

LIONTRUST GF
SUSTAINABLE
FUTURE
EUROPEAN
CORPORATE
BOND FUND



Fund sustainability and impact report: Q4, 2020



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Exposure to positive sustainability investment trends

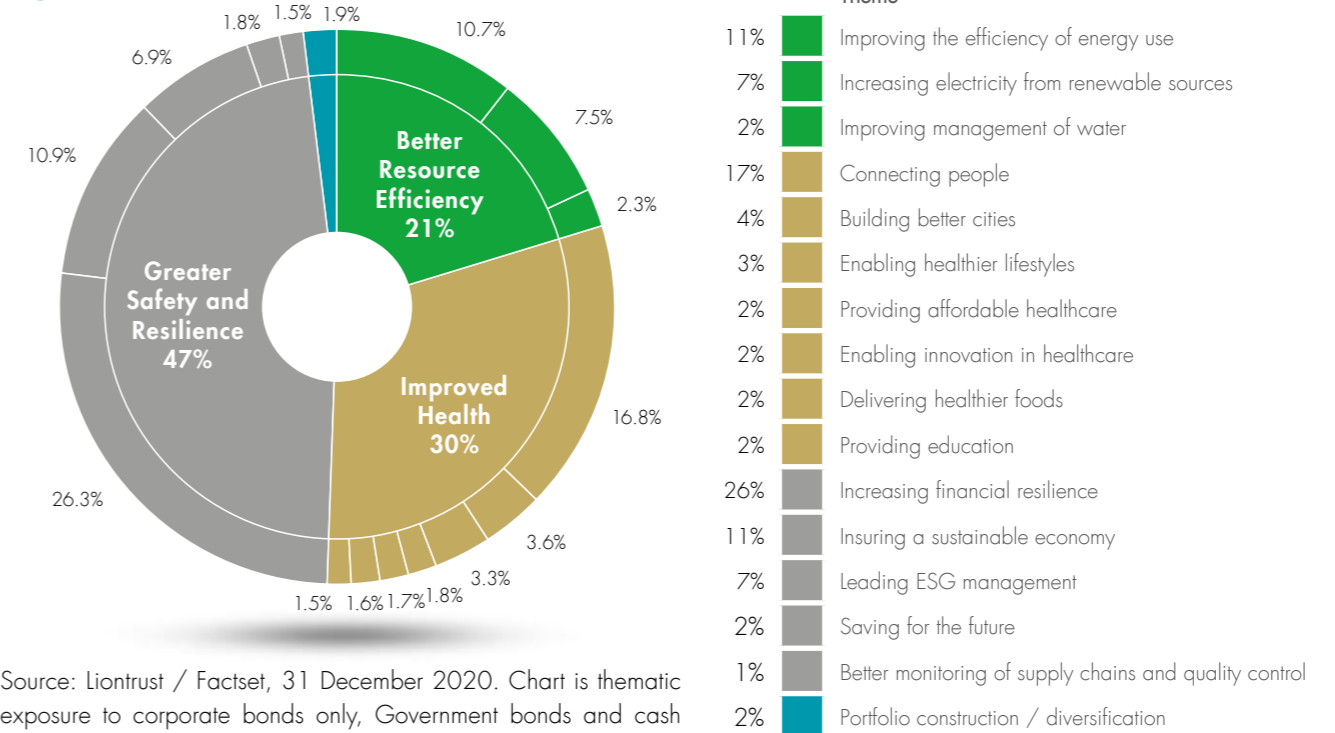
We look to invest in companies which are making a positive contribution to our economy by making our economy either cleaner, healthier or safer. Exposure to 15 of our 21 investment themes is shown below.

Consistent with the available opportunities in investment grade corporate bonds and our approach that seeks to invest in resilient companies, our fixed income funds typically have a high allocation to the "Greater safety and resilience" mega trend.

Within the Greater safety and resilience mega trend the two sub themes with the greatest exposure are Increasing financial resilience and Insuring a sustainable economy. The Fund's exposure to both Banks and Insurance

companies generally sit within these themes and is a significant component of the Fund. Typically, the exposure within the Increasing financial resilience theme is to banks that are well capitalised and have a focus on retail and SME lending coupled with resilient and prudent lending practices. We believe that high quality lending and banking activities are important to a resilient economy. Typically, the exposure within the Insuring a sustainable economy theme is to insurance companies. Insurance facilitates economic growth by giving people the confidence to invest in themselves, their lives or their businesses. The leading insurance companies expend time and resources researching the issues such as climate change in order to make them more efficient when it comes to pricing risk. Through this research they become better underwriters with a greater ability to advise their clients on potential risks, whilst also fully integrating their analysis in order to make better investments. We believe that these leading companies again create more resilient, sustainable economies.

