

Liontrust Sustainable Investment

LIONTRUST GF SUSTAINABLE FUTURE EUROPEAN CORPORATE BOND FUND

Fund sustainability and impact report: Q2, 2021



LIONTRUST
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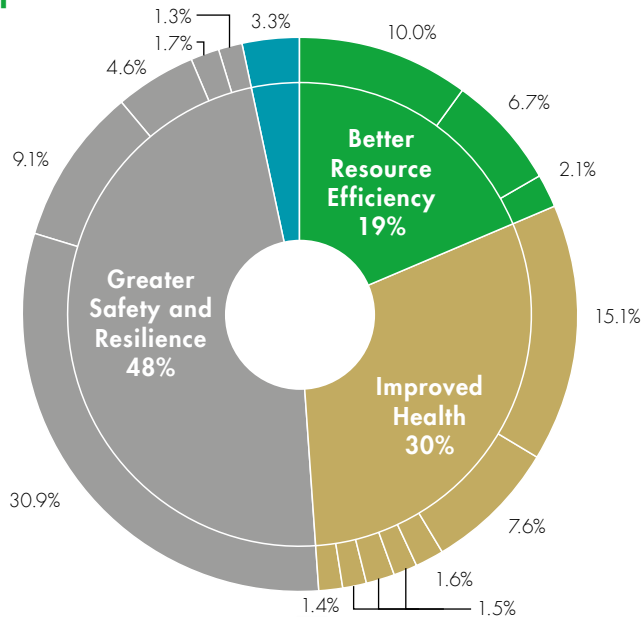
Exposure to positive sustainability investment trends

We look to invest in companies that are having a positive impact on our economy by making it either cleaner, healthier or safer. Exposure to 15 of our 21 Sustainable investment themes is shown below.

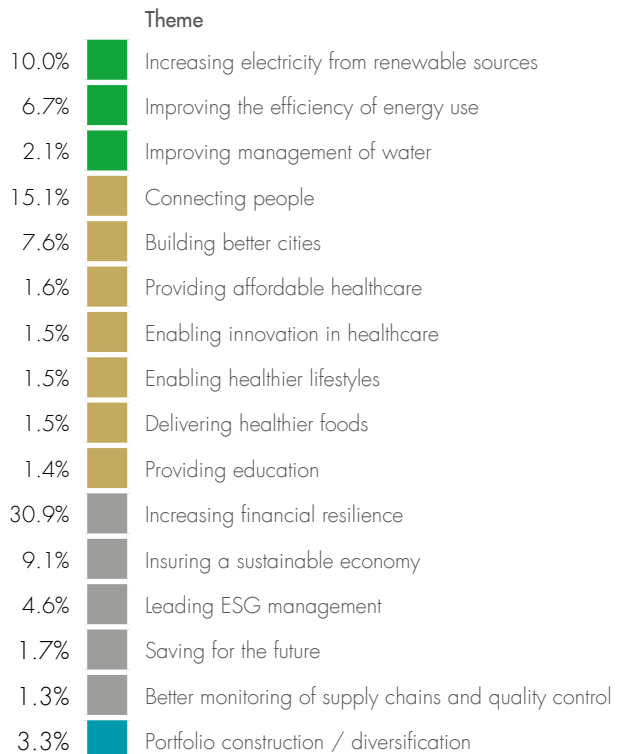
Consistent with the available opportunities in investment grade corporate bonds and our approach that seeks to invest in resilient companies, our fixed income funds typically have a high allocation to the Greater safety and resilience mega trend.

Within this mega trend, the two sub themes with the greatest exposure are *Increasing financial resilience* and *Insuring a sustainable economy*. The fund's exposure to Banks and Insurance generally sits within these

Exposure to sustainable themes



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, while also fully integrating their analysis in order to make better investments. We believe that these leading companies again create more resilient, sustainable economies.



