



Regnan Global Equity Impact Solutions Strategy

Quarterly Impact Report

Q3 2021

Brought to you by J O Hambro Capital Management

Regnan

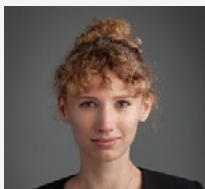


The third quarter of 2021 was marked by the regulatory crackdown in China, power outages and rising energy prices. Inflation continued to gather pace and supply chain issues remained on the horizon, both of which weighed on investor sentiment. Despite this period of heightened volatility, equity market performance finished marginally positive at the end of the quarter. We continue to see the turbulent market environment as an opportunity to identify stocks able to deliver long-term impact and financial returns, while being attractively priced.

On staff news, we were pleased to welcome Oshadee Siyaguna to London. Osh, who is a Senior ESG Analyst at Regnan, has decided to permanently relocate to the UK from Australia. In addition, we are excited to reunite with our old mentor Andrew Parry, who will join J O Hambro Capital Management as Head of Investments. Andrew was one of the co-founders of the impact fund which we previously used to run, and we are thrilled to welcome him back early next year.

Our portfolio companies have continued to generate positive impact this quarter. Lonza, a provider of health and well-being solutions, announced that four patients have been successfully treated with its CAR-T immunotherapy manufactured in its Cocoon® Platform. The Cocoon® Platform allows the automation, decentralization and acceleration of the CAR-T manufacturing process, which is currently costly, manual and lengthy. Tomra, a provider of circular economy solutions, has been appointed as the reverse vending machine provider for Latvia, thereby continuing to drive up recycling rates of plastic bottles. Moreover, a study commissioned by Tomra quantified the climate change benefits of optimized waste management practices: 2.76 billion tonnes of carbon dioxide per year. Afya, a provider of education solutions, has been certified by Women on Board and has committed to have at least 50% female representation at the management level by 2030. Evoqua, a provider of water solutions, announced the construction of a new Sustainability and Innovation hub, which will enable further innovation in water treatment technologies.

This quarterly report focuses on two UK-based companies which we recently added to the portfolio. Both Home REIT and Ilika sit within our 'risk-adjusted', as opposed to our 'core', bucket due to liquidity and size constraints. Our 'risk-adjusted' holdings are earlier in their impact journey, and our position in these may not be scaled up at the same rate as our 'core' holdings. Early investment also facilitates early engagement, allowing us to be a part of the journey from the beginning. In addition, with COP26 just having passed, the thematic part of our quarterly report will focus on green innovation. We hope that you will enjoy this condensed version of our longer-form 'Regnan Radar' piece.

