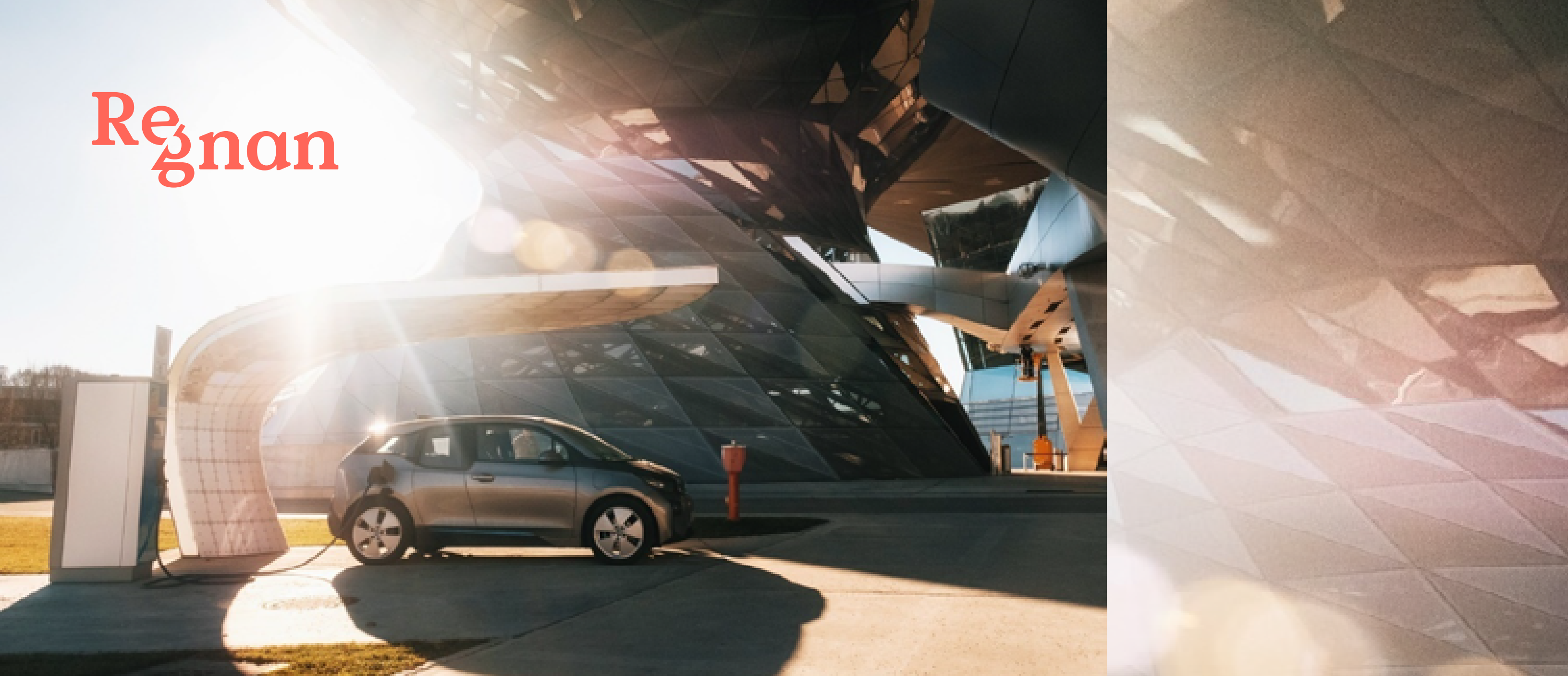
Annual

Impact Report 2021

Regnan Global Equity Impact Solutions Strategy

Brought to you by J O Hambro Capital Management

Regnan



Regnan Global Equity Impact Solutions Strategy

The Regnan Global Equity Impact Solutions Strategy invests in mission-driven businesses that provide solutions to the environmental and social challenges of our time. We aim to deliver market-beating, long-term returns, because we have identified 'system changers' that innovate, disrupt and ultimately produce positive environmental, social and financial outcomes.

Strategy overview

- The strategy aims to generate long-term outperformance by investing in the listed shares of solution-providing companies for the growing unmet sustainability needs of society and the environment, using the United Nations Sustainable Development Goals (SDGs) as an investment lens.
- The team has built a comprehensive proprietary framework to identify these solution-providers: companies that provide solutions to the environmental and societal challenges facing the world.
- The portfolio is actively managed, high conviction, diversified, global multi-cap with very low portfolio turnover and an emphasis on engagement.
- Benchmark: MSCI ACWI Investable Market Index.
- The use of the Index does not limit the investment decisions of the fund manager, therefore the composition of the portfolio may differ significantly from those of the Index.

FROM PROBLEMS TO SOLUTIONS

Transport accounts for **21%** of global carbon emissions[1]

People experiencing homelessness are **17x** more likely to have been victims of violence[2]

At the height of the covid-crisis **1.6bn** children and young adults were out of **school**[3]

World Health Organisation (WHO) concludes that ~1.9bn

~1.9bn people are **'overweight'** and **650m** of the world's population are **"obese"**[5]

The gap between global **water** supply and demand is forecast to reach **40%** by 2030[6]

PROBLEMS

Fashion represents up to **20%** of wastewater and 6% of global pesticide use[4]

Cement is a hugely carbon-intensive industry, **8%** of global emissions.[7]

An estimated **~2.4bn** people do not have access to sufficient levels of safe and nutritious **food** in 2020.[8]

Food Security

Tomra's food sorting equipment are expected to reduce post-harvest food loss by **50%** by 2030[16]

Water

Evoqua's products and services treat the equivalent of **4.5** **daily Niagara Falls** worth of water.[12]

SOLUTIONS

Energy Transition

Lenzing's wood-based cellulosic fibres use **10x** less water than cotton, have a less water than cotton, have a neutral carbon footprint and are highly biodegradable.[9]

Circular economy

Hoffmann Green Cement's clinker-free recipe has the potential to reduce the carbon footprint of cement manufacturing by **5x**.[10]

Future Mobility

Valeo produce: **50%** of ultrasonic sensors and **20%** cameras used in new vehicles globally.[11]

Health & Wellbeing

100+m of **Qiagen's** gold-standard diagnostic test for tuberculosis, one of the world's deadliest infectious diseases, have been completed.[14]

Education

YDUQS student base more than doubled between 2018-2021 to **1.24m**.[13]

Financial Inclusion

HOME Reit has acquired **6,500** **beds** throughout the UK for homeless or threatened with homelessness.[15]

1. Source: www.iea.org/reports/net-zero-by-2050
2. Source: www.crisis.org.uk/ending-homelessness/about-homelessness/
3. Source: www.weforum.org/agenda/2020/12/covid19-education-innovation-outcomes/
4. Source: www.unep.org/news-and-stories/story/fashions-tiny-hidden-secret
5. Source: www.who.int/health-topics/obesity#tab=tab_1
6. Source: www.resourcepanel.org/reports/options-decoupling-economic-growth-water-use-and-water-pollution#:~:text=The%20Options%20for%20Decoupling%20Economic,considering%20environmental%20and%20welfare%20impacts
7. Source: www.pnas.org/doi/full/10.1073/pnas.1821673116
8. Source: www.fao.org/state-of-food-security-nutrition/2021/en/
9. Source: Felgueiras et al, 2021.
10. Source: www.ciments-hoffmann.com
11. Source: Valeo, 2021 universal registration document
12. Source: Evoqua, 2021 sustainability report
13. Source: www.yduqs.com.br
14. Source: https://financialreport.qiagen.com/2021/
15. Source: www.homereituk.com
16. Source: www.tomra.com/en/investor-relations/capital-markets-day

Contents

Letter to investors

If 2020 is remembered as the year COVID came into our lives and vernacular, 2021 might be looked back on as the year we started to emerge from the eye of the storm.