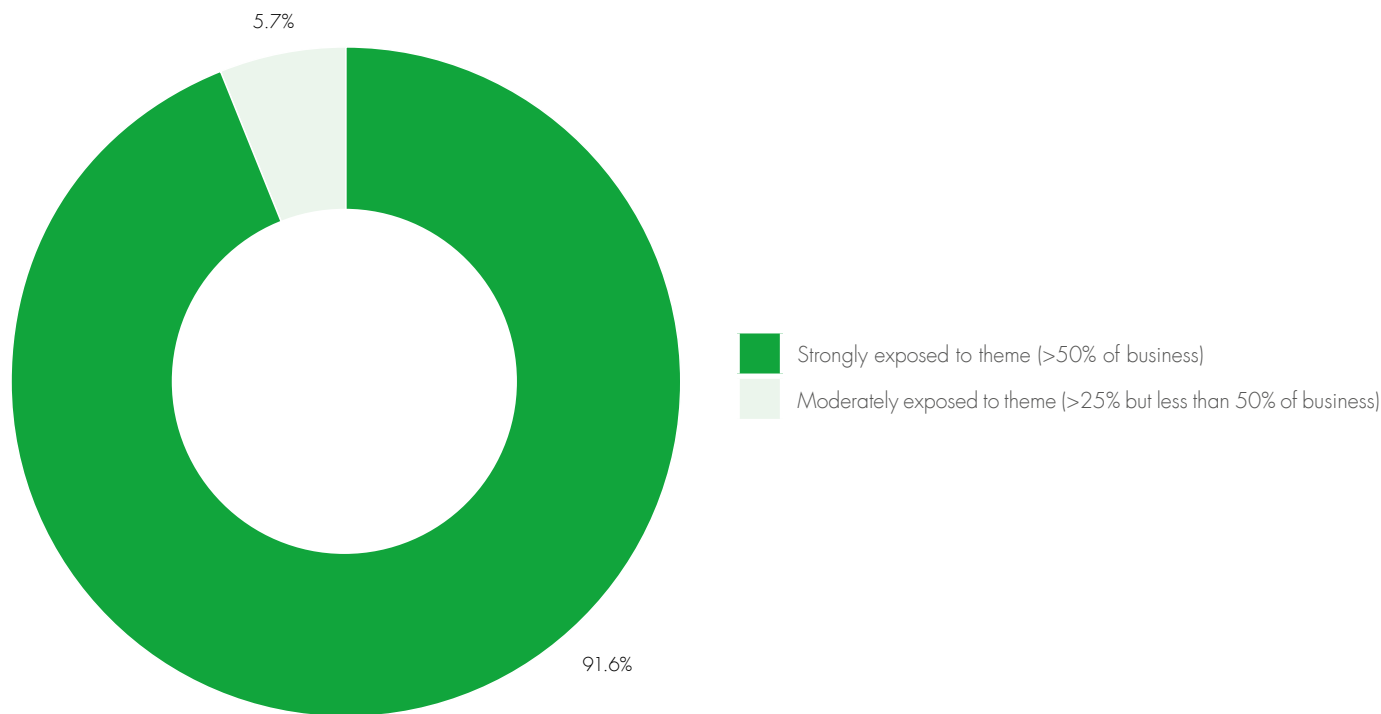
Source: Liontrust / Factset, 30 June 2021. Chart is thematic exposure to corporate bonds only, Government bonds and cash excluded

Exposure to positive sustainability investment trends

Sustainable investment themes: how much of business is exposed

This analysis shows what proportion of companies held in the fund is exposed to the Sustainable investment themes: 91.6% of the fund is invested in companies that are strongly exposed to our themes (which means more than 50% of the business's revenues); a further

5.7% of the fund is invested in companies that are moderately exposed to our themes, which means between 25% and 50% of revenues.



Source: Liontrust / Facstet as at 30 June 2021 – Data is representative of corporate bonds only and excludes government bonds and cash

Alignment with UN Sustainable Development Goals

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

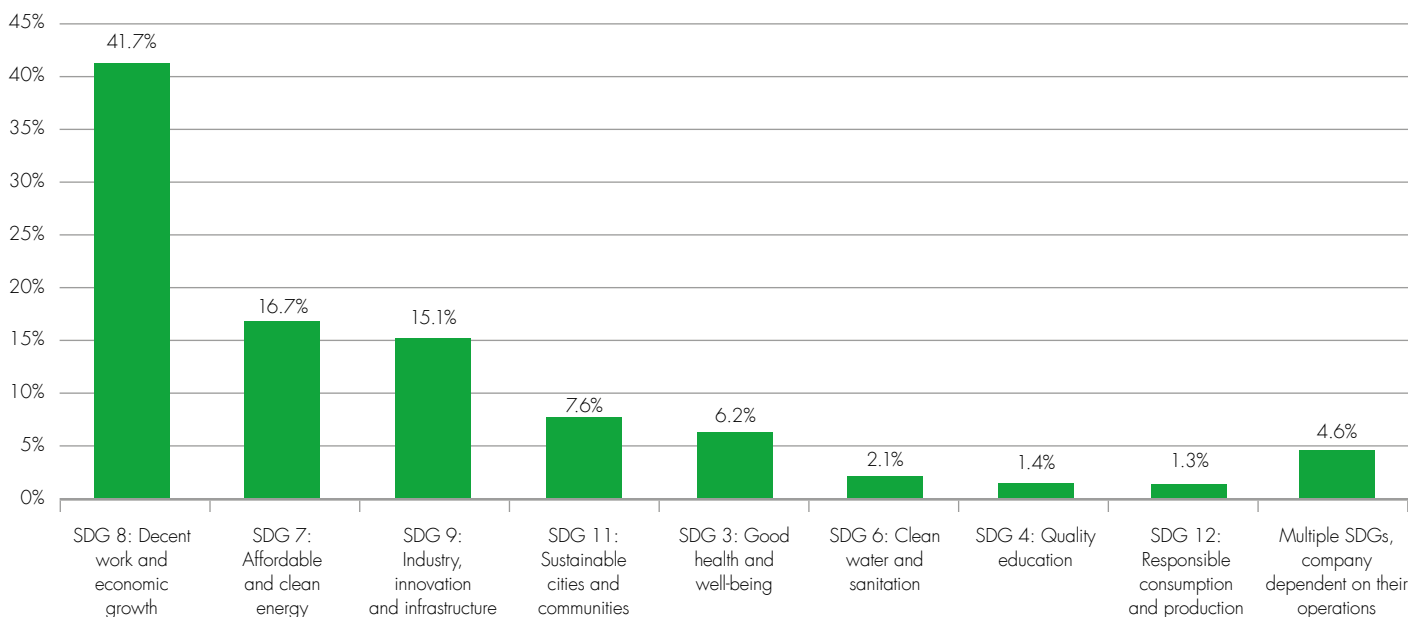
All of the Sustainable investment themes are linked to SDGs and the underlying Key Performance Indicator they relate to have been identified in the SDG text. A more detailed discussion on impact and how the Sustainable investment themes are aligned with the SDGs is available in the SF Annual Review 2020 on pages 27-33: www.liontrust.co.uk/sustainable

