

# UNITED SUSTAINABILITY OF AMERICA

## Launch of the Liontrust GF Sustainable Future US Growth Fund

Investing in some of the world's most innovative companies and taking advantage of the opportunities for sustainable investing in the US market







# Liontrust GF Sustainable Future US Growth Fund

The Irish-domiciled Liontrust GF Sustainable Future US Growth Fund will be managed by Chris Foster, Simon Clements and Peter Michaelis will invest in 35 to 55 stocks and will be Article 9 under SFDR.

The Fund is being launched in response to client demand. Clients have been requesting a strategy focused on the US for a number of years. The Liontrust Sustainable Investment team has more than 20 years' experience investing in the US through their global growth strategies.

The Liontrust GF SF US Growth Fund will be managed using the Liontrust Sustainable Future process that has a track record of

more than 21 years and taking advantage of the knowledge and analysis of the 17-strong Sustainable Investment team. Since 2001, the process has been applied to identify companies to help create a cleaner, safer and healthier world and to generate attractive returns for investors through identifying the key structural growth trends that will shape the sustainable economy of the future.

# Reasons to invest in the Fund

## Why the US, exposure and sustainability

**Innovation:** The US has some of the world's most innovative companies.

**Growth potential:** Sustainability in the US is around 10 years behind where it is in Europe and the UK. therefore, the potential growth in assets in this area over the long term is very strong.

**ESG issues:** There is also the potential opportunity in the US of the adoption of the disclosure of ESG issues. We are looking to partner with US companies to improve this.

**Mid cap bias:** Most of the portfolio will be invested in companies with market caps of \$50 billion and below, giving it a mid cap bias. Some of the mid cap stocks are under-followed by both analysts and fund managers.

**Portfolio characteristics:** The SF investment process leads to SF portfolios that comprise stocks in aggregate with higher growth rates, higher margins and lower levels of net debt than the average of their benchmark indices. The team spends a lot of time seeking to identify those companies that will generate higher returns on capital in the future.

**Differentiated returns:** The top 50 stocks in the MSCI US Index make up over half the index in weights. We will hold only six of the 50 at launch with means the Fund will have differentiated returns from the index.

**Opportunity:** The volatility and re-rating of quality growth stocks present a potentially attractive entry point to the US for long-term sustainable investors. The underlying valuation in the companies overlooked are looking attractive over a five-year view.

**SFDR:** The Fund will be Article 9 as sustainability is fully integrated into the investment process.

## Investment team

**Experienced team:** Chris Foster, Simon Clements and Peter Michaelis are part of the 17-strong Liontrust Sustainable Investment team. The team comprises experienced investors and younger talent who have joined more recently and manages a total of £11.2 billion in AuMA.

**Pioneers:** Key members of the team were among the pioneers of sustainable investing, being founder members of the PRI (Principles for Responsible Investment) while at Aviva and leading on issues that are now central to mainstream investing such as not owning companies exposed to diesel engines, coal and oil (in 2001) and moving to exclude natural gas (from 2016).

**Advisory committee:** The managers consult an external Advisory Committee, which comprises five experts in sustainability. The Committee's role is to continually assess and challenge the team and offer guidance on evolving issues within sustainability.

## Investment process

**Distinct, rigorous and repeatable process:** The process seeks to generate strong returns from investing in companies aiming to deliver profits through positive social and environmental impacts. The managers look at the world through the prism of three mega trends – Better resource efficiency (cleaner), Improved health (healthier) and Greater safety and resilience (safer) – and then 20 themes within these.






**Selecting stocks:** The managers identify well-run companies whose products and operations benefit from these transformative changes and which are helping to make the world cleaner, healthier and safer. Further analysis hones this list down to those companies that exhibit superior sustainability management, will deliver persistently high returns on equity and are attractively valued on a five-year view.

**Integrating ESG (environmental, social and governance):** Each manager is an analyst and is responsible for conducting research on a given sustainability theme and the sustainability analysis of potential investments. As each manager is also responsible for the business fundamentals and valuation analysis, we believe it derives an information advantage that would be lost if these roles were separate.

**Time arbitrage:** By having a longer time horizon than most, the managers can patiently invest in businesses they believe have years of growth ahead, and take advantage of dislocations in the market when these businesses are trading considerably below what the managers believe they are worth.