Perhaps it was a combination of shocking world news headlines and extended periods of isolation that gave many the chance to reflect on the sustainability of human progress, and the growing need to ensure we can continue to grow the collective pie.

The result is that 2021 has been an eventful year for impact investing, with more and more investors looking to have a positive impact with their capital; and sustainable and impact strategies increasingly becoming an allocation in their own right for many asset owners and allocators. Our investors tell us differentiated and diversifying holdings, the potential for long term capital growth and the opportunity to drive change for the better are all attractive characteristics for them.

As this is our maiden annual report since the relaunch of the strategy at Regnan, it is worth remembering what impact investors are trying to achieve for their clients: these are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.[1]

The impact of these investments is a central part of the objectives investors such as ourselves are trying to deliver to clients, so measurement of this impact is a critical part of impact investing, in order to communicate how the companies in client portfolios have delivered an impact over the course of the year and report on whether we have managed to amplify this impact through the outcomes of our ongoing engagement with the management teams of these companies.

The data that you will find in this report are not meant to give investors in the strategy a warm feeling inside; it is intended to communicate a critical part of the proposition of what the team seek to deliver to our clients, as long-term active supporters of these impactful, mission-driven businesses.

Managers should be as transparent and as rigorous as possible in how they measure and track impact over time, including how they source data and how they communicate with investors. That means holding oneself accountable, which we try to do in our process.

However, impact measurement comes with challenges: how do you fairly convey the real impact that a solution has had against an environmental or social challenge; when reported countable outputs and outcomes are often scarce and are less than perfect proxies for articulating success over a reporting period?

Our approach is to include impact in the investment decision, not to treat it as an afterthought. Investors can be confident that we assess impact every step of the way. That starts before we decide to invest. We have illustrated the “pathway of change”, to highlight how a particular measurement plays a role in generating an impactful outcome. As much as possible, the solution impact data used is taken directly from the reported companies, with the aim of consistently illustrating how a company’s impact is increasing over time.

Pleasingly, our experience is that, over time, companies are becoming more open to providing information, because they realize that it's not solely about the short-term bottom line. We are long-term investors, and our engagement perspective is welcomed by most companies because we invest in businesses that largely want to improve. Our approach is a constructive one, which we see as a positive feedback loop. Typically, these companies are interested in mitigating any negative impacts they have on people and the planet as it not only makes them better corporate citizens, but it can also make good financial sense.

1Source: www.thegiin.org/assets/Core%20Characteristics_webfile.pdf

While the core four-person investment team that joined Regnan in 2020 has remained unchanged, with Maxine Wille, Maxime Le Floch and I being joined by Mohsin Ahmad in 2017, we have also used the report as an opportunity to introduce our new colleagues in the Regnan Insight and Advisory Centre.

This team of sustainability experts played a key part in attracting us to Regnan and have contributed to our process by helping with the vast research effort we conduct around the invested impact solutions and the value chains that surround them, as well as assessing operational impacts and a formulating an effective engagement plan. Regnan's systems thinking approach to sustainability is one that echoes what we do as a team and our focus on investing in mission-driven, innovative businesses with solutions that tackle specific issues and create better, more sustainable systems.

Finally, we would once again like to thank our investors for their support and belief in the investment process and team. Our conviction that the ability to supply innovative solutions to help solve some of the major environmental and social challenges our planet and its people face will prove a rewarding venture for those committed to the long-term opportunities that present themselves.

We are still in the early innings of trying to address these challenges; which means a significant opportunity exists to contribute toward better social, environmental and financial outcomes, because for us the impact case is the investment case.

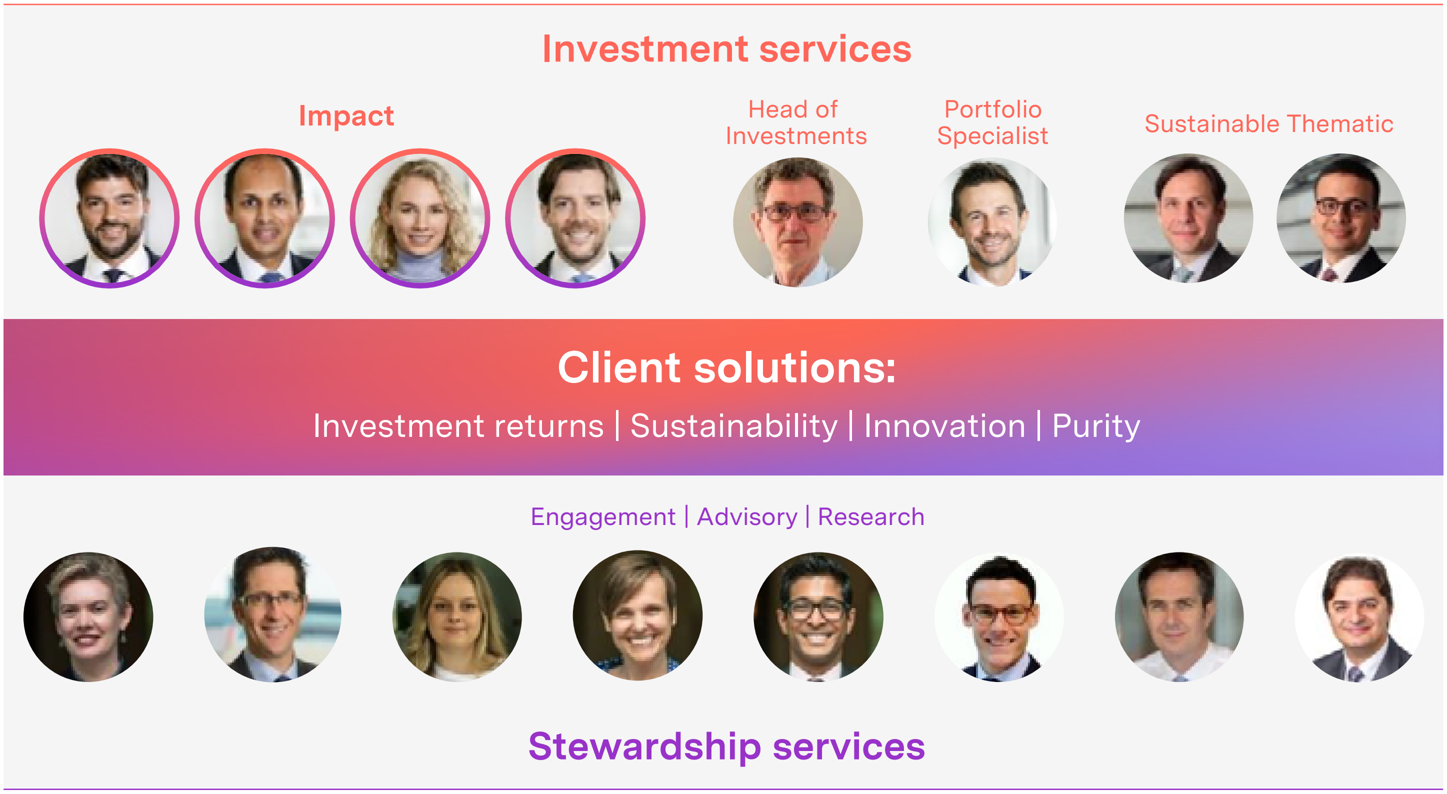
Tim Crockford
Senior Fund Manager,
Head of Equity Impact Solutions

