

## Regnan Global Equity Impact Solutions

Quarterly Portfolio Review Q1 2024

Data as at 31 March 2024

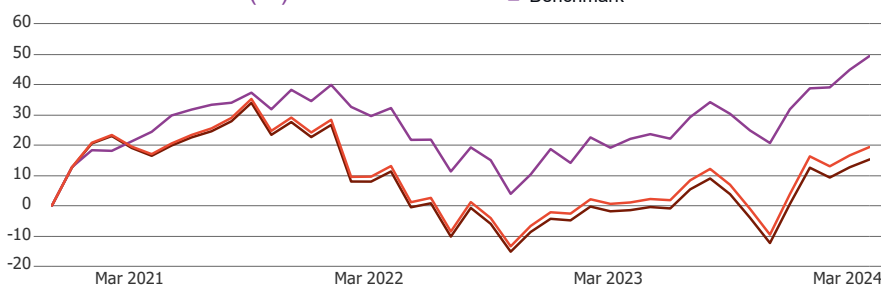
USD

### Strategy overview

- The Strategy aims to generate long-term outperformance by investing in the listed shares of mission-driven companies that create value for investors by providing solutions for the growing unmet sustainability needs of society and the environment, using the United Nations Sustainable Development Goals (SDGs) as an investment lens
- Underpinned by the Regnan SDG taxonomy – the team has built a comprehensive proprietary framework to identify companies that provide solutions to the environmental and societal challenges facing the world
- An actively managed, high conviction, diversified, global multi-cap portfolio with very low portfolio turnover and a strong emphasis on driving impact through engagement
- Benchmark: MSCI ACWI Investable Market Index
- The use of the Index does not limit the investment decisions of the portfolio manager, therefore the shareholdings of the Strategy may differ significantly from those of the Index
- This strategy has an Irish domiciled fund which is classified as Article 9 under the SFDR. Please [click here](#) for further details.

### Performance highlights

#### Return since launch (%)



#### Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised
Gross	2.38	2.67	18.13	0.68	-	-	19.35	5.31
Net	2.30	2.42	17.00	-0.35	-	-	15.21	4.23
Benchmark	3.16	7.72	22.45	6.31	-	-	49.40	12.47

#### Past performance is no guarantee of future performance.

The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Investing in companies in emerging markets involves higher risk than investing in established economies or securities markets. Emerging Markets may have less stable legal and political systems, which could affect the safe-keeping or value of assets. Investments may include shares in small-cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile.

Source: JOHCM/Regnan/MSCI Barra/Bloomberg. Gross and net composite performance, net income reinvested. Composite performance is based on the A GBP primary share class converted into USD. 3, 5 and 10 year and since launch performance is annualised. The composite was created on the 01 November 2020. Benchmark: MSCI ACWI Investable Market Index (12pm adjusted). Statistics calculated using weekly returns. \*Annualised since launch.

#### Statistics

Annualised since launch			
Active share (%)	99.09	Correlation	0.90
Strategy volatility (%)	22.66	Tracking error (%)	10.50
Benchmark volatility (%)	16.93	Information ratio	-0.61
Alpha	-7.86	Sharpe ratio	0.12
R squared	0.81		

### Strategy details

Strategy size	USD 374.81m
Launch date	1 November 2020
Benchmark	MSCI ACWI Investable Market Index (12pm adjusted)
Available as	Separate Account, UCITS (UK and Ireland), JFT and DST

Total strategy assets updated quarterly and shown as at 31 March 2024.

### Portfolio managers



**Tim Crockford**  
Senior Fund Manager

Tim has managed the strategy since launch. He joined JOHCM in 2020 and has 17 years of industry experience.



**Mohsin Ahmad, CFA**  
Fund Manager

Mohsin has worked on the strategy since launch. He joined JOHCM in 2020 and has 17 years of industry experience.



