

LIONTRUST MONTHLY INCOME BOND FUND

Fund sustainability and impact report: Q4, 2020





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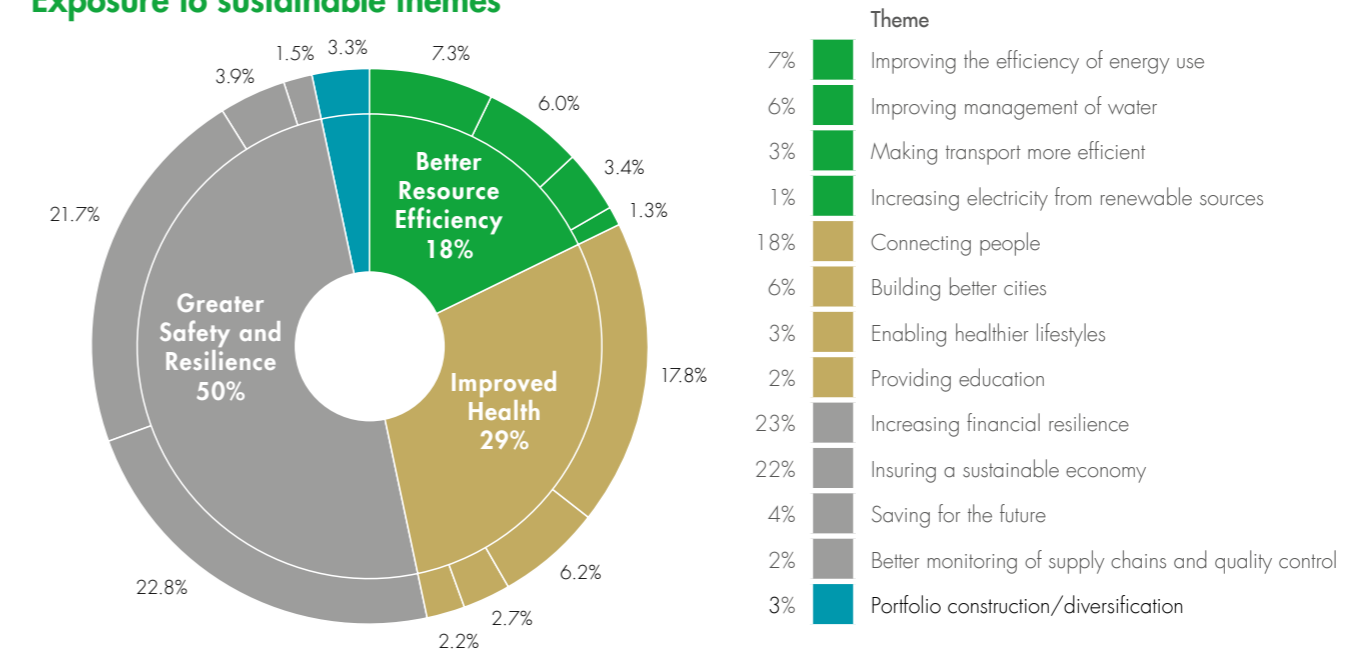
Exposure to positive sustainability investment trends

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 are 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 is 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