Exposure to sustainable themes



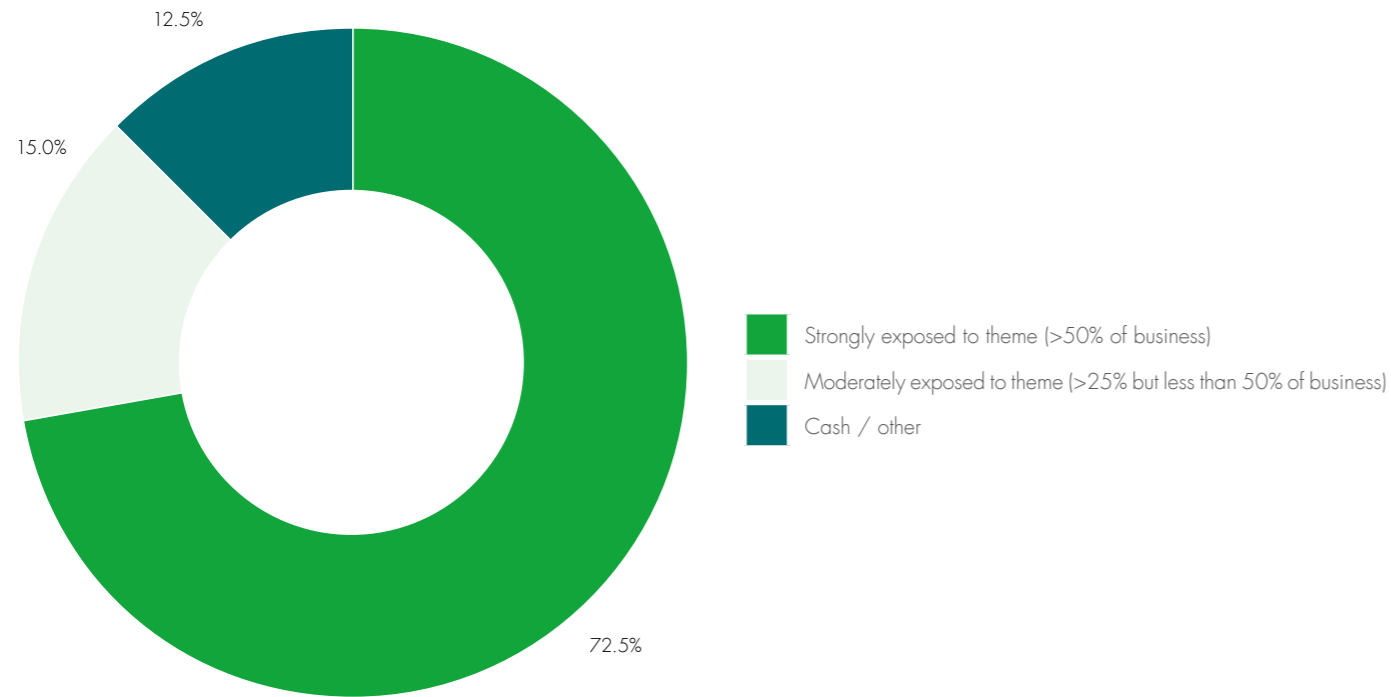
Source: Liontrust / Factset, 31 December 2020. Chart is thematic exposure to corporate bonds only, Government bonds and cash excluded and rebased to 100%.

Exposure to positive sustainability investment trends

Sustainable investment themes: how much of business is exposed

This analysis shows what proportion of the company is exposed to the sustainable investment themes: 83.2% of the fund is invested in companies that are strongly exposed to the positive investment theme with more than 50% of the business exposed to the theme;

16.8% of the fund is invested in companies that are moderately exposed to the positive investment theme with between 25% and 50% of the business exposed to the theme.



Source: Liontrust / Facstet as at 31 December 2020 – Data is representative of corporate bonds only and excludes government bonds and cash and then rebased to 100%.

Alignment with UN Sustainable Development Goals

This analysis shows how the Sustainable investment themes are linked to the United Nations Sustainable Development Goals (SDGs).

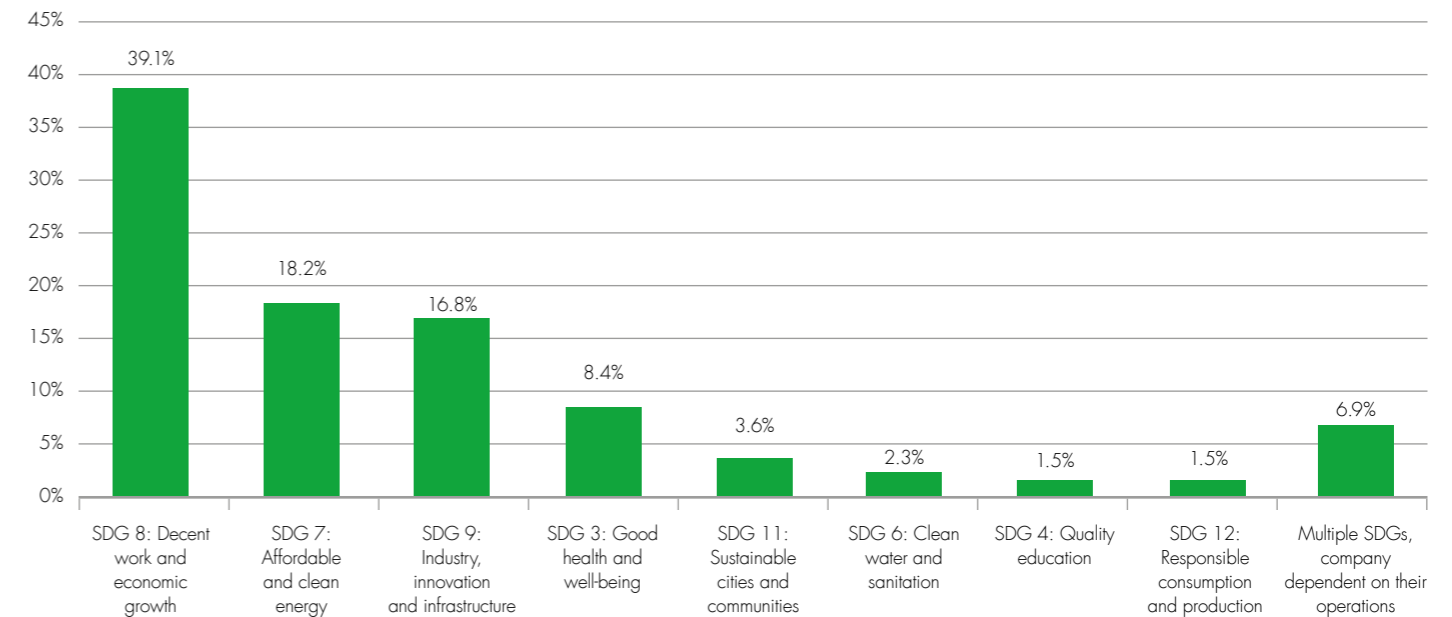
All of the Sustainable investment themes are linked to SDGs and the underlying Key Performance Indicator they relate to have been identified in the SDG text. A more detailed discussion on impact and how the Sustainable investment themes are aligned with the SDG's is available in the SF Annual Review 2019 on pages 20-28: www.liontrust.co.uk/sustainable

The fund has most exposure to SDG 8: Decent work & economic growth (39.1%); SDG 7: Affordable and clean energy (18.2%);

SDG 9: Industry, innovation and infrastructure; and SDG 3 (16.8%): Good health and wellbeing (8.4%)

Whilst our methodology is to assign what we believe to be the most prevalent SDG or the SDG that the company has the most impact on, we believe that the companies we have exposure to can have an impact on multiple SDGs. For example many of holdings to the Banking industry come under SDG 8: Decent work and economic growth as we believe that through the banks lending practices they facilitate economic growth. However, given several of the banks we own have exposure to retail (mortgage), they could therefore be classified or have positive impact on SDG 11: Sustainable cities and communities. The fund has direct and significant exposure to 8 of the 17 UN SDGs.