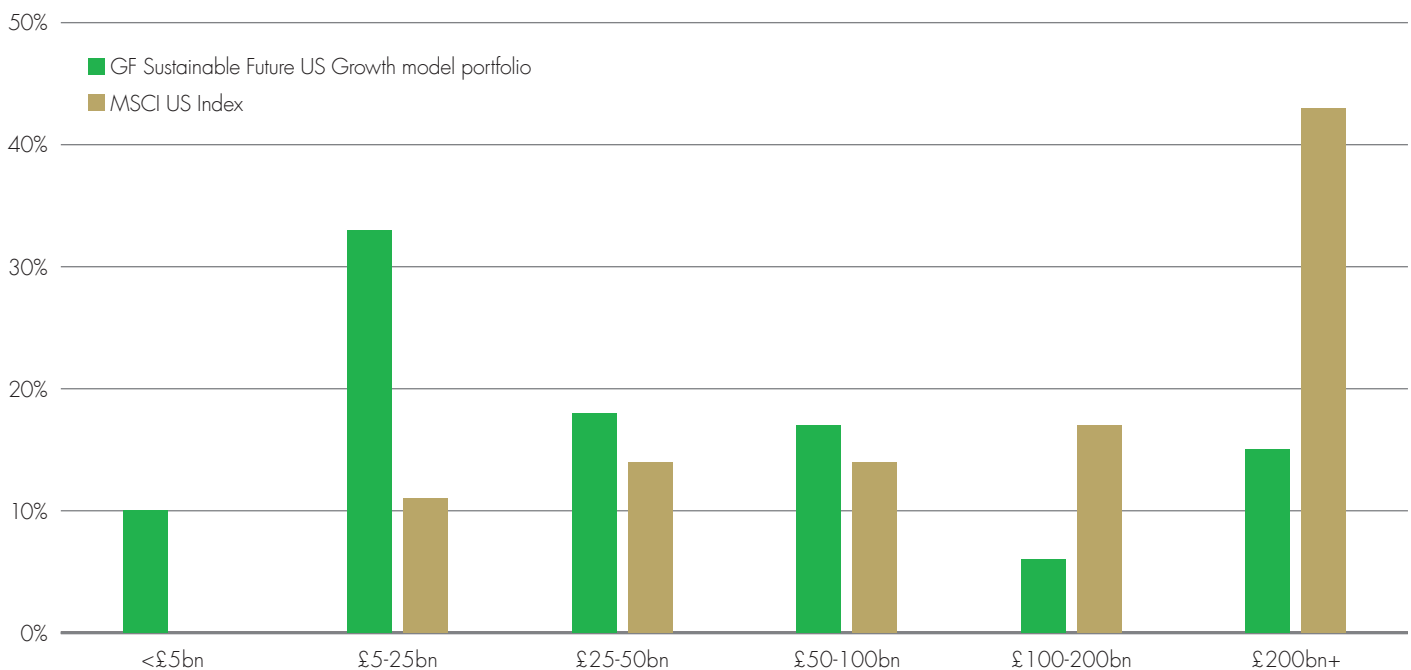
**Engagement:** This is an integral part of how the managers invest. Engaging on key ESG issues gives the managers greater insight, helps to identify leading companies and is used as a lever to encourage better business practices.

# Volatility creates opportunity

	5-year average Return on equity	5-year revenue CAGR	De-rating from peak EV/sales multiple	5-year Upside
	22%	21%	-41%	93%
	24%	17%	-45%	96%
	15%	17%	-48%	90%
	36%	14%	-54%	76%
	17%	21%	-63%	102%

Source: Liontrust, Bloomberg as at 16.05.23. All use of company logos, images or trademarks in this presentation are for reference purposes only