Regnan Global Equity Impact Solutions

About Regnan

At Regnan, we focus on delivering innovative sustainable and impact investment solutions, by drawing on over 20 years of experience at the frontier of responsible investment. Regnan's roots trace back to Monash University, Melbourne in 1996, when it was established to investigate and address ESG-related sources of risk and value for long-term shareholders.

An experienced and proven team



Regnan is the specialist sustainable and impact brand within Pendal group. Pendal is an Australian-listed investment manager and owner of J O Hambro Capital Management (JOHCM).

Driving positive impact and investing for a sustainable future is why we exist. We want to help make responsible investment the standard way to invest by making it more nuanced, intellectually robust and effective.

In 2019 Regnan expanded into responsible investment funds management, backed by the considerable resources of Pendal Group.

Our Strategies:

- **Regnan Global Equity Impact Solutions** (launched October 2020)
- **Regnan Sustainable Water and Waste** (launched September 2021)

Our work with the Regnan Insight and Advisory Centre

The teamwork side-by-side with the Regnan Insight and Advisory Centre, which is Regnan's experienced stewardship team, benefiting from their specialist knowledge. This continuous collaboration with the Regnan Insight and Advisory Centre has been particularly beneficial in three areas:

1. The Regnan SDG Taxonomy

Starting in 2017, the team have developed a taxonomy based on the 17 UN Sustainable Development Goals (SDGs) and the 169 targets that underlie them. The Regnan SDG Taxonomy looks to match the most pressing global environmental and social problems to the solutions provided by publicly-listed companies today. We believe that, by analyzing these solutions, our taxonomy allows us to identify companies with a strong chance of producing market-beating returns and positive impact. Our work with the Regnan Insight and Advisory Centre has allowed us to significantly expand our taxonomy: for instance, our universe of solution-providers has expanded from 1,600 to 2,400 companies.

2. Thematic research

Our work with the Regnan Insight and Advisory Centre has spawned several research projects and reports, stretching from a sustainability assessment of the hydrogen value chain to an in-depth thematic research report of sustainable agriculture. For instance, our 'H_2 beyond CO_2' report was co-authored by Alison George, Osh Siyaguna (Regnan Insight and Advisory Centre) and Maxime Le Floch (investment team) which was undertaken to fill in gaps in the research literature about the impacts of hydrogen technologies to support comprehensive evaluation of hydrogen solutions applying the Regnan SDG Taxonomy.

3. Engagement

Any engagement work is led by the team but also supported and enhanced by the research capabilities of the Regnan Insight and Advisory Centre, which provides long-standing and in-depth experience in analyzing sustainability factors and driving change through engagement. For instance, the Regnan Insight and Advisory Centre's 'Beyond Diversity' report, which identified equity and inclusion as an overlooked opportunity for investors, directly informed diversity, equity and inclusion engagements with the team's portfolio companies.

Improvements to the Regnan SDG Taxonomy by numbers

2,400+
companies

Through this collaborative work, the strategy's investible universe has expanded since June 2020 by 800 to over 2,400 companies.

160+
solutions

For the 160+ solutions currently in the taxonomy, a theory of change (ToC) and the associated impact risks, have been collaboratively developed or updated by the Regnan Insight and Advisory Centre and the investment team.

51
of the 169 SDG targets addressed

The Regnan Insight and Advisory Centre has worked with the team to expand these investible solutions to cover a large number of the targets.

Total addressable market (TAM) estimates – continual investment process enhancement to identify and measure the market opportunity of the product or service delivering the impact.

Portfolio Summary 2021

2021 was a busier-than-usual year for the portfolio, as the team exited names that had seen operational changes invalidate the potential for the impact solution at the heart of the investment case to scale up to their expectations, or where the value gap between their expectations and those of the markets had closed, while using the freed-up capital to add new companies from the buy list.

With new initiations, the team will often have completed the due diligence well in advance of investment, however the fund managers were awaiting a better entry point. The broader rotation in markets provided the opportunity to make some of the changes summarized in the coming pages.

The team anticipates five-to-ten-year investment horizons, and the volatility of markets often provides opportunities to enter new ideas at more attractive entry points than had been assumed during the due diligence process and similarly, should the value gap close for a particular holding, the team will divest regardless of how many years have lapsed since the original initiation.

Regnan

Companies added to the portfolio

Buys

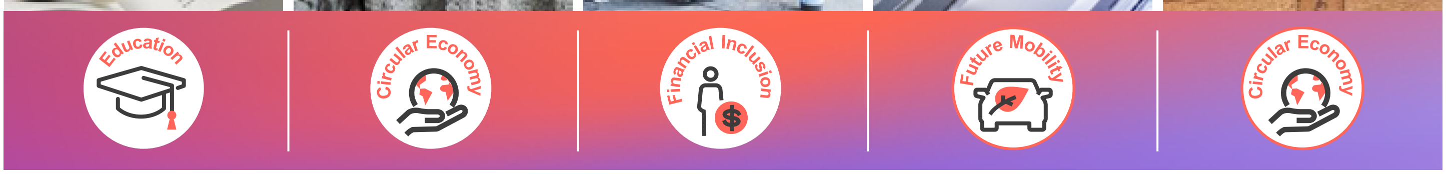
Afya

Hoffmann Green Cement

Home REIT

Ilika

Lenzing



Theory of change

Afya is the leading provider of undergraduate medical courses in Brazil (c10% market share).[1] Brazil has amongst the lowest level of medical density at (2.1 physicians per 1,000 inhabitants, which reduces to 1.3 excluding the capitals versus an OECD average of 3.4).[2] While the population of Brazil is rapidly aging the pressure on medical services will only increase. Afya is helping to address this unmet need through its plans to grow in this space with the addition of new medical seats, supported by the government's Mais Medicos ("More Doctors") program. There is exceptionally strong demand for medical seats with 5 applications for each seat, and occupancy rates in medical schools are therefore at or close to 100%.[1]

Cement is the source of 8% of GHG emissions globally. Currently there are few economically feasible decarbonization options, meaning that the sector is coming under increased pressure to innovate. **Hoffmann Green Cement** has developed one of the few scalable low-carbon solutions, with a clinker-free process that reduces emissions by 5x while providing superior technical performance. This approach is in contrast to industry incumbents which are focused on improving existing processes, but these changes are slower, have high costs, and result in lower carbon abatement.[3]