**Maxime Le Floch, CFA**  
Senior Analyst

Maxime has worked on the strategy since launch. He joined JOHCM in 2020 and has 13 years of industry experience.

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## Strategy analysis (%)

Data as at 31 March 2024

## Top 10 holdings

Stock	Impact Solution	Absolute
Lonza Group	Biologic, large-molecule drugs, currently grow twice as fast as their small-molecule counterparts, owing to their exceptional efficacy ability to address previously untreatable conditions, such as cancers and autoimmune diseases. However, the manufacturing of biologics is complex, expensive and resource-intensive. As the world's leading contract manufacturing and development company, Lonza allows biotech companies to outsource that process manufacturing process, thereby helping them to develop more potent, complex medicines at lower cost and increased speed-to-market.	5.1
PTC	Productivity growth across OECD countries was lower in the decade leading up to 2016 than it was in any other decade from 1950 (UN). While technological progress and innovation has continued, the adoption of Industry 4.0 solutions with potential to deliver significant productivity improvements remains low, particularly from small and medium sized enterprises where the costs of upgrading can be prohibitive. PTC's solutions drive digital transformation, which reduces waste and scrap in the products they design, creates efficiencies in their manufacturing processes, and optimizes the operations of their customers' processes. PTC provides global leading software solutions across the life cycle of products through computer aided design, product life cycle management, industrial IoT and augmented reality. PTC solutions increase productivity and efficiency of R&D by reducing design time by up to 30%, make manufacturing more efficient and less wasteful with up to 30% reduction in prototypes, thereby reducing costs and raw material use, and reduce the time to market by up to 57%. PTC is also improving access to Industry 4.0 solutions for smaller enterprises through the recent addition of multi-tenant SaaS based CAD (Onshape) and PLM (Arena).	5.1
Ecolab	Ecolab is a leader in integrated solutions to improve water and energy efficiency, while at the same time improve sanitation. In 2019, Ecolab helped its customers save 206 billion gallons of water, equivalent to the annual drinking water needs of 712 million people, save 28 trillion Btu of energy and avoid 1.5 million metric tonnes of greenhouse gas emissions.	5.0
Xylem	Xylem is a leading provider of water equipment and solutions that enable water reuse and conservation to mitigate water scarcity, reduce water losses and optimize water system assets to improve water affordability. Freshwater and wastewater systems in developed countries have suffered decades of underinvestment, with as much as half of water leaking in many cities. In developing countries, improved sanitation means new infrastructure. As well as being a leader in water equipment, Xylem is notably providing innovative digital solutions to enable smart management of water systems.	4.9
Munters	Munters is the pioneer and market leader in desiccant dehumidification (c.50% market share), a key technology required for lithium ion battery plants. Manufacturing of lithium-ion batteries is a highly sensitive process requiring strict temperature and dryness parameters (<1% relative humidity) to ensure safety, quality and production yield. Munters have also developed a patented technology for data centre cooling (SyCool) providing significant energy and water savings which is driving strong order intake and market share gains.	4.6
Bank Rakyat Indonesia	Over 200 million Indonesians live on less than \$4.50 per day, without salaries or collateral, these individuals are considered too risky for loans or live in locations too remote for the reach of traditional financial services providers. Despite this, over 56 million Micro Small Medium Enterprises (MSME) contributed greater than 50% GDP. In Indonesia in particular, only about 25% of SME's have access to lending. Bank Rakyat is helping fill this gap in the Indonesian market.	4.6
Stevanato Group	Biologic medicines, which range from antibodies to gene therapies, represent approximately 30% of the pharma industry today. However, growth rates of biologic modalities are significantly in excess of the market, given their unprecedented ability to treat largely unmet disease areas, such as non-communicable diseases. Stevanato is the leading provider of primary container solutions, such as such as pre-fillable syringes and vials, which are critical for the safety, efficacy and quality of biologic therapeutics.	4.5
ANSYS	As a global leader in simulation solutions, ANSYS enables faster R&D, makes manufacturing more efficient and less wasteful, thereby reducing costs, as well as permitting environmentally-friendly specifications to be embedded at the design phase of product. Its simulation software is used in developing impact solutions such as electric and autonomous vehicles, renewable energy and introducing environmental data into the choice of materials.	4.4
Hannon Armstrong	Hannon Armstrong Sustainable Infrastructure (HASI) is the first listed US company whose business model is solely dedicated to financing climate solutions, ranging from behind-the-meter assets, such as energy efficiency improvements of buildings, to renewable energy, such as solar land. Given Hannon's stellar impact performance, our engagement with HASI will be limited and will predominantly focus on incentivising further governance changes.	4.4
YDUQS	YDUQS is the second largest post-secondary education provider in Brazil, serving over 700k students. It provides a broad range of undergraduate, masters and other related programmes. The company is also the second largest player in medical courses. Access to higher education is central to Brazil's economic development and is regarded as a key catalyst for social mobility.	4.2
<b>Total</b>		<b>46.8</b>