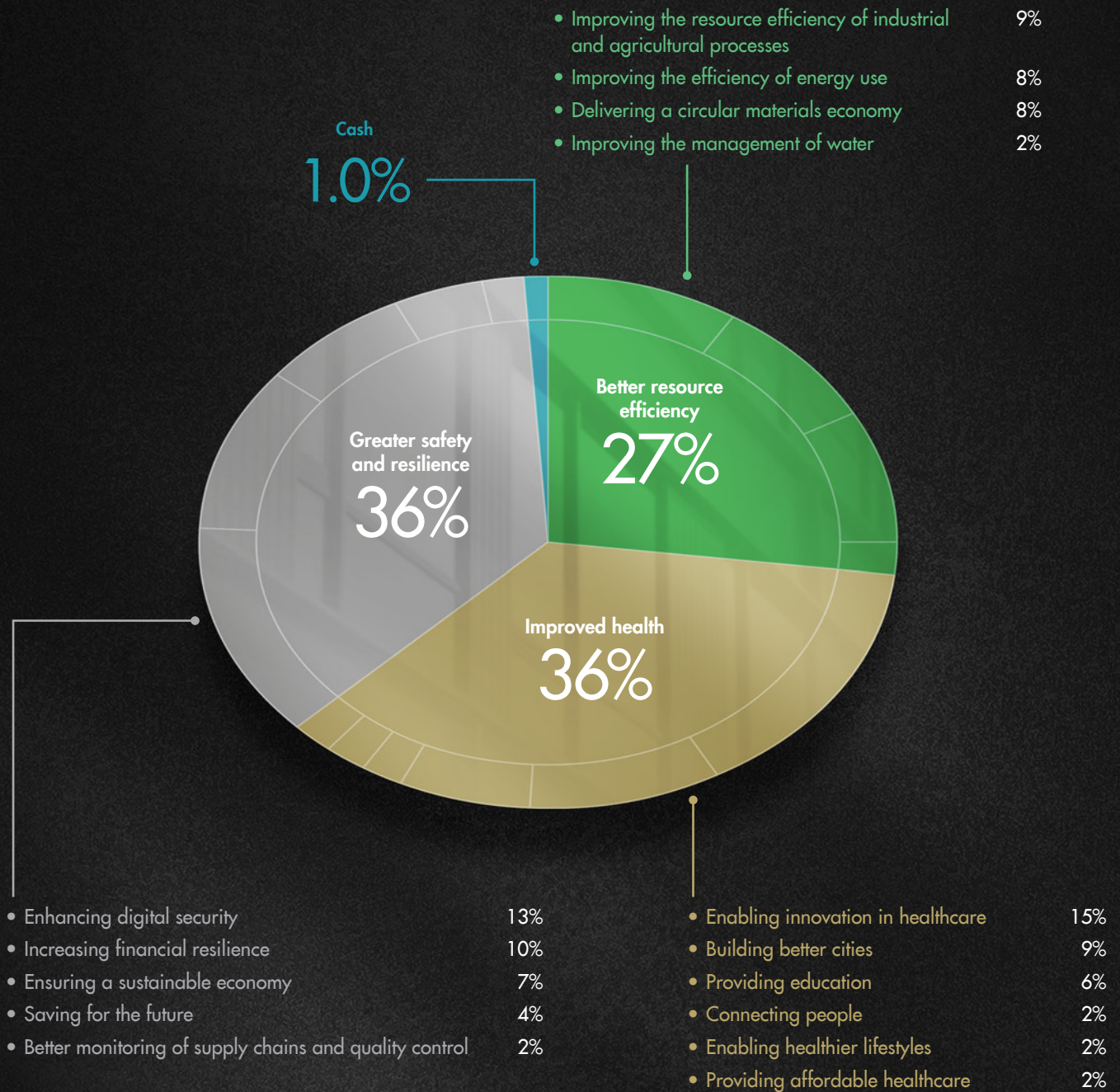
## Model portfolio market cap split comparison to the index



Source: Liontrust, Factset, Bloomberg, Liontrust model portfolio, 31.03.23



# GF Sustainable Future US Growth portfolio



Source: Liontrust, Factset, as at 31.03.23



# Stock examples

## TREX CHARACTERISTICS



<p><b>01</b> THEME</p> <p>Delivering a circular material economy</p> <p><b>95%</b></p> <p>of materials are from recycled sources</p>	<p><b>02</b> SUSTAINABILITY MATRIX</p> <p><b>B3</b></p> <p>42% fewer GHG emissions and 48% fewer air pollutants vs traditional wood products</p>	<p><b>03</b> BUSINESS FUNDAMENTALS</p> <p><b>#1</b> market share</p> <p><b>26%</b> ROIC</p> <p><b>12%</b> revenue growth</p>	<p><b>03</b> VALUATION UPSIDE</p> <p><b>15x</b> P/E 2028</p> <p><b>15%</b> IRR</p>
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## MASIMO CHARACTERISTICS