Home REIT is the first real estate investment trust dedicated to fighting homelessness in the UK. Since its IPO in October 2020, HOME has acquired over 3,000 beds throughout the UK for individuals and families that were homeless or threatened with homelessness. The accommodation that HOME provides is cost-effective in absolute terms and is materially cheaper than other forms of accommodation available to local authorities, such as bed & breakfasts (B&Bs) and hotels.[4]

Ilika is developing large format solid state batteries for use in electric vehicles with the potential for 6x faster charging, 4x longer charge retention and 2x increased energy density, with a better safety profile and easier recycling versus conventional lithium-ion batteries. Ilika has also developed micro solid-state batteries which have a class leading compact footprint, can operate at higher temperatures (up to 150°C) and with 40% higher energy density to alternative solutions.[5]

Fashion represents up to 10% global CO_2 emission[6], 20% of wastewater and 6% of global pesticide use. This is compounded by the fact that a new garment is used only about 60x, down from 120x 10 years ago[6], and 87% of garments are incinerated or landfilled.[7] Wood-based cellulosic fibers from **Lenzing** use 10x less water than cotton, have a neutral carbon footprint[8], are highly biodegradable, and almost exclusively use chemicals that are recycled in a loop process. Lenzing is also developing a technology that can include 30-50% recycled cotton together with Lyocell.[9]

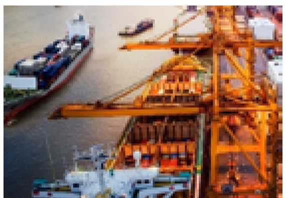
1. Source: www.afya.com.br/en-US
2. Source: www.oecd.org
3. Source: www.ciments-hoffmann.com
4. Source: www.homereituk.com
5. Source: www.ilika.com
6. Source: www.ellenmacarthurfoundation.org
7. Source: Felgheiras et al, 2021.
8. Source: Shen et al, 2010.
9. Source: www.lenzing.com

Data as of December 31, 2021. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

Regnan

Companies added to the portfolio
Sells

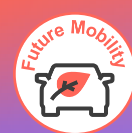
Brambles



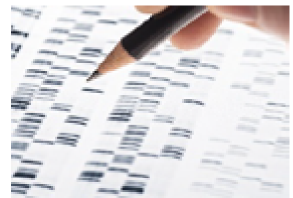
CSL

Emergent BioSolutions

Hella



Illumina



Divestment Rationale

We sold **Brambles** following a thesis change driven by, in our view, disappointing progress on their digitalization strategy. The strategy outlined for the coming years remains focused on Brambles own asset efficiency vs commercialization of new solutions for improving their customers supply chains using data gathered from smart pallets, a key pillar of our investment thesis. The digitization strategy is also coming at a higher-than-expected cost.

CSL was sold in early March 2021 following a period of strong performance. CSL is the global leader in plasma solutions however concerns exist around its collection policies and practices in the US; by far the largest market which allows payment to plasma donors (for the drawing of plasma). The team engaged across a number of areas including the donor and franchise models as well as its approach to public policy (and workplace health and safety).

Divested in **Emergent BioSolutions** in response to an error which lead to 15m doses of COVID-19 vaccine being wasted at its CDMO unit.[1] This event could seriously hamper the company's ability to win further business and grow its CDMO segment post the initial COVID-19 vaccination programs in 2021. The ability to grow beyond 2021 was a key part of the investment thesis. While operational improvements may be implemented quickly, the reputational impact may be longer-lasting and reduce the company's ability to win new contracts longer-term.

Hella was removed from the portfolio in November following its acquisition by Faurecia. The combination of the two entities dilutes the impact case by reducing exposure to the impactful future mobility solutions that Hella produces below a level that the team are comfortable with, and therefore presents a less attractive investment case.

Illumina was exited given downgrades to the core business and uncertainty around the extent to which Illumina would be able to monetize the opportunity around its GRAIL acquisition. The commercial potential for GRAIL is difficult to forecast at this early stage, and it was determined that the market was pricing in an extremely optimistic scenario, making it difficult to justify the valuation on a risk-reward basis, given the level of uncertainty over the potential cash flow growth implications.

1. Source: www.emergentbiosolutions.com/

Data as of December 31, 2021. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

Regnan

Thematic recap – 2020 vs. 2021

The team's proprietary SDG Taxonomy has driven the creation of impact solution groups or themes which are collections of the investible solutions identified by the SDG Taxonomy. These are built from the bottom-up.

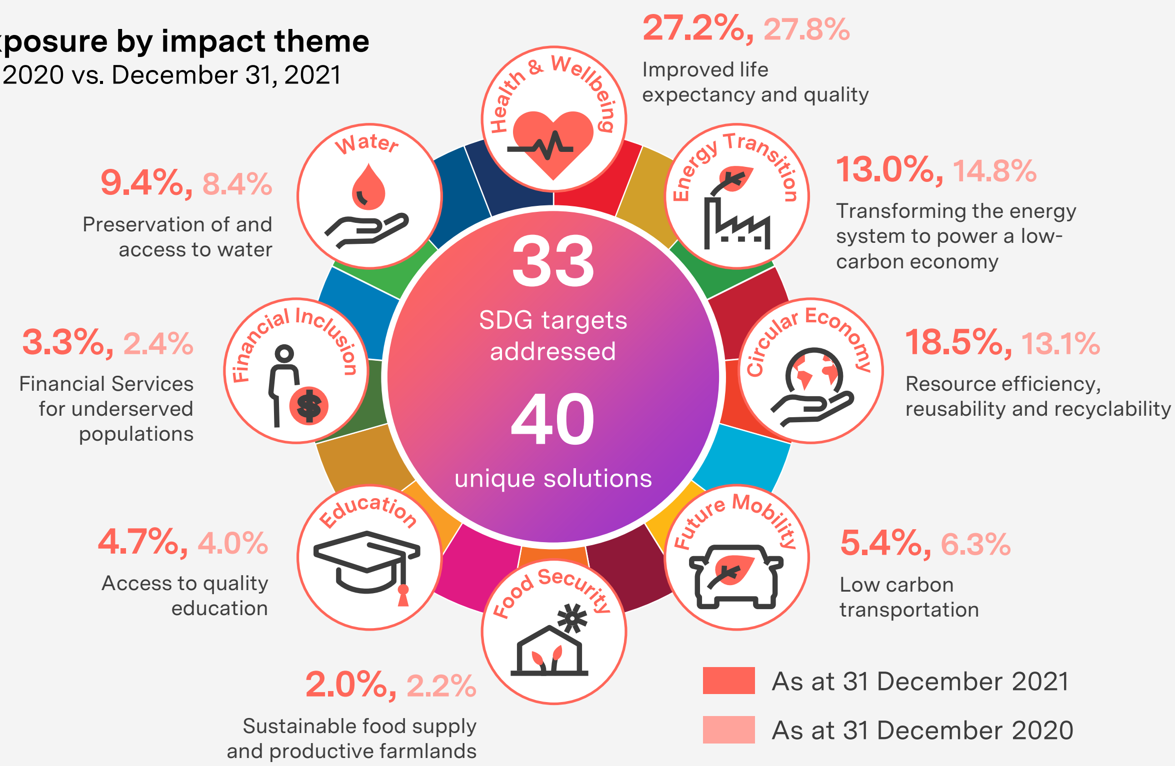
We do not explicitly target thematic exposures when constructing the portfolio.

