

SHINING A LIGHT ON THE..... Templeton Global Climate Change Fund

AT A GLANCE

Investment Objective
The Fund's investment objective is to contribute towards climate change mitigation and adaptation as considered by the Paris Climate Agreement while seeking capital appreciation. Proposed index / alternative means of measurement The Fund's proposed index to measure the sustainable investment objective, is the MSCI Provisional ACWI Climate Change EU Climate Transition Index, which pursues carbon intensity of at least 30% below the broad market index and incorporates a year-on-year self-decarbonization of at least 7% on average, the trajectory required to limit global warming of no more than 1.5 degrees, according to the Intergovernmental Panel on Climate Change. The index applies exclusions and adjusted weightings to the broad market parent index, MSCI All Country World Index, in order to comply with the EU Climate Transition Benchmark requirements.

Inception Date	29 th December 2000
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QLVC

Management	
Manager Name	Start Date
Maarten Bloemen	5 th March 2018
Herbert J Arnett Jr.	11 th June 2021
Craig Cameron	1 st January 2021
Tina Sadler	1 st January 2020

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2022:

	2016	2017	2018	2019	2020	2021	2022
Templeton Global Climate Change Fund	24.12%	9.63%	-12.48%	18.27%	24.63%	6.38%	-4.73%
MSCI ACWI NR	28.66%	13.24%	-3.78%	21.71%	12.67%	19.63%	-6.32%
MSCI ACWI Climate Paris Aligned	29.52%	14.24%	-3.04%	23.24%	15.40%	19.75%	-8.84%

Performance over 12 months, 3 years, 5 years and since new fund manager:

	1 year	3 years	5 years	Since new fund manager
Templeton Global Climate Change Fund	-0.99%	40.61%	36.52%	34.49%
MSCI ACWI NR	5.14%	39.42%	57.63%	50.66%
MSCI ACWI Climate Paris Aligned	3.73%	40.17%	60.07%	52.72%

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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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.59	0.04	94.51	93.97	87.02	52.78	1.08	-0.28	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	15.97%
3-Yr Mean Return (average)	12.03%

Investment Style Details	
Giant	26.32%
Large	27.57%
Medium	35.82%
Small	3.67%
Micro	4.38%

Top 5 Holdings – 47 Equity Holdings		
Crown Holdings Inc	Consumer Cyclical	4.52%
Signify NV	Industrials	3.79%
Prysmian SpA	Industrials	3.74%
Sealed Air Corp	Consumer Cyclical	3.58%
LG Chem Ltd	Basic Materials	3.52%

Top 5 Sectors	
Industrials	27.73%
Consumer Cyclical	18.29%
Technology	14.29%
Basic Materials	11.86%
Utilities	10.71%

Top 5 Regions	
United States	24.95%
France	14.65%
Japan	8.23%
Germany	7.97%
India	6.20%

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UPDATE....

This was our second meeting with the team. As a recap, the fund was re-launched in 2018 as a climate change fund. We have never doubted the passion behind the strategy and the desire to deliver something positive. The concern was the performance, and this remains mixed. In this meeting there were some additional areas that raised concerns. It is worth adding that where we have concerns, this really highlights how different all these strategies are, and what feels right for one person might not be okay for another.

In terms of valuations, this has a value tilt so is different to other strategies. What raises concerns is around some of the investments. They may invest in mining and material companies as these are driving the change to decarbonisation. The argument is that it is better to invest and engage than to exclude. Some investors may not agree with this. In terms of holdings, they hold names like SSE which has around 50% in renewables, and they have held AstraZeneca although they have now sold this. They argue that Astra provided stability to the portfolio and has strict carbon targets. They would also hold Alphabet because they have very low carbon emissions. These holdings don't feel like they should be in a climate fund.

However, I feel that this really sits in a slightly different space around climate transition. They are looking to invest in those companies that are part of that change. They engage with the companies, and they will sell if not enough progress is being made. This is just as important as investing in companies who have already made that change.

Valuation discipline is important, and they tend to pay less for the companies they invest in. They wouldn't hold Tesla as they feel investors are being asked to pay too much for future earnings. But they do hold Toyota because they have the lowest emissions per vehicle sold.

Around 75% of companies they invest in are profitable and there are some early-stage companies in the fund. They don't invest in hydrogen companies as they think there is still much more to be done to make this workable.

In terms of the team, part of their bonus is paid into the fund so they are aligned with investors in terms of having their money where their client's money is.

In summary, we do struggle as to where this fund sits. However, it feels like that this is more a climate transition fund. This means that it will have companies that are taking the journey to decarbonisation rather than purely companies that have achieved this. Engagement is therefore a crucial element of what they do. For purest investors this may not sit comfortably, however the reality is that this is just as important. We would find it difficult to find a place for this strategy and so would need to do more work should we wish to add it to our portfolios in the future.

The source of information in this note has been provided by Templeton and is correct as of June 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 making a decision. We would also recommend that you receive advice before following up on any decision.