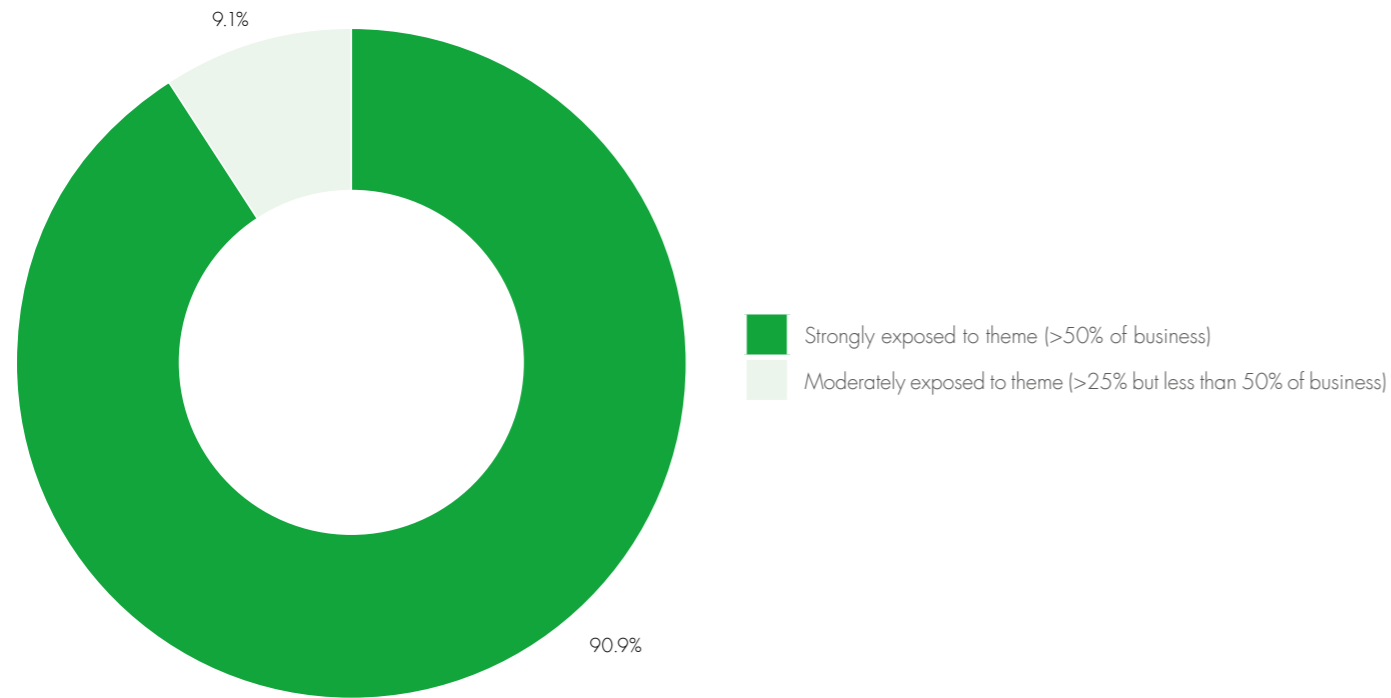
Data as at 31 December 2020. Chart is thematic exposure to corporate bonds only, Government bonds and cash excluded and rebased to 100%

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: 90.9% 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; 9.1% 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