At year-end the collective theme exposure across the 8 themes was 83.5%. The number varies according to the individual portfolio holding weights. We calculate it by apportioning revenue and end-market exposure across the 8 themes and multiply by the security weight. We also apportion neutral and negative revenues were appropriate but recognize that the relationship between impact and corporate revenues can be ambiguous.

Over the year we increased exposure to names within Circular Economy, while net exposure to Energy Transition names were reduced.

Portfolio exposure by impact theme

December 31, 2020 vs. December 31, 2021



Source: Regnan/JOHCM as at December 31, 2021. Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Chart does not include the cash position, neutral impact (estimated where revenues not directly tied to any theme) and negative impact (estimated where revenues may be detrimental to UN Sustainable Development Goals (SDG).

Thematic spotlight

Health & Wellbeing

Contribution to SDG targets:

3.1 | 3.2 | 3.3 | 3.4 | 3.5 | 3.7 | 3.8 | 3.9
5.6 | 6.2 | 8.2 | 9.5 | 11.1 | 11.6

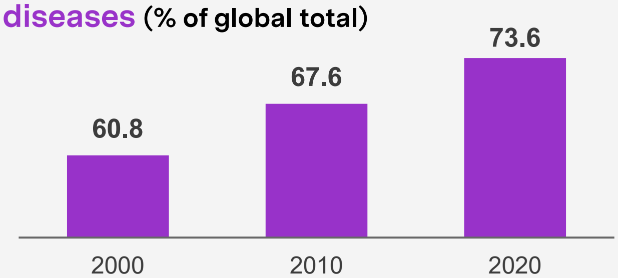
Innovations in healthcare and medicine have spurred remarkable achievements in the duration and quality of human life. In the past 60 years, the average life expectancy has risen by 39% to just under 73 years.[1] This progress has not been confined to more affluent economies. Among lower-income countries, life expectancies have risen from 39.5 years in 1960 to ~64 years in 2020.[1] Albeit still lower than the global average, the 62% increase over the period is evidence of the impact opportunity afforded by health & wellbeing solutions on a go-forward basis. We have also seen a drastic decline in worldwide child mortality rates. In the previous two decades infant mortality (per 1,000 births) has nearly halved, from 52.8 in 2000 to 27.4 in 2020.[2] Moreover, with the growing roll out of HIV medicines, bolstered by ground-breaking new treatments and vaccines, the number of new HIV cases in children since 2000 has fallen by 71% on a global level, and by a remarkable 77% within South Africa.[3]

In the past 60 years, the average life expectancy has risen by

39% **to just under 73 years[1]**

Despite this progress, public health continues to face challenges from higher incidences of non-communicable diseases, including heart conditions, cancers, diabetes and autoimmune diseases. Indeed, the proportion of global deaths attributed to non-communicable diseases has risen from 61% in 2000 to more than 73% presently. That amounts to ~41 million deaths each year.[4] Diabetes and heart disease rates remain high in developed economies and are rising sharply in developing economies as wealthier populations adopt "western" diets.

Deaths from non-communicable diseases (% of global total)



Source: World Health Organization, Global Health Estimates, 2020.

HIV cases in children since 2000 has fallen by

71% **on a global level[3]**

Notwithstanding these challenges, one silver lining from the COVID-19 pandemic has been a greater emphasis on healthcare provision, wellbeing and prevention among policymakers and consumers. Health expenditures as a percentage of GDP has risen steadily in recent decades and initial data suggests that the pandemic is likely to have accelerated this global trend.[5]

There also exist significant impact opportunities within those economies whose healthcare and wellbeing expenditures remain below the global average. We have already seen how life expectancies have risen over the previous half century. This is strongly correlated to higher levels of per capita spending, and while developed economies look to be approaching peak life-expectancy, among Asian and Latin American EMs life expectancies and healthcare expenditures remain below the global average. This implies a long-duration growth runway. Add to this the population rates within these countries and the potential impact opportunity is vast. More broadly, innovations in diagnostics, prevention and areas like genetic sequencing are likely to further improve the quality of healthcare and further democratize access.

The proportion of global deaths attributed to non-communicable diseases has risen from 61% in 2000 to more than

73% **presently[4]**

1. UN World Population Prospects, 2019; Eurostat Demographic Statistics; World Bank, 2020.
2. UNICEF, WHO, World Bank, UN DESA Population Division; childmortality.org.
3. UN AIDS estimates, 2020.
4. World Health Organisation, Global Health Estimates, 2020.
5. WHO, Global Health Expenditure database.

Thematic spotlight

Circular Economy

Contribution to SDG targets:

3.9 | 6.2 | 6.3 | 6.6 | 8.2 | 8.4 | 8.5 | 9.1 | 9.4 | 9.5
11.1 | 11.6 | 12.2 | 12.4 | 12.5 | 14.1 | 15.2

The global community consumes resources – both natural and finite – at a higher rate than they can be replaced. With the global population set to expand by another ~2.2 billion inhabitants by 2050, the prolonged single or limited-use consumption of myriad resources will exacerbate this problem. At its core, a circular economy is a systemic approach to economic progression that is designed to benefit a wider group of stakeholders – businesses, society and the environment. The circular economic model stands as a direct alternative to the traditional "linear" model – or what has been called the "take-make-waste" model. By design, a circular economy is regenerative, with the overarching mission to decouple future growth from an unsustainable level of natural and finite resource consumption. The Ellen MacArthur Foundation concludes that the circular economy is centered upon three core principles: 1) the elimination of waste and pollution; 2) to circulate products and materials (at their highest value); and 3) to be regenerative.[1] The transition to a more circular economic model will impact all sectors, from energy and construction to consumer goods and waste management.

The global population is set to expand by another

~2.2bn

inhabitants by 2050[2]

A key challenge, and long-term impact opportunity, is to reduce what is known as the "circularity gap". At present the global economy is only ~9.1% "circular". What does this look like in practice? It now takes the Earth around one and half years to regenerate what humans use and consume in a single year. Just 5% of the remaining value of the material goods is recaptured and utilized when the products are disposed of.[3] A major issue is the production and wastage of single use plastics. Not only are they highly carbon-intensive, but it is now thought that at least 14 million tons of plastic end up in the ocean each year and that this makes up 80% of all marine debris.[4] Worryingly, it is forecast that plastic waste flowing into oceans could triple by 2040 without major reformative practices being implemented.[5]

It is now thought that at least 14m tonnes of plastic end up in the ocean each year and that this makes up

