 Equity Holdings		
Cognex Corp	Technology	3.34%
Sartorius Stedim Biotech SA	Healthcare	3.30%
Icon PLC	Healthcare	3.12%
SolarEdge Technologies Inc	Technology	3.10%
Spirax-Sarco Engineering PLC	Technology	3.10%

Top 5 Sectors	
Healthcare	33.44%
Industrials	28.46%
Technology	26.70%
Consumer Cyclical	4.11%
Utilities	2.99%

Top 5 Regions	
United States	47.32%
Eurozone	16.69%
Europe ex Euro	16.23%
Australasia	6.85%
United Kingdom	6.75%

## UPDATE....

We reviewed this strategy in January where it had had one of its worst periods of performance. The strategy has continued to struggle this year, and this was an opportunity to discuss the first quarter. Montanaro have a long track record of sustainable investing and have been investing ethically since the 1990s. They have integrated ESG into their process for over two decades and the strategy has won several industry awards. The fund has exclusions which include tobacco, alcohol, weapons, gambling etc.

The impact themes for the strategy include environmental protection, green economy, healthcare, innovative technology, nutrition, and well-being. The company they invest in must derive at least 50% of their revenue from these areas.

There are three stages to adding a company to the list of investable companies; which consists of asking these 3 questions - is the company making a positive impact, is it a good business and is it a good investment?

## LWM Consultants Ltd

---

Going deeper, they also look at the engagement side of a company: what are the opportunities, are the management willing to engage, how they can support a company and what is the engagement timeline?

With this in mind, the types of companies they like are quality businesses. They have sound balance sheets, they are delivering growth and have increasing revenue forecasts. This does mean that they are overweight sectors like healthcare, IT and industrials. The managers also focus on small and mid-cap companies.

January 2022 saw the 2<sup>nd</sup> biggest rotation into value for 50 years, and the areas that benefited such as oil, financials etc are not stocks they hold. Therefore they were on the wrong side of the “trade”. Additionally, large-cap outperformed small and mid-cap.

Examples of what investors could expect to see include:

Terna Energy – this is a Greek renewable energy company mainly focused on wind farms  
Energy Recovery – this delivers fresh water to local communities  
Xylem – this is a water technology company

In terms of holdings, over the last quarter the top 20 haven't really changed. They have trimmed Dexcom, Nova, Bio-Techne and Carl Zeiss Mediatech and sold Santen Pharmaceuticals. They have added Tyler Tech, Terna Energy and Catalent and topped up the positions in Trex and Chr Hansen.

Some of the negative drivers have been the COVID winners such as Trex, Masimo and Tecan. Trex uses recycled wood and plastics in their product and the assumption is that its revenue will fall, whereas the company feel that it will rise. They have done some modelling around the markets view and the company's expectations, and they see value within the stock. Hence they have adding to it.

Positive attributes have come from the likes of SolarEdge Technologies, Cognex, Alfen, Ameresco and ChemoMetec.

One area the fund has been increased exposure to is Cell and Gene Therapy. They are investing in the picks and shovels rather than those developing the treatment. So examples would be flasks which grow the cell therapies, quality control instruments and proteins which grow cell therapies. The companies they hold are Sartorius, Bio-Techne, ChemoMetec, Catalent, Bruker and ICON. They believe this is a growing part of the market and through this approach they can benefit from it.

In summary, it has been a difficult time and the fund is invested in parts of the market that are currently unloved. However, these are quality companies with strong balance sheets and innovative products delivering solutions and it is likely that if we head towards a recession investors would seek quality. This fund offers that.

It is also important to remember that many of these solutions are at early stage of the growth cycle and this will only grow in the future, enabling the companies to gain greater market share. These are also companies that don't tend to be in other funds and so it offers investors a more diversified holding.

## LWM Consultants Ltd

---

*The source of information in this note has been provided by Montanaro 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 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.*