## Strategy analysis (%)

Data as at 31 March 2024

### Theme breakdown

	Absolute	
Health & Wellbeing	30.0	Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Neutral impact is estimated where revenues not directly tied to any theme. Negative impact estimated where revenues may be detrimental to SDG targets.
Circular Economy	18.2	
Energy Transition	9.1	
Education	7.5	
Water	5.9	
Future Mobility	5.4	
Financial Inclusion	3.0	
Food Security	2.6	
Positive Impact	81.7	
Cash	3.2	
Neutral Impact	13.5	
Negative Impact	1.6	

### Sector breakdown

	Absolute	Relative	
Health Care	31.3	20.3	
Industrials	21.7	9.8	
Materials	6.9	2.3	
Utilities	3.2	0.7	
Real Estate	0.0	-2.7	
Consumer Discretionary	8.3	-2.8	
Energy	0.0	-4.6	
Financials	10.5	-5.5	
Information Technology	16.7	-5.7	
Consumer Staples	0.0	-6.3	
Communication Services	0.0	-7.1	
Cash	1.5	1.5	

### Active bets

Top 5	Relative
Lonza Group	5.1
PTC	5.1
Xylem	4.9
Ecolab	4.9
Munters	4.6

Bottom 5	Relative
Microsoft	-3.7
Apple	-3.1
Nvidia	-2.8
Alphabet	-2.1
Amazon	-2.1

### Country breakdown

	Absolute	Relative
United States	27.7	-34.9
Germany	12.3	10.3
Switzerland	8.1	6.0
Brazil	7.5	7.0
Denmark	6.3	5.5
France	5.5	2.8
United Kingdom	5.3	1.9
Sweden	4.6	3.8
Indonesia	4.6	4.4
Cash	1.5	1.5

### Market cap breakdown

	Absolute
Large (>20bn)	43.4
Mid (1 - 20bn)	54.4
Small (< 1bn)	0.7
Cash	1.5

## Attribution (%)

### Stock attribution

Top contributors	Relative return
Horiba	1.31
Lonza Group	1.06
Apple	0.70
Novo-Nordisk	0.45
Ecolab	0.43

Top detractors	Relative return
Aixtron	-2.26
YDUQS	-1.57
Nvidia	-1.18
ATS Automation	-1.16
Afya	-1.01

### Sector attribution\*

	Relative return	
Health Care	1.52	
Materials	0.42	
Consumer Staples	0.32	
Real Estate	0.28	
Utilities	0.08	
Energy	-0.08	
Communication Services	-0.20	
Financials	-0.49	
Industrials	-1.54	
Information Technology	-2.33	
Consumer Discretionary	-2.65	

\*Excludes cash

Source: JOHCM/MSCI Barra/Bloomberg. Benchmark: MSCI ACWI Investable Market Index (12pm adjusted). Please note that due to rounding breakdowns may not add to 100.00%. All Attribution figures are as at end of day and are calculated on a gross basis. Stock holdings are subject to change at any time and are not recommendations to buy or sell any security. A list of all holdings during the period, corresponding performance contributions and attributions, and the calculation methodology is available upon request.