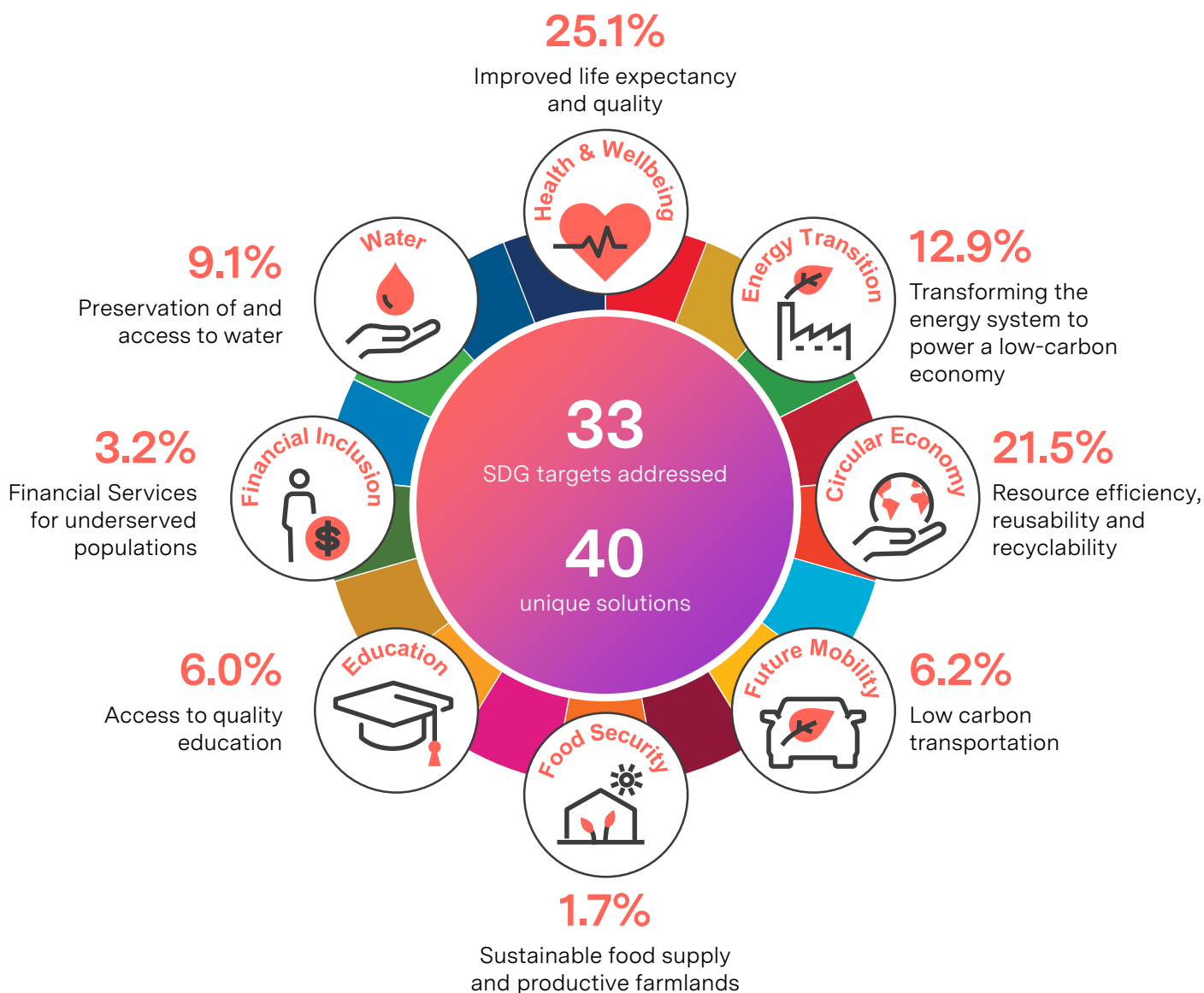


Maxine Wille,
Analyst,
Regnan Global Equity Impact Solutions

The Regnan Global Equity Impact Solutions strategy is a solutions-first strategy. It is focused on investing in mission-driven businesses that address underserved environmental and social challenges and deliver real, systematic change for the better. The team aspire to demonstrate that investing for impact not only makes good environmental and social sense; it also makes good financial sense. The intention is to broaden the appeal of impact investing and redirect capital towards impact investing. We aim to do this by delivering our investors market-beating long-term returns, because we have identified 'system changers' that innovate, disrupt and ultimately produce positive environmental, social and financial outcomes.

Regnan Global Equity Impact Solutions

Portfolio exposure by impact theme



Source: Regnan / JOHCM as at 30 September 2021. Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Cash position: -0.1%. Neutral impact (12.2%) is estimated where revenues not directly tied to any theme. Negative impact (2.3%) estimated where revenues may be detrimental to UN Sustainable Development Goals (SDG). Data representative of Regnan Global Equity Impact Solutions Fund (U.K.) onshore OEIC.

