

# INVESTING IN SUSTAINABLE THEMES

The Liontrust Sustainable Investment team's process starts with a thematic approach in identifying the key structural growth trends that will shape the global economy of the future and then invests in well-run companies whose products and operations capitalise on these transformative changes and, therefore, may benefit financially.

The team invests in three transformative trends and 20 themes within these trends.

## Better resource efficiency

Better resource efficiency focuses on companies helping the world make better use of scarce resources, driving improvements in areas as diverse as energy, industrial processes and transport.

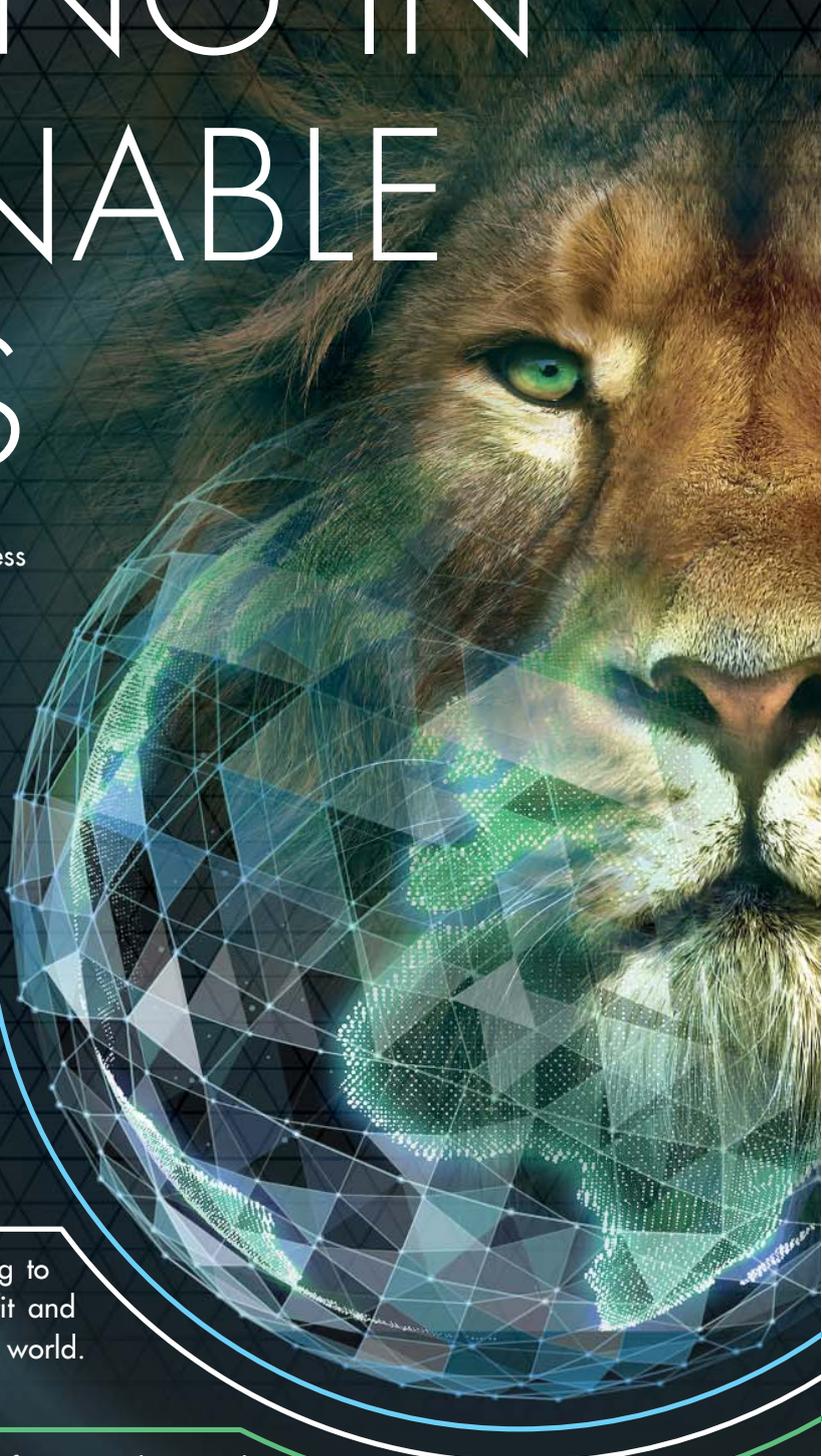
## Improved health

The team is seeking to invest in companies helping to extend life expectancy and enable people to be fit and healthy enough to reap the benefits of an improving world.