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

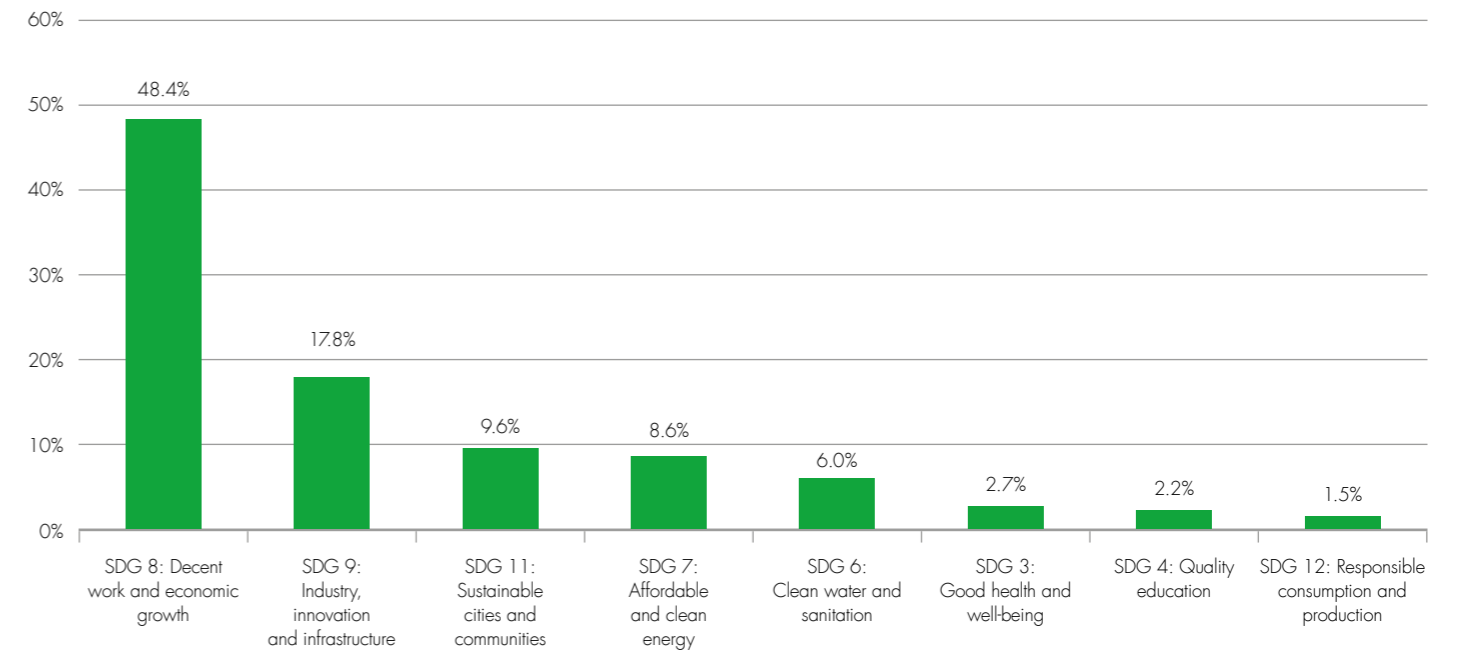
The fund has most exposure to SDG 8: Decent work & economic growth (48.4%); SDG 9: Industry, innovation & infrastructure (17.8%); SDG 11: Sustainable cities and communities (9.6%) and SDG 7: Affordable & clean energy (8.6%)

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 5 of the 17 UN SDGs.