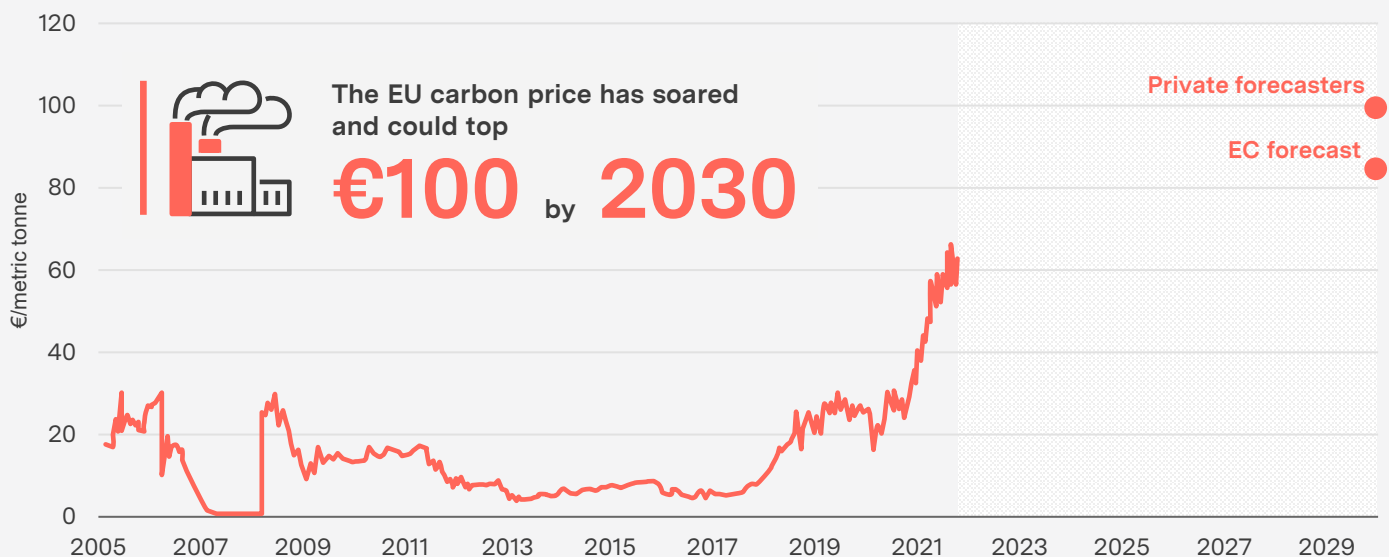


THEMATIC FOCUS

A new innovation cycle is developing

A new innovation cycle is developing, driven by the need to find technological solutions to environmental challenges. Green innovation, which focuses on optimizing resource efficiency or reducing pollution, has the potential to be a major source of economic growth and opportunities for discerning investors. Multiple forces, from consumers to public authorities and investors, are driving businesses to account for their environmental costs and develop new environmental solutions. As mechanisms for pricing environmental costs develop, for instance with the rise of carbon prices, laggards are increasingly penalized, and while leaders and innovators are rewarded.

EU-ETS carbon price



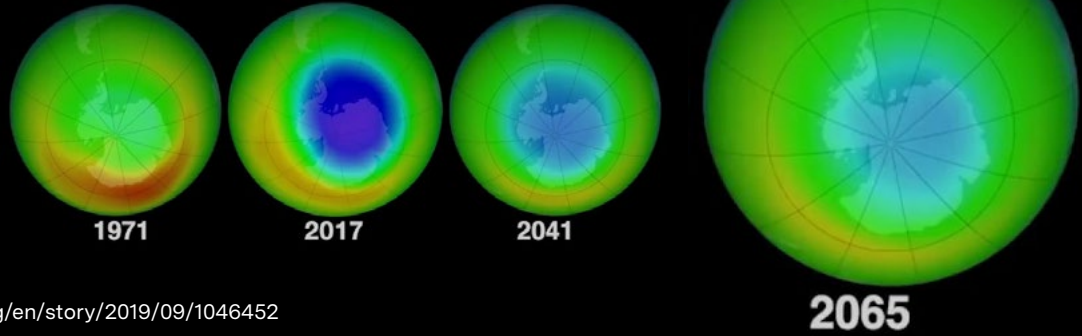
Source: Gavekal Dragonomics/Macrobond.