<p><b>01</b> THEME</p> <p>Enabling innovation in healthcare</p> <p><b>60%</b></p> <p>#1 market share in pulse oximetry</p>	<p><b>02</b> SUSTAINABILITY MATRIX</p> <p><b>B2</b></p>	<p><b>03</b> BUSINESS FUNDAMENTALS</p> <p><b>18%</b> ROIC</p> <p><b>11%</b> Sales Growth</p> <p><b>14%</b> EPS Growth</p>	<p><b>03</b> VALUATION UPSIDE</p> <p><b>94%</b></p> <p><b>35x</b> P/E</p>
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## PTC CHARACTERISTICS



<p><b>01</b> THEME</p> <p>Improving the resource efficiency of industrial and agricultural processes</p> <p><b>100%</b></p>	<p><b>02</b> SUSTAINABILITY MATRIX</p> <p><b>B3</b></p>	<p><b>03</b> BUSINESS FUNDAMENTALS</p> <p><b>35%</b> Return on equity</p> <p><b>13%</b> Revenue</p> <p><b>14%</b> EPS</p>	<p><b>03</b> VALUATION UPSIDE</p> <p><b>13%</b> Annualised upside</p> <p><b>23x</b> P/E</p>
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## Meet the investment managers



**Chris Foster** is a fund manager who joined Liontrust in April 2017 as part of the acquisition of Alliance Trust Investments (ATI). Previously, Chris joined ATI through the management training programme after graduating with a First Class Honours degree in Economics and Mathematics from the University of Edinburgh.

Chris is a CFA Charterholder. Chris has 10 years' industry experience and has been part of the Liontrust Sustainable Investment team for eight years.



**Simon Clements** is a fund manager who joined Liontrust in April 2017 as part of the acquisition of Alliance Trust Investments (ATI), where he had managed funds for five years. Prior to this, Simon spent 12 years at Aviva Investors (previously Morley Fund Management) where, most recently, he was Head of Global Equities.

In his early career, Simon worked as a Portfolio Accountant and Risk and Performance Analyst before joining Aviva Investors in 2000 to help develop its global equity and SRI propositions. Simon has 27 years' industry experience and has been part of the Liontrust Sustainable Investment team for 13 years.



**Peter Michaelis** is Head of the 17-strong Liontrust Sustainable Investment team. Peter joined Liontrust in April 2017 as part of the acquisition of Alliance Trust Investments (ATI), where he was Head of Investment. Peter has been managing money in Sustainable and Responsible Investment for over 20 years. After completing a PhD in Environmental Economics, Peter started his career working for the Steel Construction Institute as an Environmental

Engineer. He then moved to Henderson Global Investors where he was able to use his experience as a Sustainable and Responsible Investment Analyst and Assistant Portfolio Manager. In 2001, Peter moved to Aviva Investors, where he was promoted to lead Portfolio Manager on a number of its Sustainable and Responsible Investment funds, before being made Head of Sustainable and Responsible Investment.



## Other members of the Liontrust Sustainable Investment team



**Mike Appleby**  
Investment Manager



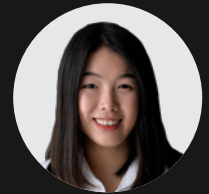
**Harriet Parker**  
Investment Manager



**Laurie Don**  
Investment Manager



**Martyn Jones**  
Investment Manager



**Mingming Huang**  
Portfolio Manager  
Assistant



**Sarah Nottle**  
Trainee Analyst



**Ed Phelps**  
Trainee Analyst



**Stuart Steven**  
Head of Fixed Income



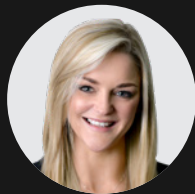
**Kenny Watson**  
Investment Manager



**Aitken Ross**  
Investment Manager



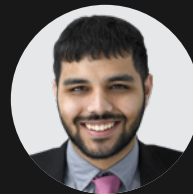
**Jack Willis**  
Investment Manager



**Hannah Muir**  
Portfolio Manager  
Assistant



**Nancy Kondelidou**  
Trainee Analyst



**Deepesh Marwaha**  
Trainee Analyst



## Advisory Committee



**Tony Greenham** is Director of Economy, Enterprise and Manufacturing at the RSA (Royal Society of Arts, Manufactures and Commerce), where he leads a programme of policy research into the future of work, social impacts of technology, green industrial strategy and economic democracy.



**Ivana Gazibara** is a futures and systems change expert with more than 15 years of experience in sustainability strategy and innovation.