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

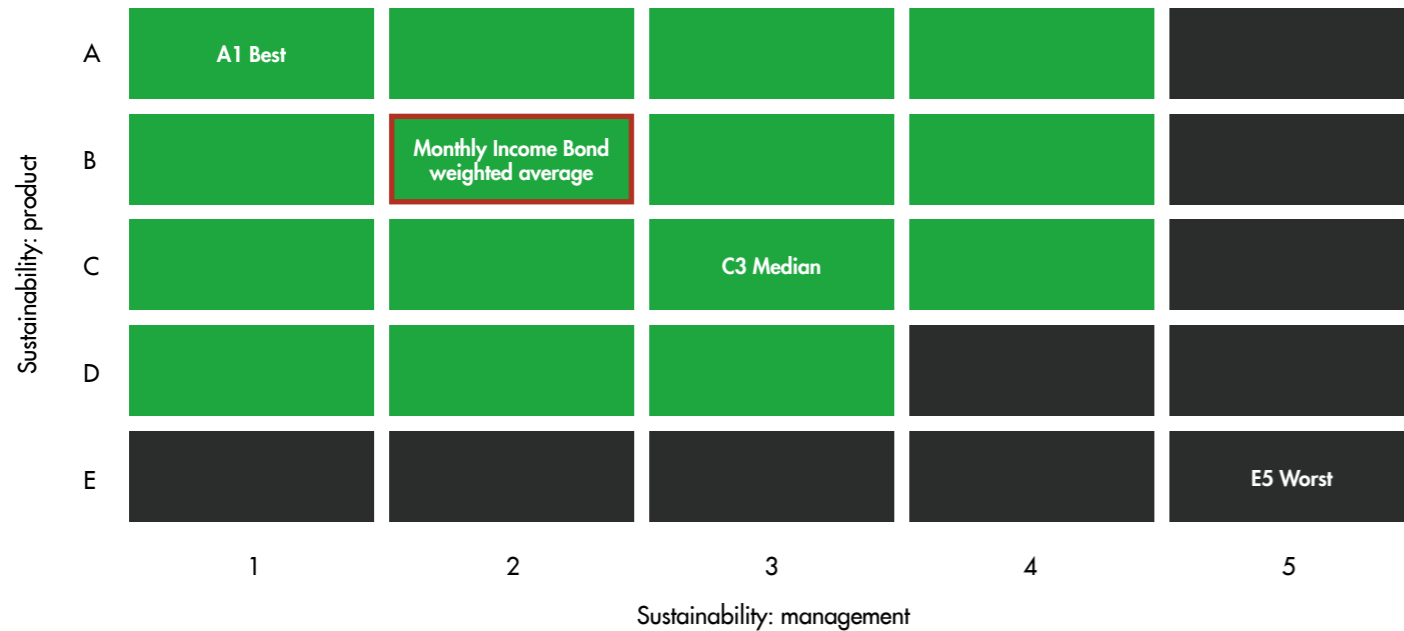


Source: Liontrust / Facstet as at 31 December 2020. Data is representative of corporate bonds only and excludes government bonds and cash and then rebased to 100%

Assessment of how sustainable companies are: Sustainability Matrix Rating

We assess every company using our proprietary Sustainability Matrix Rating which measures how sustainable it's 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 below). 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.

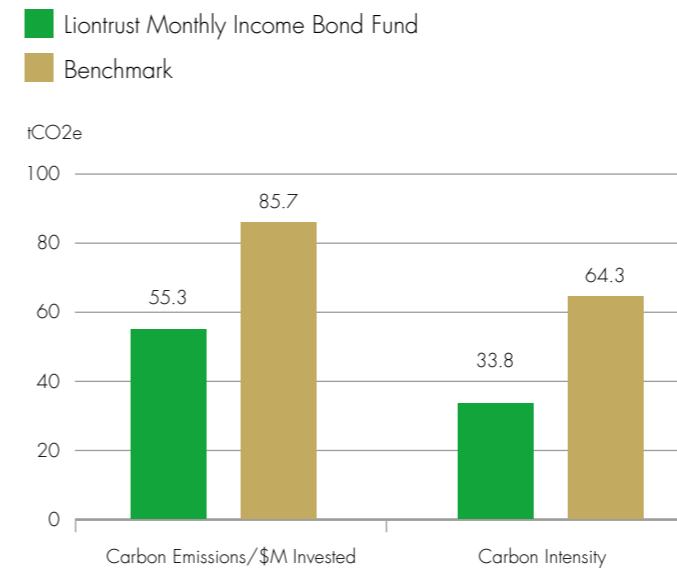


Source: Liontrust / factset 31 December 2020

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 35.5% 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 47.4% lower than the benchmark. This independent analysis includes direct emissions forming scope 1 and scope 2 emissions only*.

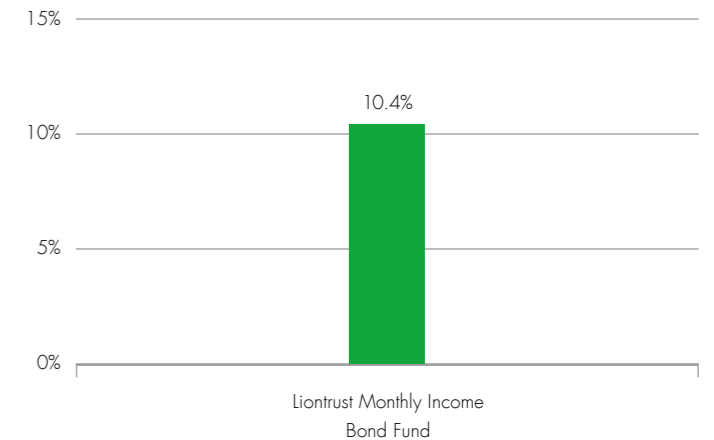


Source: MSCI Carbon Analytics and Liontrust 31 December 2020.
*Indirect emissions forming scope 3 data is important but is not currently available in a consistent data set with enough coverage to be included in this independent analysis.

Companies offering clean technology solutions

This analysis shows that the fund holds 10.4% of companies which MSCI have determined are providing clean technology solutions. Although their methodology is different to ours it does broadly correspond to 18% 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.