Sustainable investment themes mapped to UN Sustainable Development Goals (% of fund exposure)

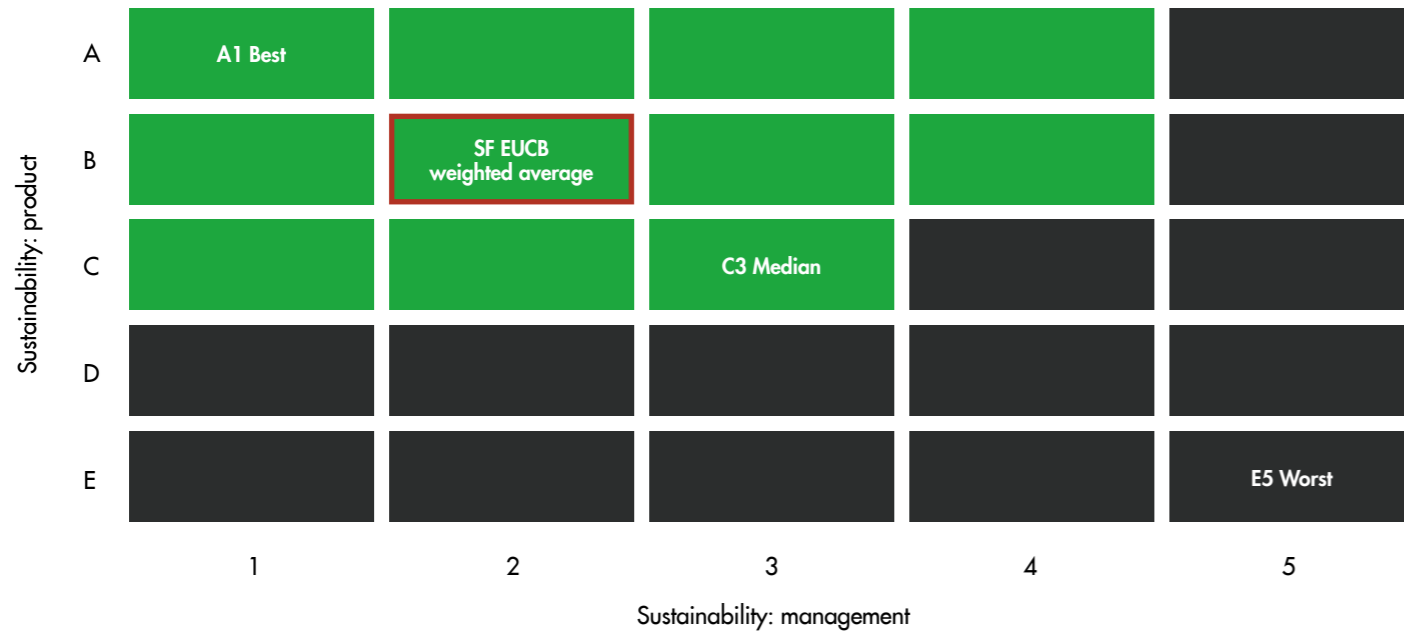


Source: Liontrust / Facstet as at 31 December 2020. Data is representative of corporate bonds only and excludes government bonds and cash and then rebased to 100%.

Assessment of how sustainable companies are: Sustainability Matrix Rating

We assess every company using our proprietary Sustainability Matrix Rating which measures how sustainable its products and services are as well as how well they manage the material environmental, social and governance (ESG) matters related to their business.

The weighted average Sustainability Matrix rating for the fund is B2 (marked in red in the figure above). This shows the fund is invested in companies whose products and services are more sustainable and whose management of ESG aspects of their business is better than the market it invests in. There are no companies in the fund which are rated in the ineligible grey area of the Sustainability matrix.



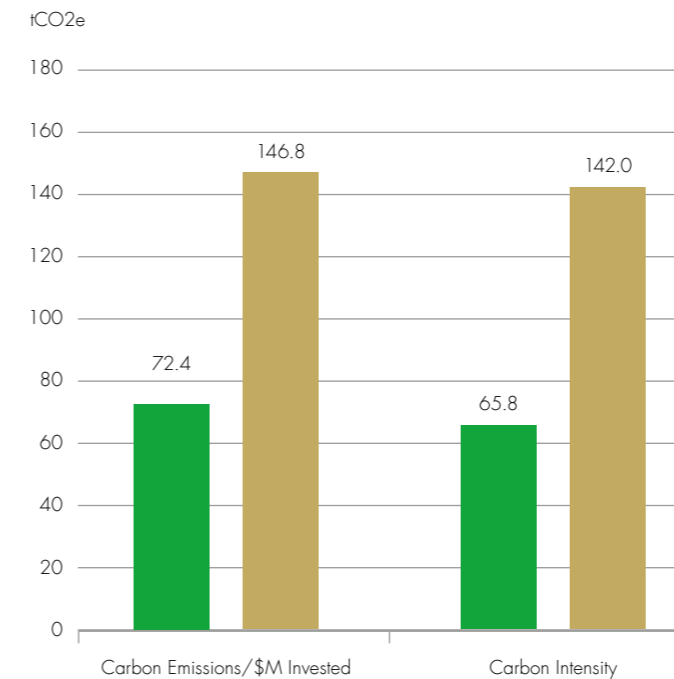
Source: Liontrust / Factset, 31 December 2020

Climate change: portfolio data on carbon, solutions and fossil fuels

Carbon emissions of fund as compared to the conventional benchmark

We can see from the chart below that the investments in the fund emit 50.7% less carbon emissions (tCO₂e) than the market it invests in. When looking at the carbon intensity of the investments, the fund has a carbon intensity (tCO₂e / \$M sales) that is 53.7% lower than the benchmark.