**Valborg Lie** is Stewardship Manager at LGPS Central, responsible for bespoke engagement and voting services to support investment objectives



**Mark Stevenson** is Executive Director of South West Mutual, which is seeking to establish a customer-owned regional bank for SMEs and residents of Cornwall, Devon, Somerset and Dorset.



**Tim Jackson** is Professor of Sustainable Development at the University of Surrey and Director of the Centre for the Understanding of Sustainable Prosperity (CUSP).



# The Sustainable Future investment process

The investment process is based on the belief that in a fast-changing world, the companies that will thrive are those which improve people's quality of life, make usage of increasingly scarce resources more efficient and help build a more stable, resilient and prosperous economy. The Sustainable Future investment process has a four-stage process to identify these companies.



**1. Themes:** The investment process starts with a thematic approach in identifying the key structural growth themes that will shape the global economy of the future, such as the development of personalised medicine and the transition to a lower carbon economy.

Why is this relevant to investors? Many of these outcomes have been delivered by the power of capitalism and the creativity of businesses generating strong profit growth and investment returns. It is these innovative businesses in which the managers have invested for two decades, and we believe most investors underestimate the speed, scale and persistency of such trends within our economy.

The managers therefore look at the world through the prism of three mega trends — Better resource efficiency, Improved health and Greater safety and resilience — and 20 underlying themes within these trends.

Identifying emerging and long-term themes is often referred to as positive screening because of the managers' focus on what they want to own rather than just what to avoid, and is one of three main approaches to managing ESG and sustainable investment funds. The second approach is engagement, also known as active ownership. In this case, the managers engage with the companies they hold so they can influence management into changing their strategy or operational management.

The third approach is avoiding certain industries because of the negative effects of their products, such as tobacco companies and producers of weapons. The managers combine all three approaches in the investment process.



**2. ESG management quality:** If a company has significant exposure to a theme, the managers verify how sustainable the rest of its activities are. For each company, the managers determine the key ESG factors that are important indicators of future success and assess how well these are managed, via the proprietary Liontrust Sustainability Matrix.

Every company held in the portfolio will be given a Sustainability Matrix rating, which analyses the following aspects:

**Product sustainability (rated from A to E):** This assesses the extent to which a company's core business helps or harms society and/or the environment. An A rating indicates a company whose products or services contribute to sustainable development (renewable energy) while an E rating indicates a company whose core business is in a conflict with sustainable development (such as tobacco).

**Management quality (rated from 1 to 5):** This assesses whether a company has appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality in relation to the risks and opportunities represented by potentially material ESG issues are graded from 1 (excellent) to 5 (very poor). Companies must score B4 or higher to be considered further for inclusion in the portfolio.



**3. Business fundamentals and valuation:** Companies in which the managers invest will have robust business fundamentals with a proven ability to deliver high returns on equity (RoE) through sustaining margins and asset turnover. Typically, these companies have a maintainable competitive advantage through scale, technology or business model.

The managers evaluate the likely sales, earnings and other financial returns they expect to see from these companies over the next three to five years, integrating their view of their quality into these. Applying the relevant valuation multiple to these allows the managers to derive a price target achievable in the next three years. When this shows significant upside, the investment is recommended as a buy and available to be included in the portfolio.



**4. Stock selection and portfolio construction:** the portfolio will invest in well-run companies whose products and operations capitalise on the transformative changes the Liontrust Sustainable Investment team has highlighted, may benefit financially from them and score well on ESG, business fundamentals and valuation.

The managers believe identifying these powerful themes and investing in exposed companies can make for attractive and sustainable investments.





# Key risks and disclaimer

**Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.**

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.

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# Key facts

Fund name	Liontrust GF Sustainable Future US Growth Fund
Structure	Irish OEIC
Benchmark	MSCI US Index
Annual Management Fee	0.75%
Launch Annual Management Fee	0.50% in perpetuity with minimum £5 million investment
Fixed Expenses	0.12%
Investment manager	Chris Foster (Lead), Simon Clements (Co-Manager) and Peter Michaelis (Co-Manager)
Ongoing charges figure (OCF)	Class 5: 0.87%, Class 8: 0.62%

# Expected timetable

Expected Fund launch date	7 July
Expected Fund launch window	7 July – 21 July

## For more information:

 [liontrust.eu/us](https://liontrust.eu/us)

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