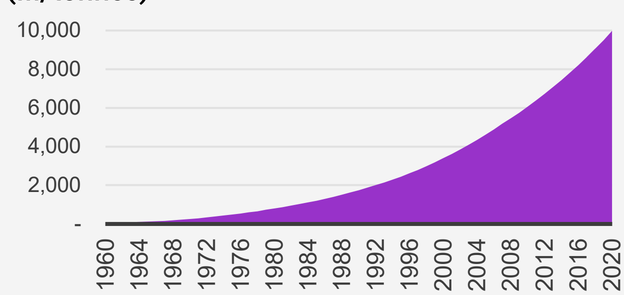
80% of all marine debris[4]

A common misconception with the circular economy is that the transition away from the linear model will have the effect of curtailing growth. Circularity and growth are not opposing forces. Rather, the move towards a circular model is likely to promote a more sustainable form of growth over the longer-term across sectors and geographies. Within the fast-moving consumer goods (FMCG) sector, for example, circular opportunities could amount to ~$700bn in material savings each year. Demonstrating that a circular approach makes both good environmental and financial sense. In China, implementing a circular economy could decrease the consumption of non-renewable resources, including fossil fuels, by as much as 49% in 2030.[6] Another significant positive impact will manifest in the global labor force. The Global Climate Action Summit has estimated that a serious commitment to circular objectives could lead to the creation of more than 65 million new, low-carbon jobs by 2030.[7]

We believe that the successful companies in the long-term will be those offering new and innovative solutions to ameliorate what are increasingly unsustainable and highly inefficient methods of procurement, production and distribution.

Cumulative global plastics production

(m/tonnes)



Source: Our World in Date; Gayer et al., "Production, use and fate of all plastics ever made", Science Advances, 7 (2017); Regnan analysis.

1. "What is a circular economy", Ellen MacArthur Foundation.
2. UN World Population Prospects, 2020; World Bank 2020.
3. "Effects of the Circular Economy on jobs", International Institute for Sustainable Development, 2020.
4. "Issues brief: Marine plastic pollution", IUCN, 2021.
5. "Plastic trash flowing into the seas will nearly triple by 2040 without drastic action", National Geographic, 2020.
6. "Circular economy and the private sector", World Bank, 2020.
7. UN, Global Climate Action Summit.

Portfolio level metrics – Operational Impact Indicators

Any business has both positive and negative impacts. We have used the Operational Impact Indicators as a measure of the operational sustainability of the portfolio relating to environmental, social and governance matters. This is not an exhaustive list of indicators but provides a snapshot of the portfolio as at year end. As we engage with our portfolio companies for improved disclosure, we expect to see more greater data availability.

GHG Emissions[1]

Scope 1: **2,473**tCO_2e

Scope 2: **1,336**tCO_2e

Scope 3: **36,641**tCO_2e

Total emissions:

41,663 tCO_2e

Benchmark: 54,138tCO_2e

Data availability[2]:

86.3%

Carbon Footprint

Total:

320.8

tCO_2e/m EUR (EV)

Benchmark: 429.4tCO_2e

Data availability:

86.3%

Exposure to companies active in the fossil fuel sector

Total:

2.8%

Benchmark: 7.5%

Data availability:

87.7%

GHG emmission intensity of investee companies

Total:

893.1

tCO_2e/m EUR (EV)

Benchmark: 1,255.9tCO_2e

Data availability:

86.3%

Non-renewable energy consumption

Total:

90.8%

Benchmark: 68.3%

Data availability:

87.7%

Non-renewable energy production

Total:

0.0%

Benchmark: 0.0%

Data availability:

87.7%

Energy use from coal, oil, nuclear, or unclear sources

Total:

59.1%

Benchmark: 48.1%

Data availability:

40.7%

Activities negatively affecting biodiversity sensitive areas

Total:

0.0%

Benchmark: 0.1%

Data availability:

87.7%

Source: ISS. Note: The Operational Impact Metric data is representative of Regnan Global Equity Impact Solutions Fund (U.K.) onshore OEIC. Strategy AUM: $472.81m which includes all Fund share classes and segregated mandates and is provided on a quarterly basis.. Data as at December 31, 2021.

1. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company. Estimated scope 3 emissions (total) as defined by the Greenhouse Gas Protocol [tCO_2e/yr].
2. Data availability is calculated as a % of portfolio weight.

Regnan

Portfolio level metrics – Operational Impact Indicators

Emissions to Water

Total:
2.06
tonnes/mEUR

Benchmark:
1.8tonnes/mEUR

Data availability:
4.7%

Hazardous waste ratio

Total:
55.1
tonnes/mEUR

Benchmark:
7,433.1tonnes/mEUR

Data availability:
20.6%

Violations of UN Global Compact (UNGC) principles & Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

Total:
0.0%

Benchmark: 3.9%

Data availability:
87.7%

Lack of processes and compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

Total:
24.5%

Benchmark: 30.1%

Data availability:
87.7%

Exposure to controversial weapons
(anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Total:
0.0%

Benchmark: 0.2%

Data availability:
87.7%

Board gender diversity (Ratio)

Total:
0.42

Benchmark: 0.47

Data availability:
87.7%

Companies without workplace accident prevention policies

Total:
11.4%

Benchmark: 32.8%

Data availability:
81.5%

Lack of a supplier code of conduct

Total:
15.5%

Benchmark: 26.2%

Data availability:
94.5%

Companies without water management policies

Total:
30.1%

Benchmark: 17.8%

Data availability:
65.8%

Companies without carbon emission reduction initiatives

Total:
42.9%

Benchmark: 50.6%

Data availability:
86.3%

Source: ISS. Note: The Operational Impact Metric data is representative of Regnan Global Equity Impact Solutions Fund (U.K.) onshore OEIC. Strategy AUM: $472.81m which includes all Fund share classes and segregated mandates and is provided on a quarterly basis.. Data as at December 31, 2021.

Engagement

Regnan was established to investigate and address environmental, social and corporate governance (ESG) related sources of risk and value for long-term shareholders.

The Regnan Insight and Advisory Centre engage and advocate with listed companies on a range of issues, most typically categorized as environmental, social and governance or ESG.

Joining Regan allows the investment team to draw on two decades of experience…

Our overarching aim when engaging with portfolio companies is to improve their net impact. Engagement activities thus aim to both reduce negative impacts, as well as amplifying positive impacts of portfolio companies. As such, the investment team's engagement program is an integral part of the investment process and directly linked to the output generated by other stages of the process.

The team will seek to determine willingness to engage prior to investment and divest if a company is no longer willing to engage.

Engagement is long-term and outcomes-focused, and thus guided by engagement objectives, which are formulated on a company-by-company basis. A company's materially negative impacts, as identified in previous stages, are assessed via team's 'engage-ability' assessment. This assessment recognizes that not all negative impacts are not necessarily engageable, and that engagement on some objectives is likely to generate more positive impact than engaging on others.

After an engagement objective has been set, progress towards this engagement objective is then tracked via three 'checkpoints', and where possible, quantitative metrics. However, engagement intensity will differ between portfolio companies, to reflect differing materiality. Furthermore, the completion of engagement objectives is expected to take multiple years as it takes time to create change.

Any engagement work is led by the investment team but also supported and enhanced by the research capabilities of the Regnan Insight and Advisory Centre, which provides long-standing and in-depth experience in analyzing sustainability factors. In particular, the Regnan Insight and Advisory Centre team focuses on driving positive change throughout the solution value chain.