The fund has most exposure to SDG 8: Decent work & economic growth (41.7%); SDG 7: Affordable and clean energy (16.7%);

SDG 9: Industry, innovation and infrastructure (15.1%); and SDG 11: Sustainable cities and communities (7.6%).

While our methodology is to assign what we believe to be the most prevalent SDG or the one on which the company has the most impact, we believe that the companies we have exposure to can have an impact on multiple SDGs. For example many holdings in 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 also be classified as, or have a positive impact, on SDG 11: Sustainable cities and communities. The fund has exposure to eight of the 17 UN SDGs.

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

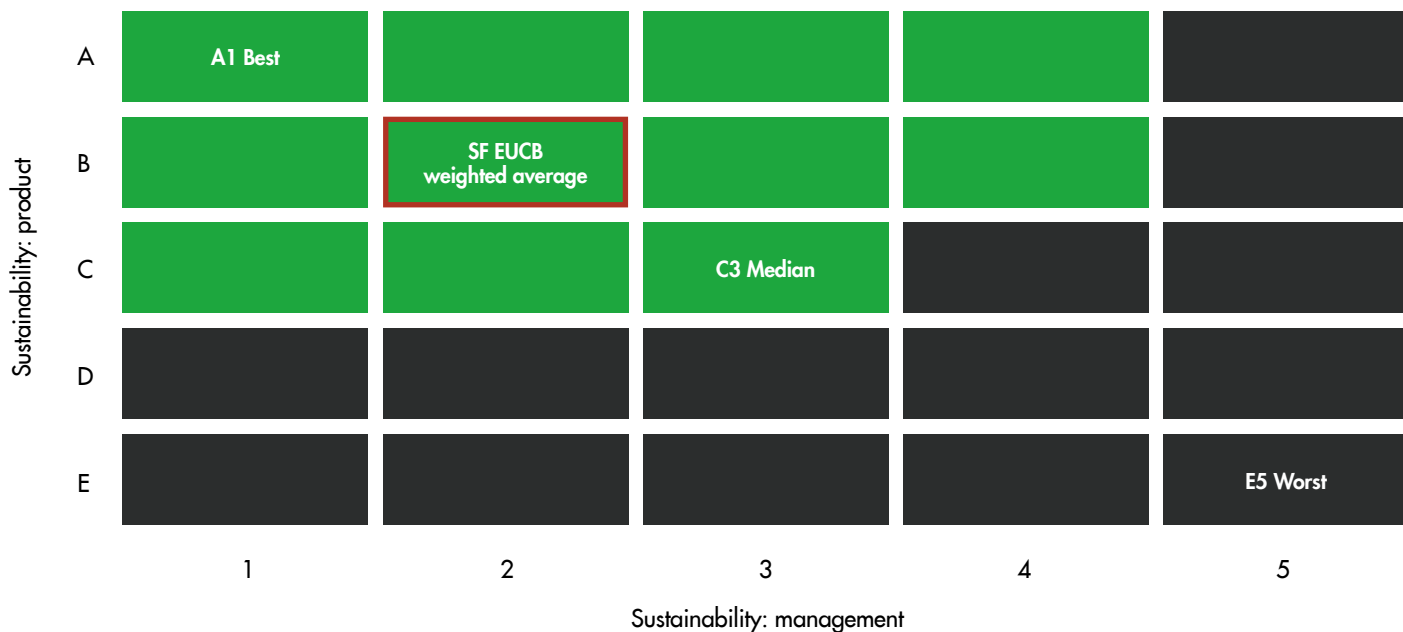


Source: Liontrust / Facstet as at 30 June 2021. Data is representative of corporate bonds only and excludes government bonds and cash

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.