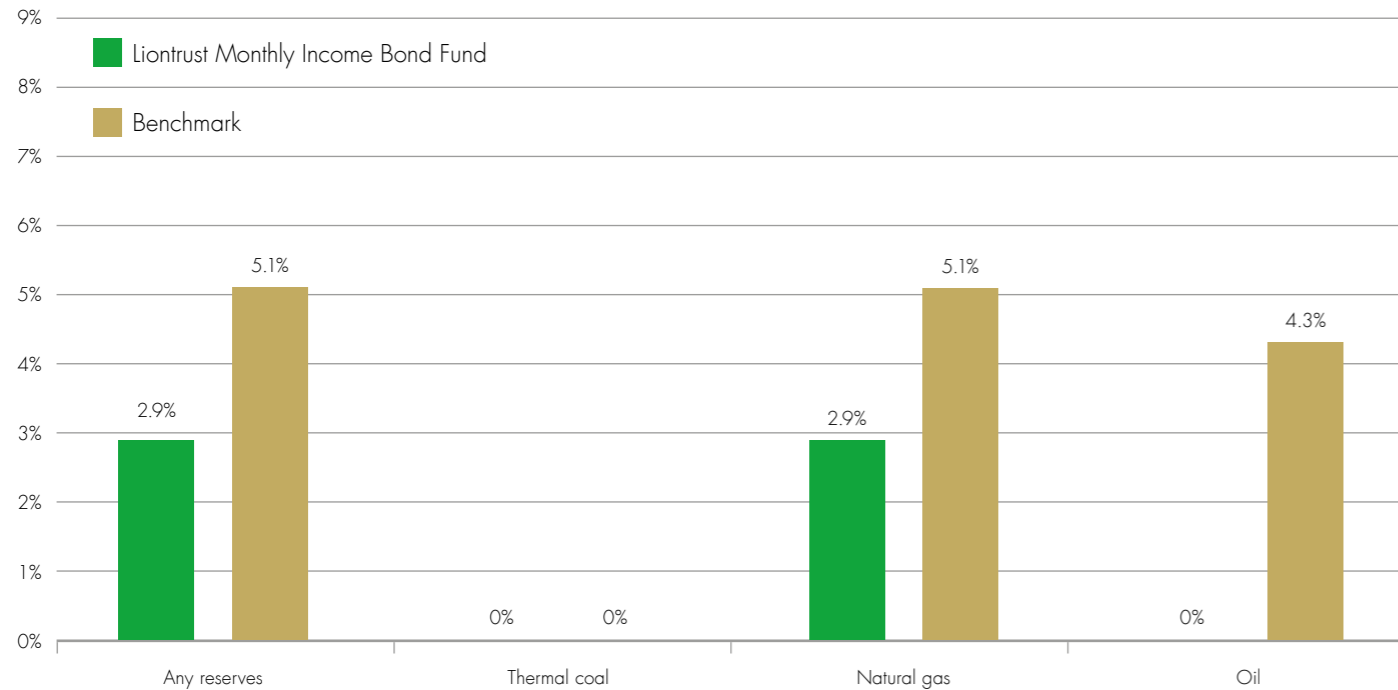
Source: MSCI Carbon Analytics and Liontrust 31 December 2020

Weight of holdings owning fossil fuels

Weight of companies owning fossil fuel reserves

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 big 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 0.155% (3.2% holding x less than 5% of sales) of sales exposure to fossil fuel reserves. SSE is planning to dispose of these assets.