## Greater safety and resilience

The underlying themes include auto safety, with a focus on the rapid developments in such areas as Automatic Emergency Braking (AEB).

For more information visit us at  
[liontrust.co.uk/sustainable](https://liontrust.co.uk/sustainable)



# OUR INVESTMENT THEMES

## Better resource efficiency

### Improving the efficiency of energy use

We see many ways of making energy cheaper by reducing waste, as well as emissions, through more efficient usage. This cuts across many areas of the economy and includes building insulation, efficient lighting, energy efficient climate control, travel and industrial processes.

### Improving the management of water

Water is essential for life. Companies that can manage waste water treatment, or produce products or services that improve the efficiency of water distribution, are vital and in demand. Sanitation is a first line of defence from disease, much of which comes from contaminated water. We like companies that improve sanitation and give affordable access to clean water.

### Increasing electricity generation from renewable sources

Electricity generation is a major emitter of carbon dioxide. Substituting carbon-intensive fossil fuel electricity generation (especially coal) with renewable power sources reduces carbon emissions as well as providing a cost-effective means to connect people to cleaner power sources. We like wind and solar and some biomass (using waste streams as opposed to feedstock grown on agricultural land).

### Improving industrial and agricultural processes

We like companies providing products or services that help make industrial processes more resource efficient, as well as safer for workers and users. We see investment opportunities in software and systems that help implement life-cycle design (including disposal of products) and help manage supply chains, as well as in automation of factory processes to remove repetitive or dangerous mechanical tasks – as they all help modernise and improve industry.

### Increasing waste treatment and recycling

Resources are finite and the UN Environment Programme (UNEP) estimates we recycle as little as 25% of global waste. We need to increase the amount of waste recycled and design products with end of life in mind (making them easy to break down and reuse/recycle). Companies that can process and recycle waste are generally set to benefit from this trend.

### Making transportation more efficient

Urban transport systems are improved by reducing congestion as well as emissions (which make the local air quality toxic), as the mode of transport shifts from self-driven cars to public systems such as trains, tubes and buses.



## Improved health

### Enabling innovation within healthcare

Companies whose products or services help promote innovation within healthcare are helping to achieve this goal. They do this by either coming up with new, more effective ways to treat diseases (creating a significant step change in the mechanism used to treat a given disease) or by providing essential equipment, services (such as measuring equipment, genetic sequencing equipment or high-quality consumables for research) or software to help to make treatments more effective.

### Delivering healthier foods

There is a trend in the food industry where consumers are changing their preferences and demanding healthier foods. We have identified companies that provide reformulation services to change the recipe of foods to make them healthier (less fat, sugars and salts) while maintaining the taste. These companies are a beneficiary of this demand for healthier food as their customers (many of which are the big incumbent food producers) respond to changing consumer preferences. This improved diet has positive health impacts: helping to reduce non-communicable diseases such as obesity and cardiovascular disease, for example.

### Building better cities

Shelter is a basic human requirement and companies that build quality affordable homes are helping to provide this. We like well designed and built homes that are energy efficient and safe.

### Providing education

Education brings important benefits, including longer life expectancy, increased job opportunities and helping to stimulate economic growth, as well as leading to overall higher satisfaction in life. Companies providing education services offer vital knowledge and skills, which help to improve people's lives.

### Providing affordable healthcare globally

Currently, the costs of healthcare are very high and we need more effective ways of delivering better patient outcomes. Companies that help to deliver affordable, positive patient outcomes in managing disease help to achieve this goal.