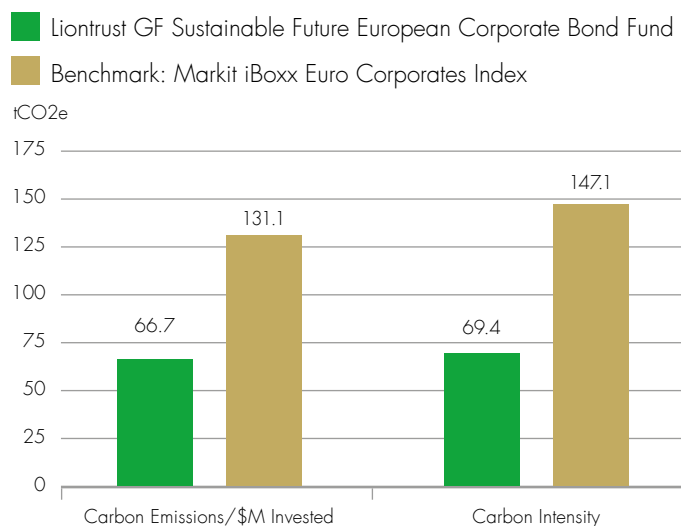


Source: Liontrust / Factset, 30 June 2021

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

Carbon emissions of fund compared to conventional benchmark

We can see from the chart below that the investments in the fund emit 49.1% less carbon (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 52.8% lower than the benchmark. This independent analysis includes direct emissions forming scope 1 and scope 2 emissions only*.

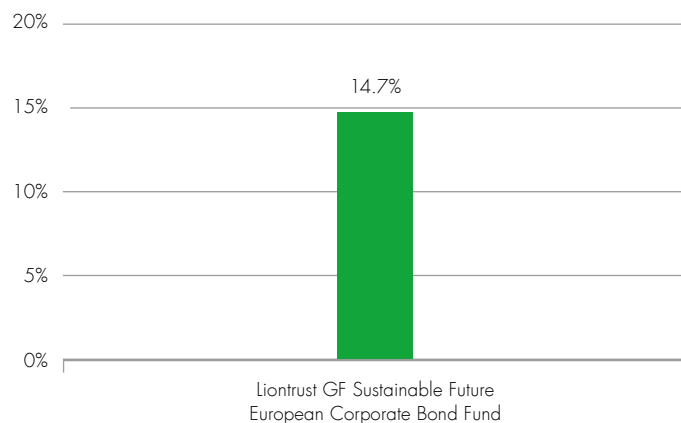


Source: MSCI Carbon Analytics and Liontrust as at 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. Carbon emissions (tCO₂e/\$million invested), carbon intensity (tCO₂e/\$M sales) data available for 61.3% of the fund and 65.8% of the benchmark. *Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources controlled or owned by an organisation (associated with fuel combustion in boilers, furnaces, vehicles and so on). Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 3 (all indirect emissions, not included in scope 2, that occur in the value chain of the reporting company) is important but 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 14.7% of companies that MSCI has 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.

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



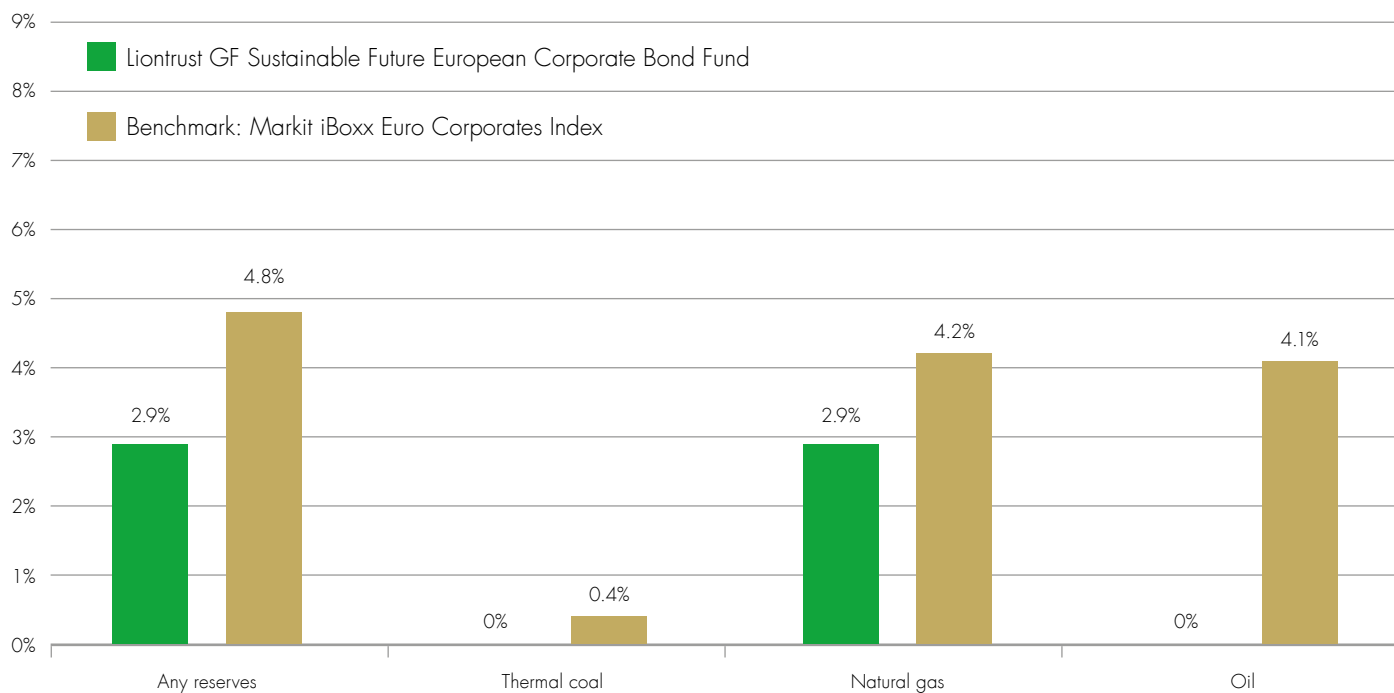
Source: MSCI Carbon Analytics and Liontrust as at 30 June 2021.