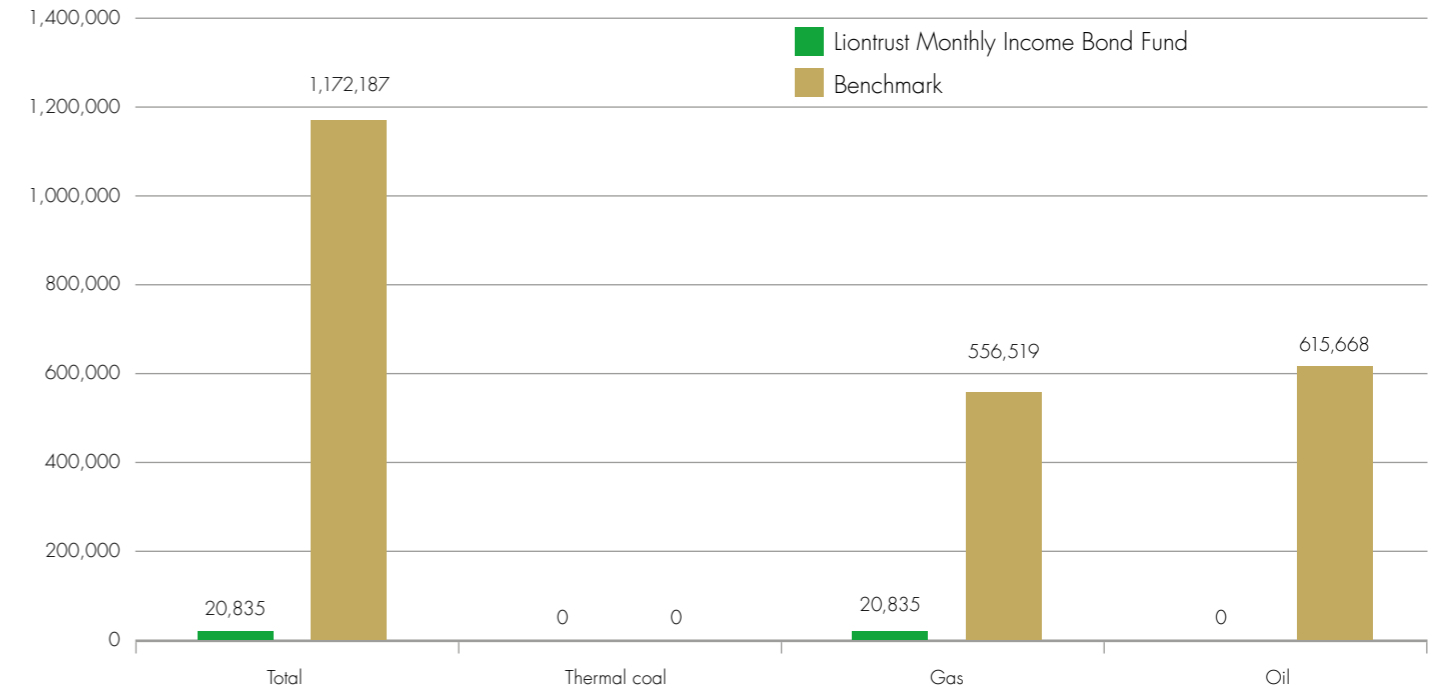


Source: MSCI Carbon Analytics and Liontrust 31 December 2020; carbon emissions data available for 54.7% of the fund and 59.0% of the benchmark

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

Tons CO₂e



Source: MSCI Carbon Analytics and Liontrust 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 53 companies.

Company name	Sector	Sustainability Matrix	Sustainable investment theme
3I GROUP PLC	Financial Services	C1	Increasing financial resilience
AEGON NV	Insurance	B3	Insuring a sustainable economy
OPTIVO	Housing Associations	A1	Building better cities
ANNINGTON FUNDING PLC	Real Estate	A3	Building better cities
AROUNDTOWN 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
BARCLAYS BANK PLC	Banks	C3	Increasing financial resilience
BNP PARIBAS	Banks	B2	Increasing financial resilience
BRITISH TELECOM PLC	Telecommunications	B2	Connecting people
CLARION HOUSING GROUP LTD	Housing Associations	A1	Building better cities
ZURICH	Insurance	B1	Insuring a sustainable economy
COVENTRY BLDG SOCIETY	Banks	B1	Increasing financial resilience
CENTER PARCS	Whole Business Securitized	B1	Enabling healthier lifestyles
DEUTSCHE TELEKOM AG	Telecommunications	B2	Connecting people
WELSH WATER	Utilities	A2	Improving management of water
HAMMERSON PLC	Real Estate	C2	Building better cities
HEATHROW AIRPORT HOLDINGS LTD	Industrial Goods & Services	D2	Portfolio construction/diversification
HSBC HOLDINGS PLC	Banks	C2	Increasing financial resilience
IBERDROLA	Utilities	C2	Increasing electricity from renewable sources