Innovation needs to be increasingly shaped by environmental sustainability, with practical tools now available to innovators. Investors should consider both positive and negative impacts of solutions and companies' operations in determining if an innovative solution is truly sustainable and delivers a positive outcome. Tools such as life cycle analysis should be integrated into any innovation, notably through methods such as eco-design. Ansys, a simulation software provider based in the US, offers solutions to embed materials' environmental footprints into product designs. Thanks to this, R&D engineers can integrate energy footprints, recyclability, biodegradability, and other characteristics into their designs.

Innovation can help solve environmental challenges and benefit economic growth

Environmental challenges such as climate change, biodiversity loss, plastics pollution, or water scarcity need innovative solutions. Looking back at history shows that environmental innovation, driven by technology can help not only contribute to economic prosperity, but also tackle some of the world's environmental challenges. The Montreal Protocol proved successful at tackling the proliferation of ozone depleting chlorofluorocarbons (CFCs). Along with global coordination, an innovation spur in advance of the Protocol meant alternative, less damaging substances were readily available and cost effective.

The healing of the ozone layer



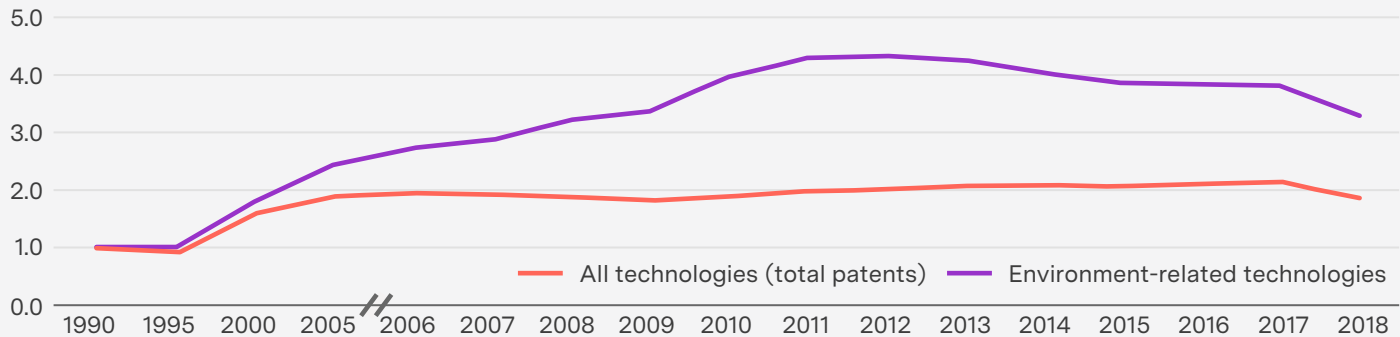
Source: UN, <https://news.un.org/en/story/2019/09/1046452>

Green patents have become a larger part of total innovation. OECD data shows that the growth of patenting for environment-related technologies has outpaced patenting for all technologies. Green patents made up just above 6% of total patents in 1990; they now represent more than 10%.

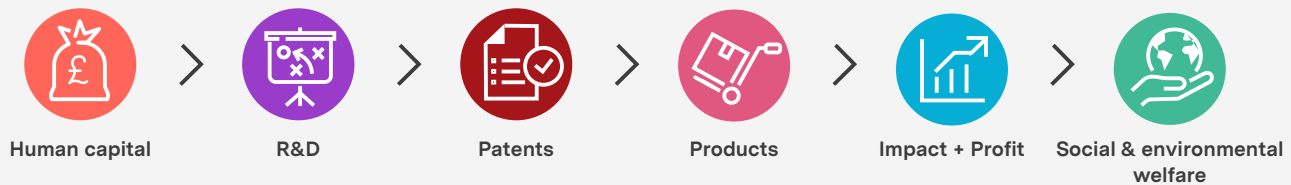
Small and medium sized companies have more productive patents, so investors might focus on those to capitalize on the benefits from the green innovation cycle. R&D does not always result in functional, profitable, or impactful product launches. But when it does, it can be a significant driver of growth, as innovation-led sales growth often delivers higher product differentiation, and thus the potential for higher returns. Evidence from Argente et al suggests this is more relevant for small and mid-sized companies. Given their innovative product development, mid and small cap businesses can offer investors attractive opportunities where innovative solutions are a key source of corporate growth.