The team's long-term, constructive approach to engagement is welcomed by most portfolio companies. In other words, engagement often acts as a positive feedback loop between the investment team and portfolio companies. Companies who provide positive impact solutions are generally interested in improving the net impact their business has on stakeholders.

How we engage

We engage for protection and enhancement of portfolio and stakeholder value using the following engagement process:

Identification and materiality assessment of negative impacts

Identification and in-depth analysis of negative impacts of each stock, prior to investment

Engageability assessment

Material negative impacts are assessed for engagement potential

Four stages: Opportunity cost, Know-how, Feasibility and Additionality

SMART engagement objectives

Objectives set at the stock level

Objectives are SMART (specific, measurable, attainable, realistic and, time-bound)

Constructive engagement

Targeted, outcomes-focused and recognition of unique value drivers for that business supports constructive engagement

Progress tracking

Progress is always tracked through via engagement 'checkpoints'

Wherever possible, progress is also assessed via quantifiable, periodically-reported negative impact metrics

2021 Portfolio engagements by numbers

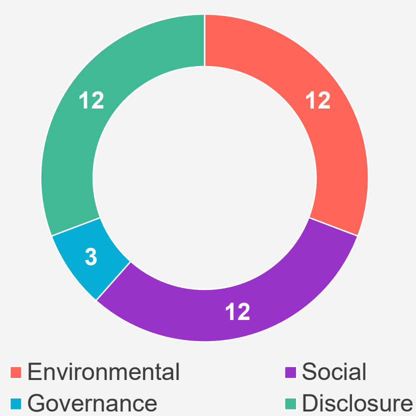
67

Interactions
with companies

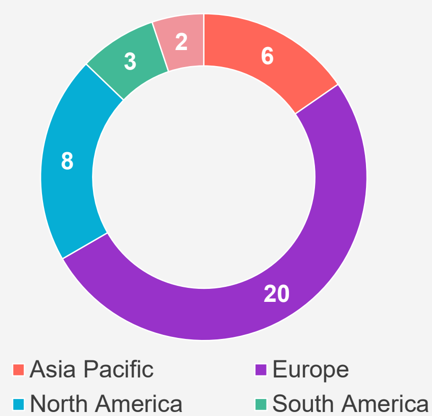
37

Engagements linked explicitly to environmental, social, governance or disclosure objectives

Engagements by Issue and objectives (E,S,G,D)



Engagements on issues and objectives by geography



Portfolio Engagements

Disclosure has remained a core engagement focus, owing to the portfolio's high exposure to small- to mid-cap companies, whose disclosure levels typically lag their large-cap counter parts. However, we have also seen some great disclosure successes such as Abcam's inaugural publication of its Impact Report in 2020.

Diversity, equity and inclusion featured particularly strongly in 'social' engagements, as the team leveraged the insights generated by the Regnan Insight and Advisory Centre's thematic research report 'Beyond diversity'.

Within 'environmental' engagements, decarbonization remained a core focus. Momentum in decarbonization has been positive over the last year, with several portfolio companies announcing net zero commitments. Portfolio companies with net zero commitments include Orsted, Hannon Armstrong, Valeo and Ecolab.

The team will continue to challenge the ambitiousness of these commitments, and support companies in achieving them.

Source: Regnan as at December 31, 2021.

CASE STUDY

Siemens Gamesa Renewable Energy

Siemens Gamesa Renewable Energy is global business specializing in offshore and onshore wind turbines and associated services.

Issue

Compared to other sources of energy, comprehensive studies of the full life-cycle impact of wind turbines show an overwhelmingly positive contribution to environmental sustainability.

A critical issue still to be addressed is the end-of-life disposal of turbine blades. Whilst about 85% of wind turbine components can easily be recycled, the high-performance composite materials used in blades remain a challenge. As a leading manufacturer of wind turbines, Siemens Gamesa can play a decisive role in providing a solution.

Objective of Engagement

Building on their wider work on recycling technologies, and wanting a thorough understanding of the issue, the investment team talked to experts from Composites UK and attended a workshop organized by researchers from the University of Leeds.

The team further met with Siemens Gamesa's head of sustainability, where they raised the issue and argued for the need of a more active approach, including the adoption of specific targets for the recycling of wind blades. The team also raised the issue with other companies in the sector, notably Vestas and TPI Composites.

Outcome

Siemens Gamesa subsequently announced their participation in DecomBlades, a cross-sector consortium to establish a recycling industry for composite materials. We feel this is an important step forward.

Action

Wind power has enormous potential to generate cleaner electricity and it is increasingly being absorbed into the mainstream of national energy strategies. Though so far unresolved, end-of-life recycling of blades is an issue that is increasingly acknowledged and understood. We are encouraged by progress to date and confident that solutions will evolve sooner rather than later.

CASE STUDY

CSL

CSL is an Australian biotechnology firm that specializes in plasma-based therapies. We sought further detail on donor safety.

Issue

CSL's business model rests on paying donors for blood plasma, a practice that can benefit donors but that may also have adverse health effects, according to some studies.

Objective of Engagement

We met with CSL's Director, Sustainability and Ethics (DSE) in March and in April 2021. We wished to broach several key concerns.

Management of donor relationships. We sought consideration and measures on the health and wellbeing, as well as frequency of donations by donor type. We noted that CSL was in the process of developing a sustainability strategy and we suggested that it would be useful to include a section on donor health.

Stress testing on the financial dependency of donors and the potential impacts of changes in broader economic conditions, including policy or regulatory developments, such as an increase in the minimum wage. An over-reliance on donor payments is generally undesirable.

Governance arrangements around public policy participation, and in particular the approach described for academic studies, including the scope for CSL to provide data to independent academic researchers, as opposed to only those published by the Plasma Protein Therapeutics Association, CSL's own industry body.

Disclosure of leading measures of workplace safety performance, coupled with assurances of the work underway to improve performance. In addition, we sought further detail on donor safety, including safeguards in place from both CSL and the industry more broadly to ensure that maximum frequency thresholds are not exceeded.

Outcome

It was clear that the DSE understood our position. Our meetings covered CSL's sustainability goals, its thoughts on integrating sustainability reporting with customary reporting on strategy and financials. We also spoke about accounting for impact alongside activity and outputs. However, whilst we were encouraged by the DSE's awareness of broader sustainability issues, we also sensed a lack of movement on our core agenda of donor wellbeing.

Action

Whilst we were comfortable that the DSE had understood our position and the reasons for our concern, we were not convinced that the same was true across the management spectrum at CSL. Sensing little practical progress from the engagement, we exited the position, however, continue to engage to monitor potential future progress.

Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

Regnan

Voting activity

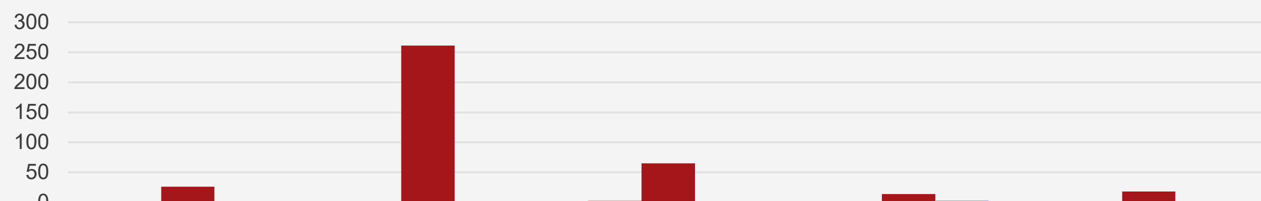
38
Total number of
Meetings

391
Total number of
Proposals

36
Total number of
Significant Votes

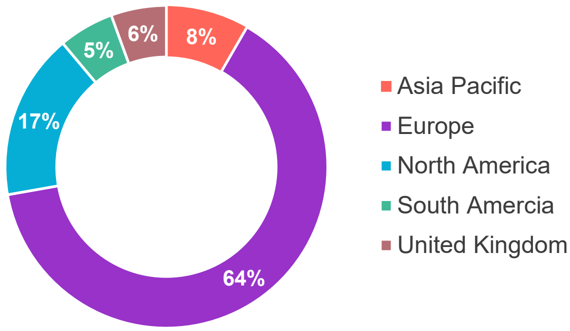
9%
Percentage of
Significant Votes

Total number of votes that were For, Against, Withheld or Abstained



	Asia Pacific	Europe	North America	South Amercia	United Kingdom
Against		1	3		
For	26	261	65	14	18
None				3	

Significant votes by region

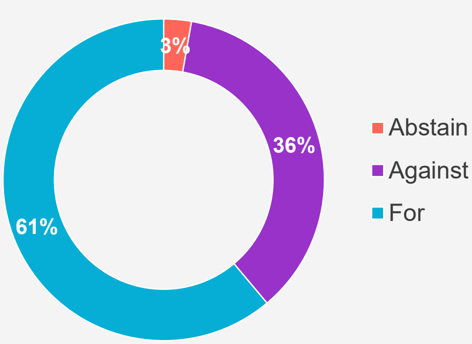


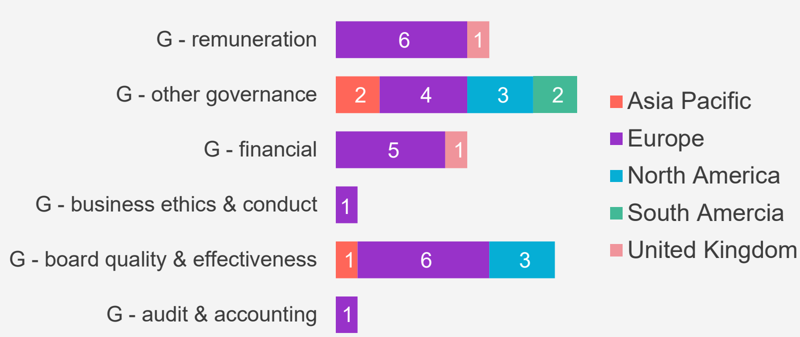
In reporting our voting activity to our clients, we believe the focus should be on "significant votes" as required by the Shareholders Rights Directive under UK law. While the directive does not define "significant" we define this as votes where:

1. ISS has recommended voting AGAINST management, OR
2. The investment team has voted AGAINST management, AND
3. ALL shareholder resolutions, AND
4. ALL withheld votes AND
5. ALL Abstained votes.

Investment teams may also add any votes they deem significant.

Significant votes that were for, against, withheld or abstained





Source: Regnan. Note: 'G' abbreviated for 'governance'.

Regnan

Disclaimer

THIS DOCUMENT IS FOR PROFESSIONAL INVESTORS ONLY.

Regnan is a standalone responsible investment business division of Pendal Group Limited (Pendal). Pendal is an Australian-listed investment manager and owner of the J O Hambro Capital Management Group. Regnan's focus is on delivering innovative solutions for sustainable and impact investment, leaning on over 20 years of experience at the frontier of responsible investment. "Regnan" is a registered trademark of Pendal.

The Regnan business consists of two distinct business lines. The investment management business is based in the United Kingdom and sits within J O Hambro Capital Management Limited, which is authorized and regulated by the Financial Conduct Authority and is registered as an investment adviser with the SEC. "Regnan" is a registered as a trading name of J O Hambro Capital Management Limited.

In addition to Regnan Investment teams is the Regnan Insight and Advisory Centre of Pendal Institutional Limited in Australia, which has a long history of providing engagement and advisory services on environmental, social and governance issues. While the Regnan investment management teams will often draw on services from and collaborate with the Regnan Insight and Advisory Centre, they remain independent of the Regnan Insight and Advisory Centre and are solely responsible for the investment management of their strategies.

Issued and approved in the UK by J O Hambro Capital Management Limited ("JOHCML") which is authorized and regulated by the Financial Conduct Authority. Registered office: Level 3, 1 St James's Market, London SW1Y 4AH. J O Hambro Capital Management Limited. Registered in England No:2176004.

Issued in the European Union by JOHCM Funds (Ireland) Limited ("JOHCMI") which is authorized by the Central Bank of Ireland. Registered office: Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

Regnan is a trading name of J O Hambro Capital Management Limited.

The registered mark J O Hambro® is owned by Barnham Broom Holdings Limited and is used under license. JOHCM® is a registered trademark of J O Hambro Capital Management Limited.

The information in this document does not constitute, or form part of, any offer to sell or issue, or any solicitation of an offer to purchase or subscribe for Funds described in this document; nor shall this document, or any part of it, or the fact of its distribution form the basis of, or be relied on, in connection with any contract.

Recipients of this document who intend to subscribe to any of the Funds are reminded that any such purchase may only be made solely on the basis of the information contained in the final prospectus, which may be different from the information contained in this document. No reliance may be placed for any purpose whatsoever on the information contained in this document or on the completeness, accuracy or fairness thereof.

No representation or warranty, express or implied, is made or given by or on behalf of the Firm or its partners or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this document, and no responsibility or liability is accepted for any such information or opinions (but so that nothing in this paragraph shall exclude liability for any representation or warranty made fraudulently).

The distribution of this document in certain jurisdictions may be restricted by law; therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdictions.

The information contained in this presentation has been verified by the firm. It is possible that, from time to time, the fund manager may choose to vary self imposed guidelines contained in this presentation in which case some statements may no longer remain valid. We recommend that prospective investors request confirmation of such changes prior to investment. Notwithstanding, all investment restrictions contained in specific fund documentation such as prospectuses, supplements or placement memoranda or addenda thereto may be relied upon.

Investments fluctuate in value and may fall as well as rise and that investors may not get back the value of their original investment.

Past performance is not necessarily a guide to future performance.

Investors should note that there may be no recognized market for investments selected by the Investment Manager and it may, therefore, be difficult to deal in the investments or to obtain reliable information about their value or the extent of the risks to which they are exposed.

The Investment Manager may undertake investments on behalf of the Fund in countries other than the investors' own domicile. Investors should also note that changes in rates of exchange may cause the value of investments to go up or down.

The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation.

Information on how JOHCM handles personal data which it receives can be found in the JOHCM Privacy Statement on our website: www.johcm.com