■ Liontrust GF Sustainable Future European Corporate Bond Fund
■ Benchmark: iBoxx Euro Corporates all maturities

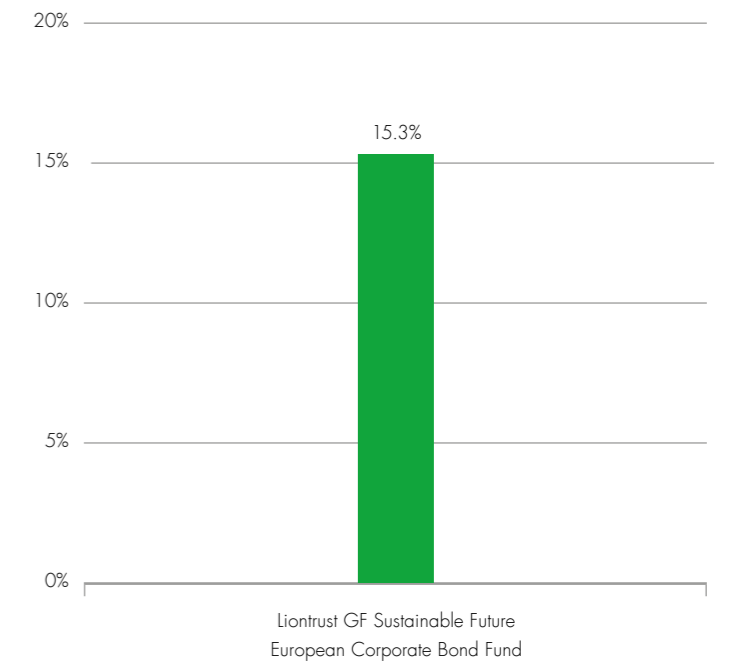


Source: MSCI Carbon Analytics and Liontrust as at 31 December 2020; carbon emissions (tCO₂e/\$million invested), carbon intensity (tCO₂e / \$M sales) data available for 61.3% of the fund and 65.8% of the benchmark.

Companies offering clean technology solutions

This analysis shows that the fund holds 15.3% of companies which MSCI have determined are providing clean technology solutions. Although their methodology is different to ours it does broadly correspond to 21% of the fund being invested in companies with significantly more than 25% of sales related to better resource efficiency which reduces emissions.

Within the fixed income asset class and owing to nature of the asset class many investments are to more developed stable companies. Therefore, it is difficult to obtain material exposure to companies that overly exposed to cleantech solutions. Usually our exposure to cleantech solutions will be as a result of investment within a larger more developed utility.



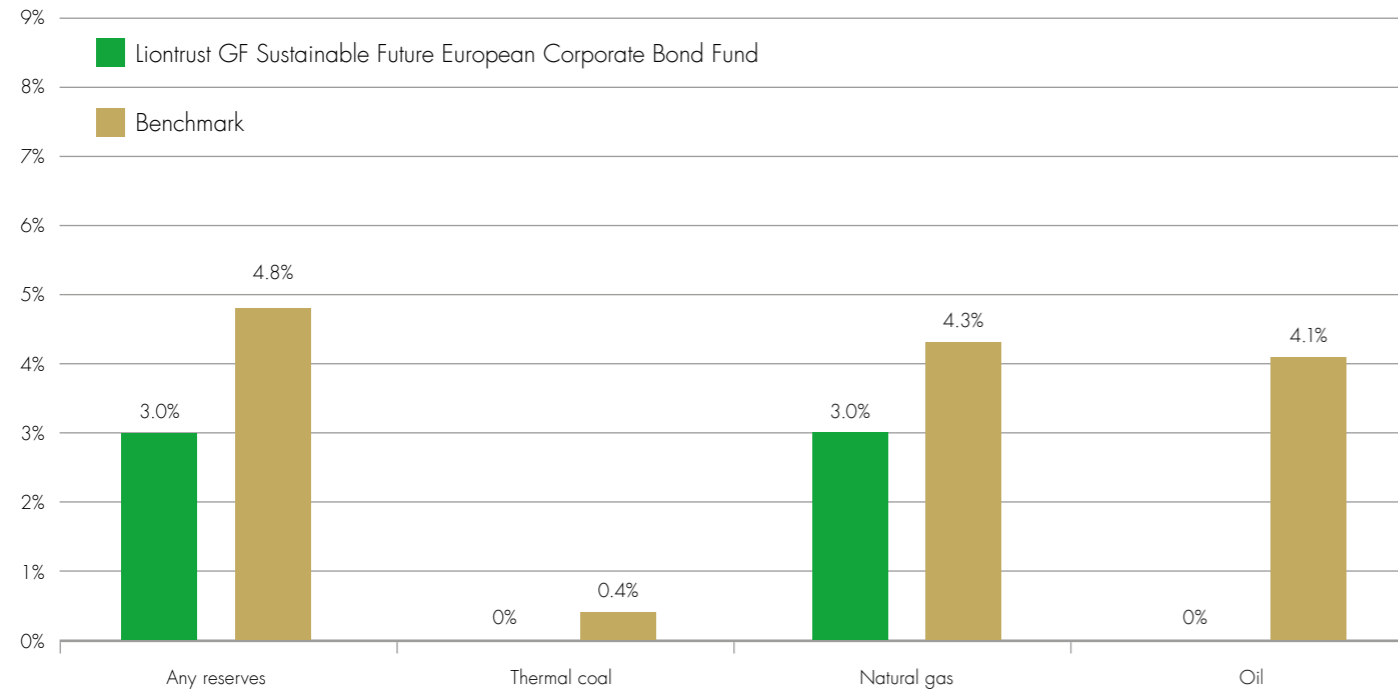
Source: MSCI Carbon Analytics and Liontrust as at 31 December 2020.