Weight of holdings owning fossil fuels and potential emissions

This analysis shows the fund holds one company, SSE Plc, that has some natural gas reserves. The fund holds no companies with thermal coal or oil reserves. SSE is a significant investor in renewable energy, and also has a very small legacy oil and gas business. The latter is well below the threshold we deem significant

enough (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

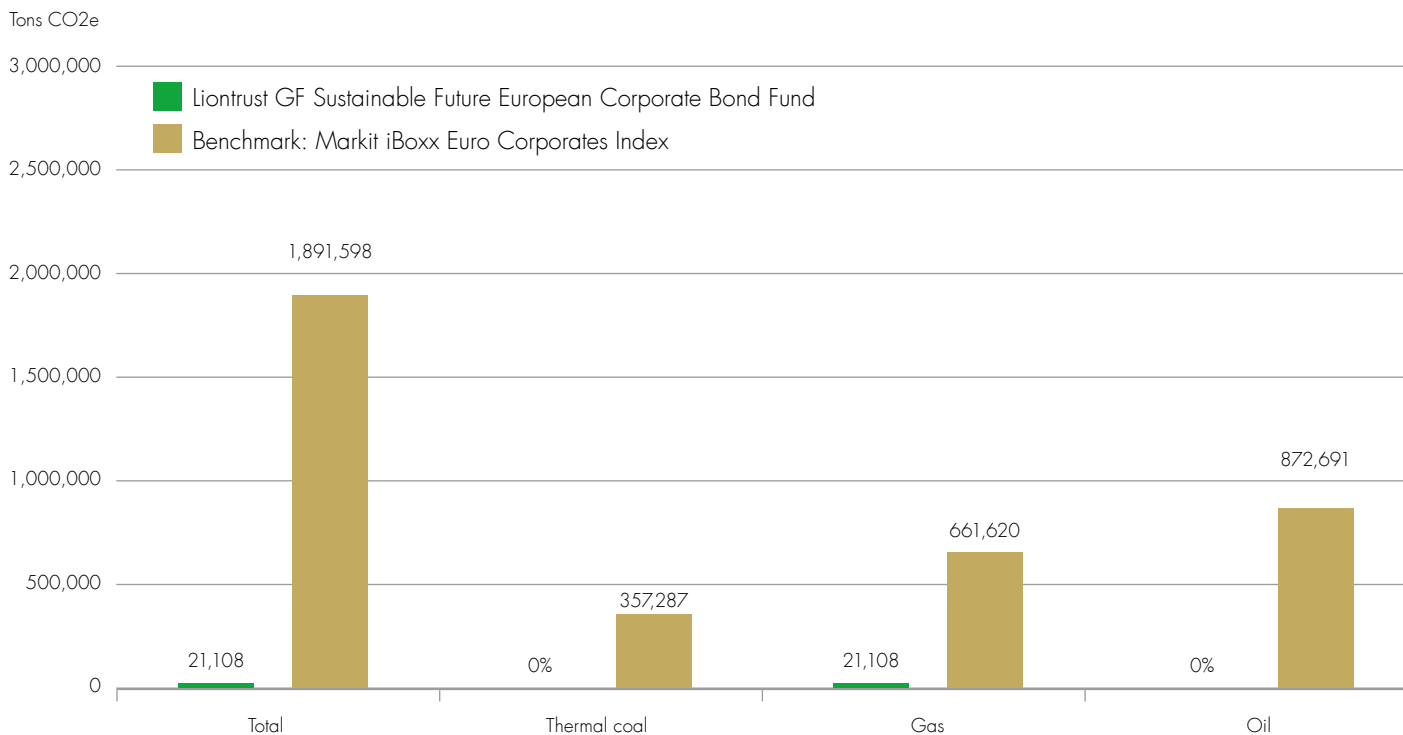
Weight of holdings owning fossil fuels



Source: MSCI Carbon Analytics and Liontrust as at 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. Carbon emissions data available for 98.5% of the fund and 99.5% of the benchmark

The chart below puts things in context: SSE is 3% of the portfolio and reserves are materially less than 3% of its 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 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund.