Source: Liontrust / Factset, 31 December 2020

All Fund holdings

Company name	Sector	Sustainability Matrix	Sustainable investment theme
YORKSHIRE WATER FINANCE PLC	Utilities	A2	Improving management of water
LEGAL & GENERAL GRP PLC	Insurance	B1	Insuring a sustainable economy
LLOYDS BANKING GROUP PLC	Banks	B1	Increasing financial resilience
LOGICOR 2019-1 UK PLC	MBS	C3	Portfolio construction/diversification
MORRISON(WM)SUPERMARKETS	Retail	C3	Better monitoring of supply chains and quality control
MOTABILITY OPERATIONS GROUP PLC	Financial Services	B2	Enabling healthier lifestyles
NATIONAL EXPRESS GROUP PLC	Travel & Leisure	A2	Making transport more efficient
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	Insuring a sustainable economy
ORANGE SA	Telecommunications	B3	Connecting people
PENSION INSURANCE CORP PLC	Insurance	B4	Insuring a sustainable economy
PHOENIX GROUP HOLDINGS PLC	Insurance	B4	Saving for the future
PLACES FOR PEOPLE HOMES LTD	Housing Associations	A2	Building better cities
WESTERN POWER DISTRIBUTION	Utilities	B2	Improving the efficiency of energy use
M&G	Financial Services	B4	Insuring a sustainable economy
RABOBANK NEDERLAND	Banks	B1	Insuring a sustainable economy
RAC GROUP HOLDINGS LTD	Whole Business Securitized	B3	Making transport more efficient
ROTHESAY LIFE LTD	Insurance	B2	Saving for the future
SCOTTISH & SOUTHERN ENERGY PLC	Utilities	C3	Improving the efficiency of energy use
SEGRO PLC	Real Estate	C1	Portfolio construction/diversification
SEVERN TRENT PLC	Utilities	A1	Improving management of water
SOUTH EASTERN POWER NETWORKS PLC	Utilities	B3	Improving the efficiency of energy use
STANDARD CHARTERED PLC	Banks	C2	Increasing financial resilience

Source: Liontrust / Factset, 31 December 2020

Continues on the next page

All Fund holdings

Company name	Sector	Sustainability Matrix	Sustainable investment theme
SWISS REINSURANCE CO LTD	Insurance	B1	Insuring a sustainable economy
TELECOM ITALIA SPA	Telecommunications	B3	Connecting people
TELEFONICA SA	Telecommunications	B2	Connecting people
THAMES WATER LTD	Utilities	A3	Improving management of water
UNITE GROUP PLC	Real Estate	A2	Providing education
UNITED KINGDOM	Gilts	C3	Portfolio construction/diversification
VERIZON COMMUNICATIONS INC	Telecommunications	B2	Connecting people
VODAFONE PLC	Telecommunications	B3	Connecting people

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.