Weight of holdings owning fossil fuels and potential emissions

This analysis shows the fund holds (one company: SSE PLC which has some natural gas reserves. The fund holds no companies with thermal coal or oil reserves. SSE is a significant investor in renewable energy, it has a very small legacy oil and gas business which is well below the threshold we deem significant (5% of group

sales) to exclude a company because it extracts or produces fossil fuels (natural gas, coal or oil). This means the fund is exposed to much less than 0.13% (2.6% holding x less than 5% of sales) of sales exposure to fossil fuel reserves. SSE is planning to dispose of these assets

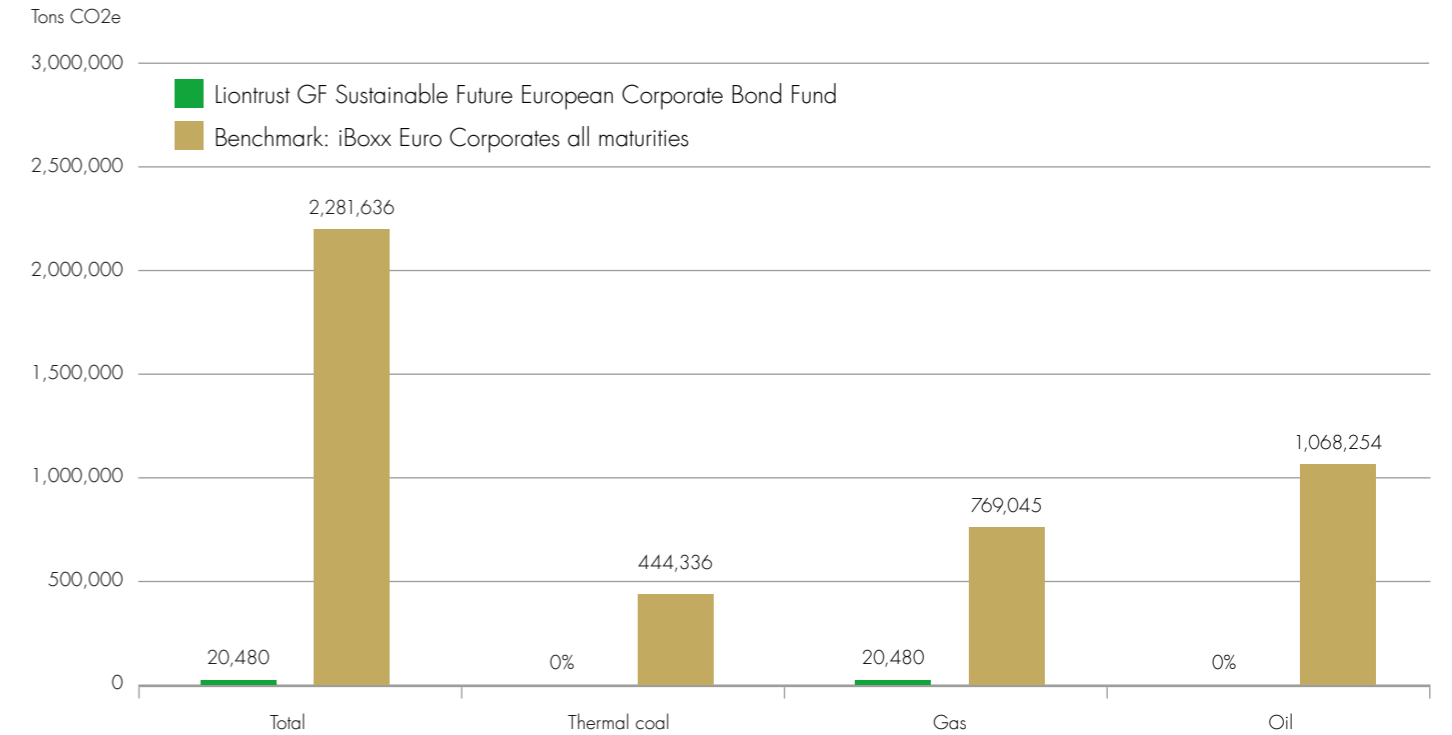
Weight of holdings owning fossil fuels



Source: MSCI Carbon Analytics and Liontrust as at 31 December 2020; carbon emissions data available for 98.5% of the fund and 99.5% of the benchmark

The chart below puts things in context, i.e. SSE is 3% of the portfolio and reserves are materially less than 3% of their business. It is also in the process of selling down the part of the business with exposure to the fossil fuel reserves.

Potential emissions from fossil fuel reserves



Source: MSCI Carbon Analytics and Liontrust as at 31 December 2020

All Fund holdings

Alphabetical list showing all holdings in the fund along with their sector, our Sustainability Matrix Rating and Sustainable investment theme. The fund is invested in 58 bonds excluding government securities, cash and other.

Company name	Sector	Sustainability Matrix	Sustainable investment theme
ANNINGTON FUNDING PLC	Real Estate	A3	Building better cities
AROWNTOWN PROPERTY HOLDINGS PLC	Real Estate	C3	Building better cities
ASSICURAZIONI GENERALI SPA	Insurance	B3	Insuring a sustainable economy
AT&T INC	Telecommunications	B3	Connecting people
AVIVA PLC	Insurance	B2	Insuring a sustainable economy
AXA SA PARIS	Insurance	B1	Insuring a sustainable economy
BANCO SANTANDER SA	Banks	B3	Increasing financial resilience
BNP PARIBAS	Banks	B2	Increasing financial resilience
BRITISH TELECOM PLC	Telecommunications	B2	Connecting people
BUNDESREPUBLIK DEUTSCHLAND	GERMANY	C3	Portfolio construction/diversification
CAISSE NATIONALE DE CREDIT AGRICOLE	Banks	C2	Increasing financial resilience
CELLNEX TELECOM SAU	Telecommunications	B3	Connecting people
COMPASS GROUP PLC	Travel & Leisure	C1	Leading ESG management
DEUTSCHE TELEKOM AG	Telecommunications	B2	Connecting people
EXPERIAN FINANCE PLC	Industrial Goods & Services	B3	Increasing financial resilience
GLAXO SMITHKLINE CORP	Health Care	A2	Providing affordable healthcare
HSBC HOLDINGS PLC	Banks	C2	Increasing financial resilience
IBERDROLA	Utilities	C2	Increasing electricity from renewable sources
ING GROEP NV	Banks	B2	Increasing financial resilience
INTERCONTINENTAL HOTELS	Travel & Leisure	C2	Enabling healthier lifestyles
KERRY GROUP PLC	Food & Beverage	B2	Delivering healthier foods