- The US economy has remained resilient and there are signs of macroeconomic momentum improving in Europe and China
- Geopolitical risks remain heightened, with the ongoing situation in both Ukraine and the Middle East having the potential to escalate into wider conflict
- The portfolio lagged the reference index during the quarter, driven by stock selection and the continued outperformance of large vs small and mid-cap

Q1 performance	%
Gross	2.67
Net	2.42
Benchmark	7.72

### Market Review

Global equity markets began the year in positive territory, with growing optimism of a 'Goldilocks' scenario, as growth accelerated with rate cuts expected to follow.

The US economy continued to surprise to the upside despite persistent fears around high interest rates, high inflation and slowing employment growth. With commodity prices accelerating into the new year and services inflation remaining sticky, the outlook for the Fed Funds rate is increasingly contentious. Meanwhile, growth in the Eurozone has faced headwinds despite positive signs that the economy is improving, and debate has commenced as to whether the European Central Bank may lower rates ahead of their US counterparts. The Bank of Japan ended eight years of negative interest rates in a historic move and we visited Tokyo in March and came back with the conviction that Japan's renewed focus on shareholder value has staying power. Geopolitical risks remain heightened with the situation in Ukraine and the Middle East ongoing and with the potential for escalation.

### Performance

The strategy lagged the MSCI ACWI IMI reference index during the period, driven by individual stock setbacks and the continued underperformance of the smaller and mid-cap size equities that the strategy is biased towards.

**Aixtron**, the German-based compound semiconductor tools producer, reported in-line results for 2023 with strong revenues, order intake, and new customer additions, yet guidance for 2024 was disappointing. Sentiment was further impacted by the simultaneous announcement from one of Aixtron's customers that it would end its microLED investment program; however, management has assured us that other customers continue to invest in this technology, which requires Aixtron's tools, and we continue to believe in future demand for microLED, with potential to deliver 90% energy saving for displays compared to existing LCD technology.

**Yduqs**, the Brazilian education provider, also had a weak start, with the broader Brazilian market down and concerns around the regulatory environment for distance learning. We believe these concerns are unfounded and may boost Yduqs, which also has a physical presence on campus and stands to benefit from these changes.

Positively, Japanese-based **Horiba** gained 45% during the period, with the announcement of an ambitious new long-term plan and improved earnings, driven by rising demand due to Euro 7 emissions regulations and continued strength in orders for its class-leading mass flow controllers as generative AI applications grow.

**Lonza** also performed strongly during the quarter, gaining 52%, driven by the acquisition of a US biologics site from Roche, which will double its current biologics commercial capacity, and which led to raised mid-term targets. In the current geopolitical environment, Lonza may also stand to gain from any regulations limiting its Chinese competitors.

### Outlook

It remains unclear how the inflation data reported at the start of Q2 might affect the cadence of interest rates stateside, but recent commentary supports the view that the ECB remains committed to cutting rates sooner rather than later. We remain of the view that the worst of the interest rate headwinds on company cashflows are behind us.

From an equity market perspective, we would expect the discount that small and mid-cap companies now trade at relative to their larger counterparts to gradually close. While the move in the last two months of 2023 was ultimately 'too much, too soon', markets will revert to that trend as long as inflation does not head back to the lofty levels seen in 2022.

We remain optimistic about the portfolio's growth, with some of the destocking headwinds from 2023 turning to tailwinds and continued growth in demand for innovative solutions to environmental and social challenges, and will continue to use volatility to reaffirm our conviction, increasing position sizes at attractive valuations when the timing is right and adding new, exciting businesses to the portfolio along the way.



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