### Enabling healthier lifestyles

Companies that promote healthier lifestyles, principally through increasing activity, taking exercise and sport, help to improve health. These include positive leisure activities such as gym operators and companies providing sports clothing and equipment.

### Connecting people

We believe access to easy communication tools and the ability to access information, increasing amounts of which are online, is a positive requisite of a more sustainable economy.

## Greater safety and resilience

### Increasing financial resilience

We believe a resilient financial services sector is necessary for economic well-being through utility-like provision of banking and lending. This does not mean any company in the financial sector is automatically investable, but we do see positive ways that certain financial companies contribute to society when appropriately and proactively managed.

### Saving for the future

This is a positive trend that will persist. As people live longer and as governments and corporations retreat from providing long-term cover and pensions, so individuals will need to take control of their own affairs. Savings rates will have to increase and companies providing suitable products will see strong growth. For instance, in the UK, pension contributions are predicted to grow at 10% a year to £3.3 trillion by 2030.

### Insuring a sustainable economy

This recognises that insurance, when done well, allows risk to be spread across a community. This lessens the impact of any single event, providing greater peace of mind and encouraging greater risk taking and innovation. Economic development and insurance penetration are well correlated, a function, we believe, of the positive social impact of insurance services.

### Leading ESG management

How a business is managed operationally, particularly in how it deals with the Environmental Social and Governance challenges, can provide a competitive advantage over peers. This includes how the company interacts with society.

### Improving auto safety

We have identified companies whose products improve the safety of travel and reduce road traffic accidents, principally through active safety, which involves collision avoidance, active braking and semi-autonomous driving. We concentrate on the specialist companies making the kit to improve safety (or reduce emissions) rather than the car manufacturers that we believe are challenged to meet tightening regulations.

### Enhancing digital security

As more of our lives and critical services are carried out online, we need to trust these systems and protect the data from theft. Digital security helps to make this growing area of the economy secure.

### Better monitoring of supply chains and quality control

Companies cannot outsource responsibility for the environmental and social impacts of their supply chains and we see an opportunity in businesses improving their monitoring of these areas.



# SUSTAINABLE INVESTMENT

Our themes help us to find structural growth and are also all related to the United Nation's Sustainable Development Goals.

In addition to our analysis on investment themes, we also focus on:

- The Environmental, Social and Governance aspects of the business (using our Sustainability Matrix), which helps gauge its quality.
- Business fundamentals to ensure companies have a competitive advantage and are expected to be (or become) profitable.
- Financial modelling to check the company is likely to be worth significantly more in the future.

○ Better resource efficiency

○ Improved health

○ Greater safety and resilience

Signatory of:



The United Nations Principles for Responsible Investment (PRI) is a global initiative to understand the implications of sustainability for investors and support signatories to incorporate six principles into ownership practices. As a PRI Signatory, Liontrust commits to completing the PRI Reporting Framework annually. For more information about PRI and the principles, please visit [unpri.org](http://unpri.org)

## Key Risks

**Past performance is not a guide to future performance and the value of an investment and any income generated from them can fall as well as rise and is not guaranteed, therefore you may not get back the amount originally invested and potentially risk total loss of capital.** The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term. For key risks on a particular fund please refer to [www.liontrust.co.uk](http://www.liontrust.co.uk) or the prospectus.

Issued by Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. Always research your own investments and please consult suitability with a regulated financial adviser before investing. 2018.08 [18/301]

This document is printed on Revive 100 Silk paper. It is made using 100% recycled fibre and fits the FSC Recycled criteria. This includes a minimum of 80% post-consumer, de-inked waste, with the balance (20% maximum) pre-consumer waste. The paper is Carbon Balanced - a programme run by the World Land Trust charity, allowing individuals, companies and organisations to offset unavoidable emissions through the protection and restoration of wildlife habitat in tropical countries. The Revive manufacturing mills support the VietNature Conservation Centre, which protects and manages an ancient forest area called Khe Nuoc Trong in central Vietnam.

  
**LIONTRUST**  
PRIDE IN OUR PROCESSES