Source: Liontrust / Factset, 31 December 2020

All Fund holdings

Company name	Sector	Sustainability Matrix	Sustainable investment theme
KONINKLIJKE AHOLD NV	Retail	C2	Better monitoring of supply chains and quality control
LLOYDS BANKING GROUP PLC	Banks	B1	Increasing financial resilience
LOGICOR FINANCING SARL	Real Estate	C3	Portfolio construction/diversification
MOTABILITY OPERATIONS GROUP PLC	Financial Services	B2	Enabling healthier lifestyles
NATIONAL GRID PLC	Utilities	B2	Improving the efficiency of energy use
NATIONAL WESTMINSTER BANK PLC	Banks	B2	Increasing financial resilience
NATIONWIDE BUILDING SOC	Banks	B1	Building better cities
ORANGE SA	Telecommunications	B3	Connecting people
ORSTED A/S	Utilities	B1	Increasing electricity from renewable sources
PHOENIX GROUP HOLDINGS	Insurance	B4	Saving for the future
RELX FINANCE BV	Media	C1	Providing education
SCOTTISH & SOUTHERN ENERGY PLC	Utilities	C3	Improving the efficiency of energy use
SKANDINAVISKA ENSKILDA BANKEN AB	Banks	B1	Increasing financial resilience
SNAM SPA	Utilities	C1	Improving the efficiency of energy use
SOCIETE GENERALE SA	Banks	B1	Increasing financial resilience
STANDARD CHARTERED PLC	Banks	C2	Increasing financial resilience
SUEZ ENVIRONNEMENT SA	Utilities	A2	Improving management of water
SWISS REINSURANCE CO LTD	Insurance	B1	Insuring a sustainable economy
TELECOM ITALIA SPA	Telecommunications	B3	Connecting people
TENNET HOLDING BV	Utilities	B3	Improving the efficiency of energy use
THERMO INSTRUMENTS SYSTEMS INC	Health Care	A3	Enabling innovation in healthcare

Continues on the next page

Source: Liontrust / Factset, 31 December 2020

All Fund holdings

Company name	Sector	Sustainability Matrix	Sustainable investment theme
UNIBAIL-RODAMCO	Real Estate	C1	Leading ESG management
UNILEVER NV	Food & Beverage	C1	Leading ESG management
VERIZON COMMUNICATIONS INC	Telecommunications	B2	Connecting people
VODAFONE PLC	Telecommunications	B3	Connecting people

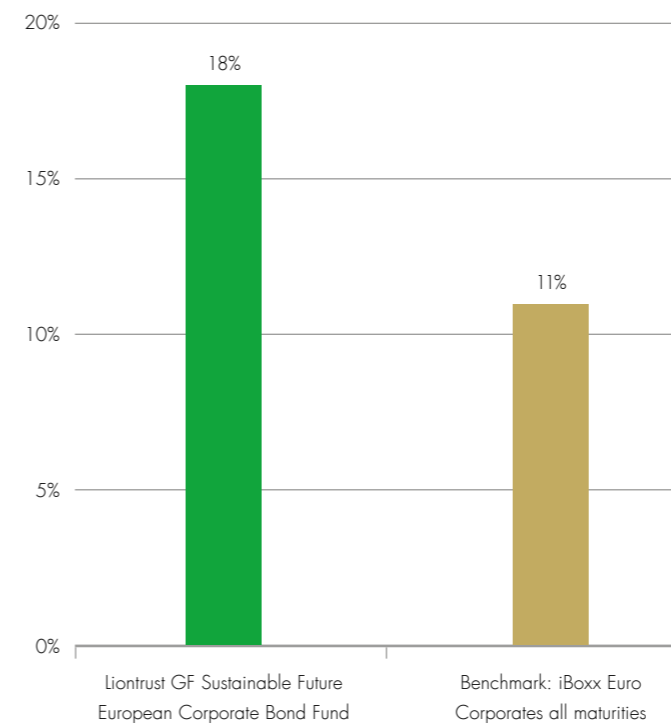
Source: Liontrust / Factset, 31 December 2020

Additional ESG metrics

Annual staff turnover is the % of staff leaving in a year. This analysis shows the fund has a weighted average staff turnover which is higher than the market it invests in (18% for fund versus 11% for the market it invests in).

What we find most notable about this metric is the lack of disclosure by companies with less than 24% of companies disclosing this information. It is for this reason that engaging with companies to get them to participate in the Work Disclosure Initiative is so important. Worker well-being is one of our six 2020 priority engagement initiatives. We want companies to better disclose meaningful data on how they are managing their staff so we can better analyse this and engagement with companies on areas where they need to improve this aspect of their business.

Social: staff turnover (%)*



Source: MSCI Analytics and Liontrust as at 31 July 2020. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q2-2021

*Weighted average for companies which disclose

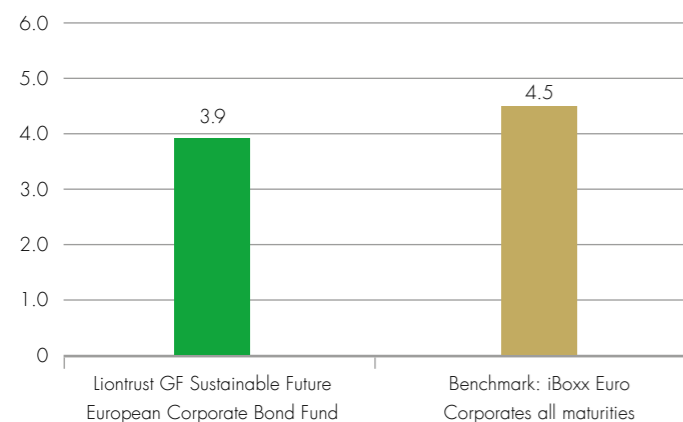
Data coverage – Social: staff turnover (%)