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
AMB PROPERTY L.P.	Real Estate	C2	Portfolio construction/diversification
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
CANARY WHARF FINANCE PLC	Real Estate	C2	Building better cities
CELLINEX 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	C1	Increasing financial resilience
IBERDROLA	Utilities	C2	Increasing electricity from renewable sources
INFRASTRUTTURE WIRELESS ITALIANE SPA	Telecommunications	B3	Connecting people

Source: Liontrust / Factset, 30 June 2021

All Fund holdings

Company name	Sector	Sustainability Matrix	Sustainable investment theme
ING GROEP NV	Banks	B2	Increasing financial resilience
INTERCONTINENTAL HOTELS	Travel & Leisure	C1	Leading ESG management
KERRY GROUP PLC	Food & Beverage	B2	Delivering healthier foods
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
ORSTED A/S	Utilities	B1	Increasing electricity from renewable sources
PHOENIX GROUP HOLDINGS	Insurance	B4	Saving for the future
RABOBANK NEDERLAND	Banks	B1	Increasing financial resilience
RELX FINANCE BV	Media	C1	Providing education
SCOTTISH & SOUTHERN ENERGY PLC	Utilities	B2	Increasing electricity from renewable sources
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

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Source: Liontrust / Factset, 30 June 2021

All Fund holdings

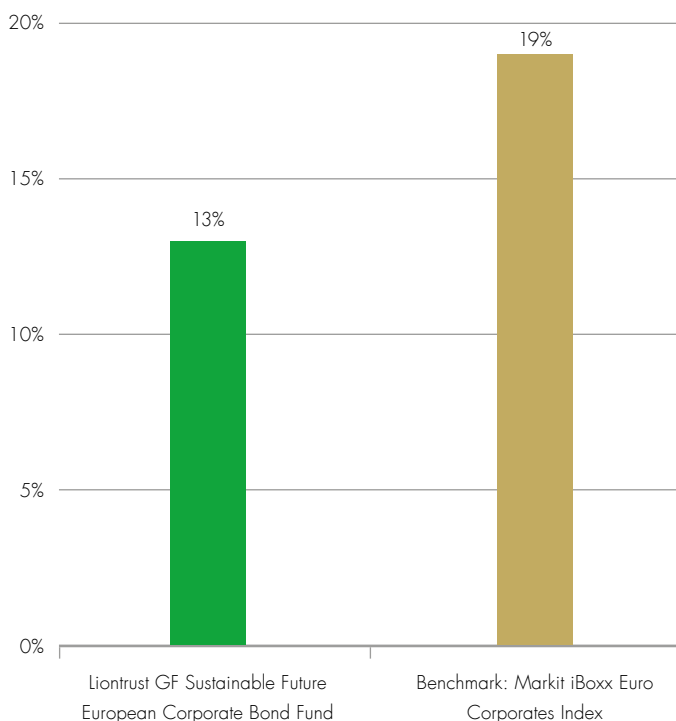
Company name	Sector	Sustainability Matrix	Sustainable investment theme
TENNET HOLDING BV	Utilities	B3	Improving the efficiency of energy use
THERMO INSTRUMENTS SYSTEMS INC	Health Care	A3	Enabling innovation in healthcare
UNILEVER NV	Food & Beverage	C1	Leading ESG management
VERIZON COMMUNICATIONS INC	Telecommunications	B2	Connecting people
VODAFONE PLC	Telecommunications	B3	Connecting people
ZURICH FINANCE (IRELAND) DAC	Insurance	B1	Insuring a sustainable economy

Source: Liontrust / Factset, 30 June 2021

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 higher than the market it invests in (13% for fund versus 19% for the market).

Social: staff turnover (%)*



Source: MSCI Analytics and Liontrust as at 30 June 2021. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q4-2021. *Weighted average for companies that disclose

What we find most notable about this metric is the lack of disclosure by companies with less than 24% releasing 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 2021 priority engagement initiatives. We want companies to disclose meaningful data on how they are managing their staff so we can better analyse this and engage with companies on areas where they need to improve this aspect of their business.

Data coverage – Social: staff turnover (%)

	% weight	number of companies
GF SF EU Corporate Bond fund	36%	35%
Benchmark: Markit iBoxx Euro Corporates Index	63%	25%

Governance: female representation on board

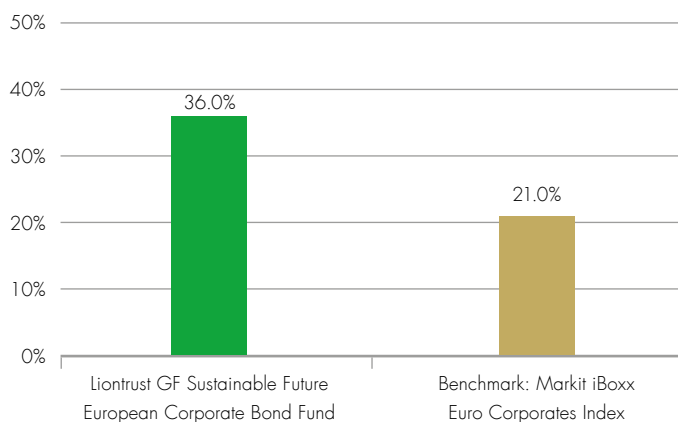
This analysis shows, on average, there are 4.6 females on the board for companies in the fund compared to 4.3 for the market it is invested in.