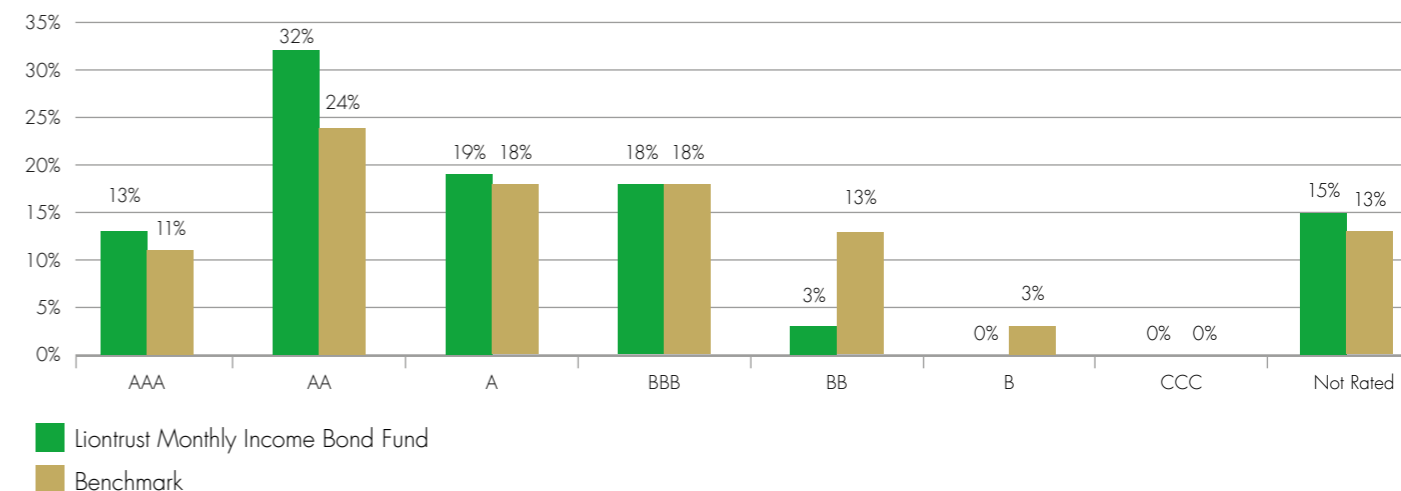
When the portfolio is independently analysed, we can see the portfolios' ESG scoring is strong and better than the benchmark average, achieving a rating of AA versus benchmark average of A. When we decompose the portfolio score into its constituent parts E, S and G we can see that the Fund outperforms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

ESG risk exposure

ESG quality scorecard			
	Portfolio	Benchmark	Active
ESG Quality Score (0-10)	8.1	6.7	19.8%
Environmental Score	7.1	7.0	1.0%
Social Score	5.2	4.7	10.3%
Governance Score	5.8	5.0	15.8%

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: Liontrust / Factset, 31 December 2020

Source: Liontrust / Factset, 31 December 2020. 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

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)	109	156	-29.8%
Fossil fuel reserves (%)	2.9%	8.8%	-5.9%
High impact fossil fuel reserves (%)	0.0%	3.2%	-3.2%
Exposure to high water risk (%)	0.0%	4.5%	-4.5%

Reputational risk

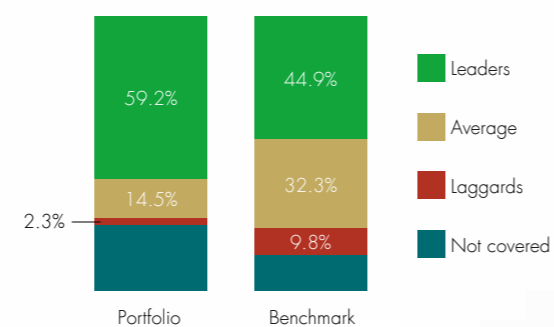
Very severe controversy exposure

	Portfolio	Benchmark	Active
Overall reputation risk	0.0%	4.7%	-4.7%
Environmental (%)	0.0%	0.8%	-0.8%
Customer (%)	0.0%	0.0%	
Human rights (%)	0.0%	0.0%	
Labor (%)	0.0%	1.9%	-1.9%
Governance (%)	0.0%	2.5%	-2.5%

Governance risk

	Portfolio	Benchmark	Active
Governance leaders (%)	59.2%	44.9%	14.3%
Governance laggards (%)	2.3%	9.8%	-7.5%
Board flag (%)	5.6%	7.9%	-2.3%
Lack of independent board (%)	4.0%	6.5%	-2.5%
No female directors (%)	1.1%	2.3%	-1.2%
Female rep. 30% of directors (%)	59.3%	59.2%	0.1%
Accounting flag (%)	9.5%	25.9%	-16.3%
Pay flag (%)	4.3%	7.2%	-2.8%
Ownership and control flag (%)	0.9%	11.9%	-11.0%

Governance risk: global percentile



Laggards: 7.5% less than the benchmark
Leaders: 14.3% greater than the benchmark

Source: Liontrust / Factset, 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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