	% weight	number of companies
GF SF EU Corporate Bond fund	19%	24%
Benchmark: iBoxx Euro Corporates all maturities	23%	22%

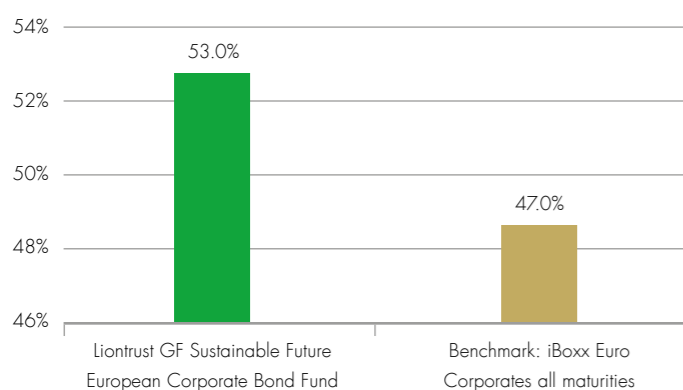
Governance: female representation on board

This analysis shows, on average, there are 3.9 females on the board for companies in the fund compared to 4.5 for the market it is invested in (which is half a woman less).

Number of women on board

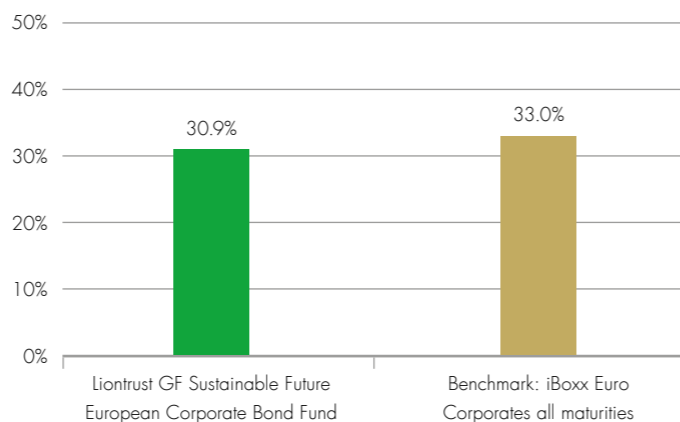


Female Rep. 30% of Directors (%)



In terms of what proportion of the board are female, the fund has 31% female on the board compared to the market with 33%. However the Fund seems to be more consistent in its diversity with 53.8% of the fund having at least 30% female Director representation which compare favourably to the market average 48.6, the also has zero exposure to companies with 0% female representation on the board. We are engaging with companies to Increase corporate diversity (which includes better female representation) is one of our six 2020 priority engagement initiatives.

% of women on board



Data coverage – Governance: board diversity

	% weight	number of companies
GF SF EU Corporate Bond fund	87%	97%
Benchmark: iBoxx Euro Corporates all maturities	96%	95%

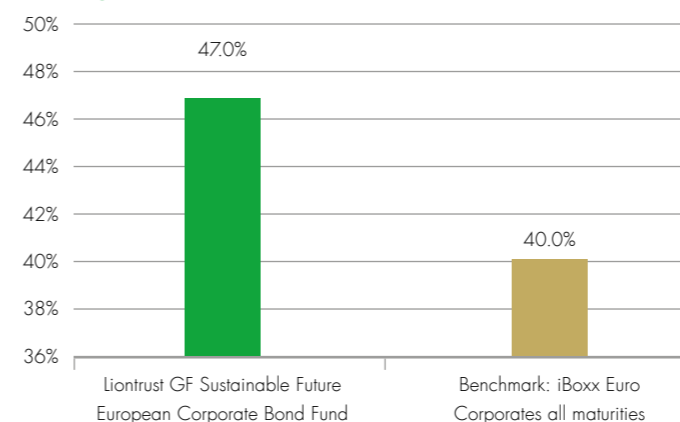
Source: MSCI Analytics and Liontrust as at 31 July 2020. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q2-2021

Human Rights: UN Global Compact involvement and status

The United Nations Global Compact is an initiative that businesses can sign up to which are a set of principles to minimise the unintended negative impacts of the business in terms of harm to the environment and society. This includes a significant amount relating to labour rights and human rights.

48% of the fund is invested in issuers which are signatories to the UN Global Compact (and the recognition of human rights is enshrined) which is 8% more than the average of the market it invests in which has 41% of companies signed up to the UN Global Compact.

Human Rights: UN Global Compact Signatory (Weight %)



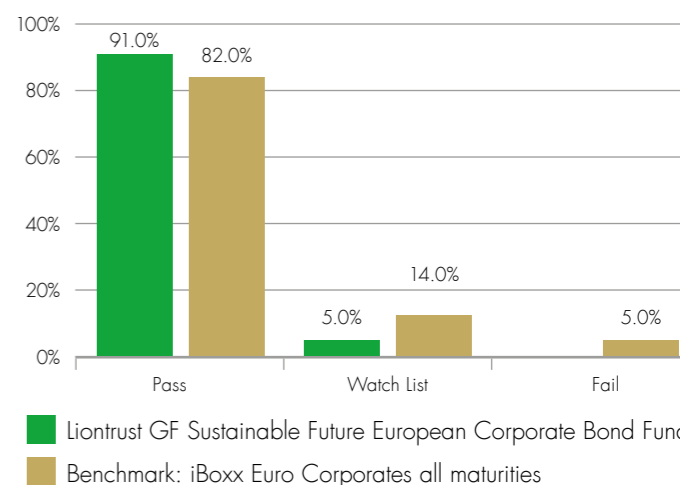
Data coverage – Human Rights: UN GC Signatory, and Compliance status

	% weight	number of companies
GF SF EU Corporate Bond fund	89%	97%
Benchmark: iBoxx Euro Corporates all maturities	98%	98%

The UN Global Compact rate how businesses (regardless of whether the company is a signatory to the UN Global Compact) comply with their ten principles using a simple compliance rating of Pass, Watch list or Fail.