In terms of what proportion of the board are female, the fund has 36% compared to the market with 21%. However the Fund seems to be more consistent in its diversity with 53.8%. We are engaging with companies to increase corporate diversity (which includes better female representation), which is another of our six 2021 priority engagement initiatives.

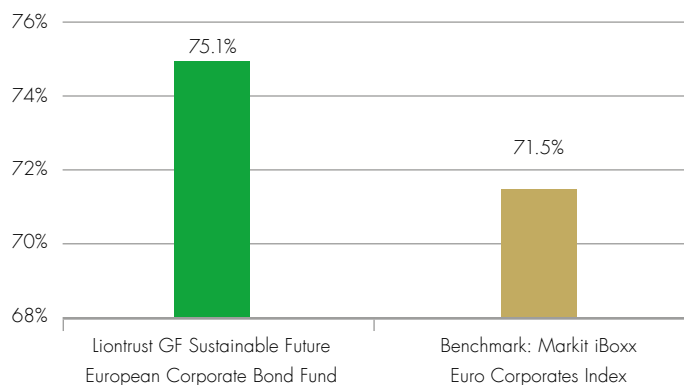
Number of women on board



% of women on board



Female Rep. 30% of Directors (%)



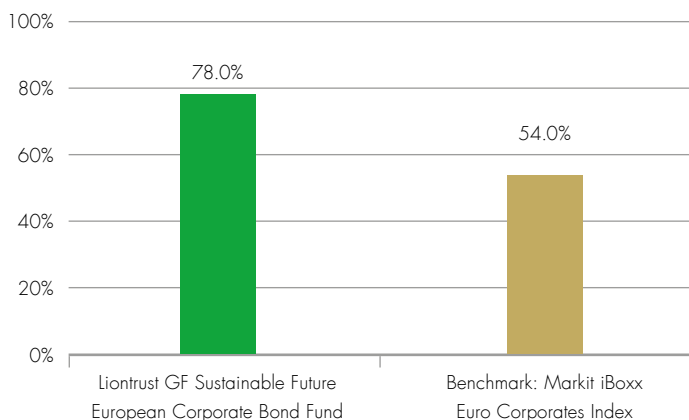
Source: MSCI Analytics and Liontrust as at 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q4-2021

Human Rights: UN Global Compact involvement and status

The United Nations Global Compact is a set of principles to minimise unintended negative impacts in terms of harm to the environment and society. This includes a significant amount relating to labour rights and human rights.

78.0% of the fund is invested in issuers that are signatories to the UN Global Compact (and the recognition of human rights it enshrines) versus 54.0% for the Markit iBoxx Euro Corporates Index.

Human Rights: UN Global Compact Signatory (Weight %)



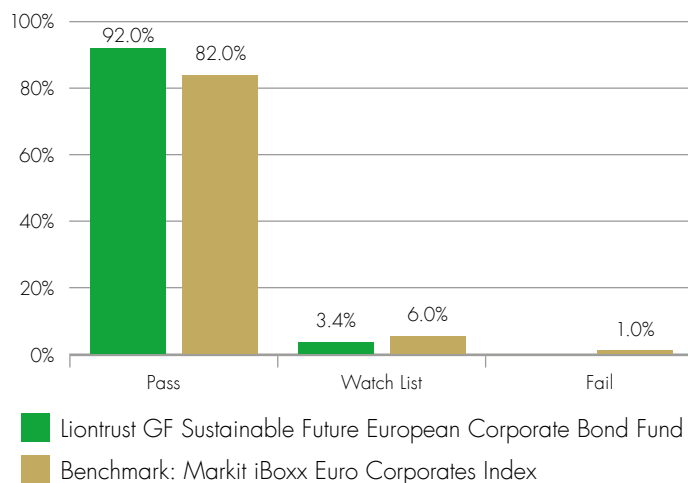
Data coverage – Human Rights: UN GC Signatory, and Compliance status

	% weight	number of companies
GF SF EU Corporate Bond fund	84%	84%
Benchmark: Markit iBoxx Euro Corporates Index	77%	73%

The UN Global Compact rates how businesses (regardless of whether the company is a signatory or not) comply with their ten principles using a simple compliance rating of Pass, Watch list or Fail.

This analysis shows the fund has a higher proportion of companies with the best compliance rating of Pass (92.0% versus the market average of 82.0%); a lower proportion on the watch list (3.4% versus the market average of 6.0%) and no companies that have the worst compliance rating of Fail (0% versus the market average of 1.0%). 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 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. 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 Q4-2021

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.

MSCI ESG Ratings

	Fund	Benchmark
Weighted average ESG Score	7.73 (AAA rating)	6.73 (AA rating)

When the portfolio is independently analysed by MSCI, we can see the ESG scoring is strong and better than the benchmark, achieving a rating of AAA versus the Markit iBoxx Euro Corporates Index's average of AA. When we decompose the portfolio score into its constituent E, S and G parts, we can see that the fund outperforms on all fronts.