This analysis shows that the fund has a significantly higher proportion of companies with the best compliance rating of Pass for the UN Global Compact (94.5% versus the market average of 83.6%); a much lower proportion of companies which are on the watch list (4.9% versus the market average of 12.5%) and no companies that have the worst compliance rating of Fail for the UN Global Compact principles (0% versus the market average of 3.7%). This shows the companies the fund is invested in are performing better than the market on this metric.

Human Rights: UN Global Compact Status



Source: MSCI Analytics and Liontrust as at 31 July 2020. Coverage measured as compliance status (as opposed to signatory). This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q2-2021

Other third party ESG measures

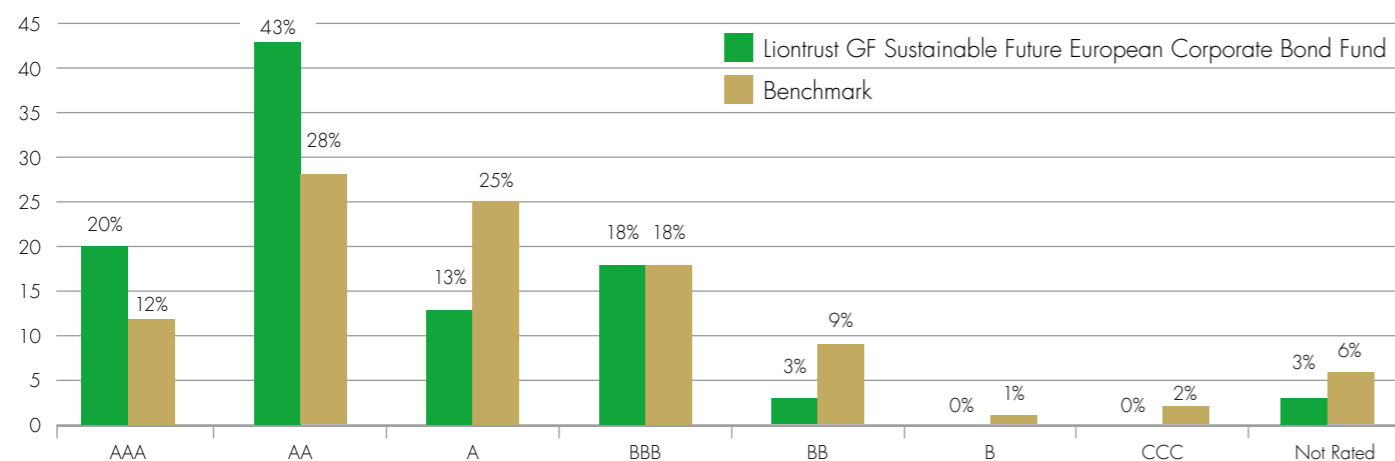
We are often asked to provide data on how our Sustainable Future funds are ranked by third party ESG data providers. Here we disclose two commonly used data providers: MSCI and Sustainalytics.

MSCI ESG Ratings

	Fund	Benchmark
Weighted average ESG Score	7.54 (AAA rating)	6.66 (AA rating)

MSCI rating distribution

Below is the rating breakout of the Fund by rating. We can see that the fund has a significantly higher weight towards the higher rated companies and is underweight the poorer rated companies



Source: MSCI Analytics and Liontrust as at 31 December 2020. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q2-2021

When the portfolio is independently analysed, we can see the portfolios' ESG scoring is strong and better than the benchmark average, achieving a rating of AA versus benchmark average of A. When we decompose the portfolio score into its constituent parts E, S and G we can see that the Fund outperforms on all fronts.

ESG risk exposure

ESG quality scorecard

	Portfolio	Benchmark	Active
ESG Quality Score (0-10)	8.6	7.2	19.3%
Environmental Score	7.1	6.7	5.7%
Social Score	5.4	4.9	10.6%
Governance Score	6.1	4.8	25.2%

As you can see from the data below the Fund scores very well across a broad range of criteria:

Environmental risk

	Portfolio	Benchmark	Active
Carbon risk (T CO2E/\$M SALES)	133	161	-17.7%
Fossil fuel reserves (%)	3.0%	9.9%	-6.9%
High impact fossil fuel reserves (%)	0.0%	5.5%	-5.5%
Exposure to high water risk (%)	5.0%	7.5%	-2.5%

Reputational risk

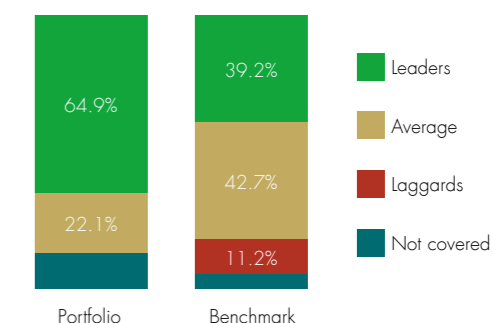
Very severe controversy exposure

	Portfolio	Benchmark	Active
Overall reputation risk	0.0%	4.4%	-4.4%
Environmental (%)	0.0%	3.5%	-3.5%
Customer (%)	0.0%	0.0%	
Human rights (%)	0.0%	0.2%	-0.2%
Labor (%)	0.0%	0.1%	-0.1%
Governance (%)	0.0%	2.8%	-2.8%

Governance risk

	Portfolio	Benchmark	Active
Governance leaders (%)	64.9%	39.2%	25.7%
Governance laggards (%)	0.0%	11.2%	-11.2%
Board flag (%)	5.5%	10.5%	-5.0%
Lack of independent board (%)	1.7%	4.4%	-2.7%
No female directors (%)	0.0%	1.1%	-1.1%
Female rep. 30% of directors (%)	79.7%	70.2%	9.5%
Accounting flag (%)	19.8%	31.9%	-12.1%
Pay flag (%)	1.7%	3.2%	-1.5%
Ownership and control flag (%)	2.1%	14.4%	-12.3%

Governance risk: global percentile



Laggards: 11.2% less than the benchmark
Leaders: 25.7% greater than the benchmark

Source: MSCI Analytics and Liontrust as at 31 December 2020. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q2-2021

Key risks

Past performance is not a guide to future performance. Do remember that the value of an investment and the 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.

Disclaimer

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