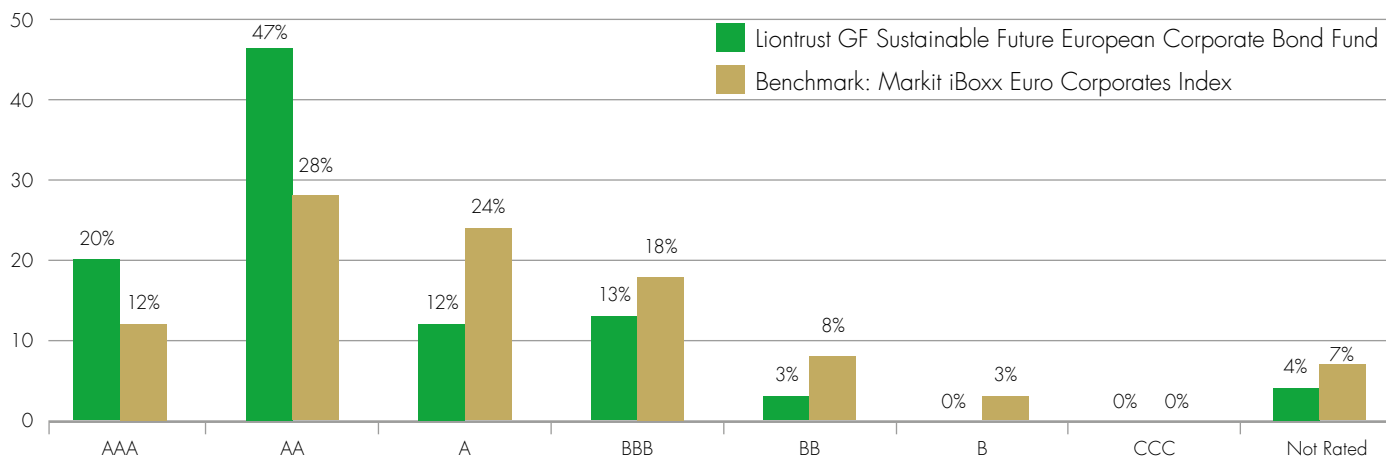
ESG risk exposure

ESG quality scorecard

	Portfolio	Benchmark	Active
ESG Quality Score (0-10)	10.0	7.5	33.7%
Environmental Score	7.4	6.8	9.0%
Social Score	5.3	5.0	6.9%
Governance Score	6.0	5.0	20.9%

MSCI rating distribution

Below is the rating breakout. We can see that the fund has a significantly higher weight towards higher-rated companies and is underweight the lower-rated companies



Source: MSCI Analytics and Liontrust as at 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. This additional ESG data is updated annually and will be next reviewed and updated for the period ending Q4-2021

As can be seen 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)	125	160	-22.2%
Fossil fuel reserves (%)	2.9%	9.7%	-6.8%
High impact fossil fuel reserves (%)	0.0%	5.7%	-5.7%
Exposure to high water risk (%)	4.9%	7.3%	-2.4%

Reputational risk

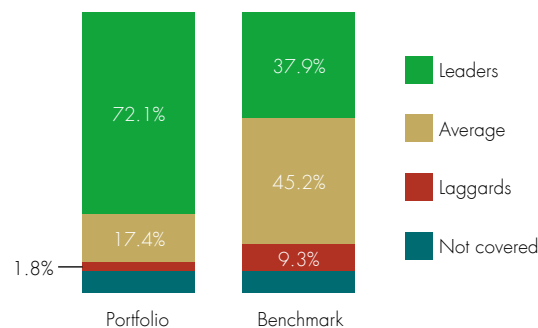
Very severe controversy exposure

	Portfolio	Benchmark	Active
Overall reputation risk	0.0%	2.2%	-2.2%
Environmental (%)	0.0%	1.3%	-1.3%
Customer (%)	0.0%	0.0%	
Human rights (%)	0.0%	0.1%	-0.1%
Labor (%)	0.0%	0.1%	-0.1%
Governance (%)	0.0%	0.8%	-0.8%

Governance risk

	Portfolio	Benchmark	Active
Governance leaders (%)	72.1%	37.9%	34.2%
Governance laggards (%)	1.8%	9.3%	-7.6%
Board flag (%)	3.4%	8.3%	-4.9%
Lack of independent board (%)	3.3%	3.6%	-0.4%
No female directors (%)	0.0%	1.2%	-1.2%
Female rep. 30% of directors (%)	75.1%	71.5%	3.7%
Accounting flag (%)	13.6%	33.1%	-19.5%
Pay flag (%)	0.0%	2.0%	-2.0%
Ownership and control flag (%)	2.9%	14.8%	-11.9%

Governance risk: global percentile



Laggards: 7.5% less than the benchmark
Leaders: 34.2% greater than the benchmark

Source: MSCI Analytics and Liontrust as at 30 June 2021. The Markit iBoxx Euro Corporates Index is the comparator benchmark for this fund. 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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