A four-fold (or 4x) increase in global R&D spending between 1997-2017 to over US \$2.2 trillion

Trend in patents for environmental vs. general technologies, normalised.



Source: OECD, as of July 17, 2019



Promising ideas are contagious and knowledge ‘spillover’ often spurs further innovation; green innovation is a particularly good compounder.

Researchers from the LSE estimate that green technologies’ knowledge spillover effect (the positive externality from those innovations contributing to wider innovation) is much higher than for dirty technologies. They find that green patents get on average 43% more citations than dirty patents, meaning green patents have a much larger ripple effect, helping inspire further innovation.

Why innovation matters to investors

As impact investors focused on identifying and investing in solutions to some of the world’s pressing social and environmental challenges we are naturally orientated towards innovative, mission-driven companies that disrupt the status quo and bring about positive impact. That lens for investment decisions requires that we think about the increasing relevance of green innovation as key driver of companies’ ability to create solutions that directly address the environmental and social challenges we collectively face, thus creating a prosperous future and offering the potential for attractive investment returns.



Case Study #1

CASE STUDY

This company's activities contribute to the following SDG targets and Regnan themes:



Theory of Change

The company 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. The company 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. Their microbatteries are being used in implantable medical devices to reduce the size of implants and extend device life, reducing the need for more frequent medical interventions. Other applications include Industrial IOT where their batteries can safely operate at high temperatures enabling improved visibility and automation of industrial processes through integration in sensors.

What the company does

The company is one of the few independent global experts in the design and manufacture of solid-state batteries (SSB). Since 2014, their primary focus has been the development of SSB technology with two battery formats currently under development.

In a conventional lithium ion battery, the anode and cathode are separated by a liquid electrolyte. With this company's solid state batteries, a composite structure is built up; by removing the liquid electrolyte, the process helps deliver higher energy density.

The company's small format microbattery is designed for initial use in medical and industrial internet of things (IIoT) applications. In 2016, the company launched the small format prototype microbattery with an energy density 40% better than other solid state solutions and with the ability to operate at 100°C, 30°C higher than existing solid state products. More recently, the company has developed prototypes tailored to the MedTech sector for implantable medical devices which have a 0.15mm thickness and flexible form factors.

As a solid-state battery, the microbattery does not contain

the toxic liquids that conventional batteries do, has a more compact design than these batteries and can also have longer lifecycles. This allows for smaller implantable medical devices, ensures their increased precision and removes the risk of these devices leaking, making them easier and safer to insert into patients' bodies.

The company's SSB technology is enabling the use of IoT sensors in otherwise inaccessible industrial processes due to temperature constraints.

EV batteries with the potential for 6x faster charging, 4x longer charge retention and 2x increased energy density

The company has a larger format battery program which leverages their experience and proven technology in micro SSB under its microbattery program and applies this technology to EV batteries 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. The company has partnered with leading OEM's during the development phase.

Why the company is in the portfolio

The company's microbattery technology is now proven and commercial production will begin in 2022, while large format cells are still being developed, they present a significant market opportunity, even if they capture only a small share of the total addressable market for electric vehicles (\$84bn by 2025).

- If successfully commercialized, the company will be one of a handful of players targeting SSB for EV's which will enable faster penetration of EV's by eliminating range anxiety and charge speed issues.
- The company has a flexible business model, focused on increasing production, before licensing the technology to enable rapid scale-up without heavy investment in manufacturing.

Global battery markets

	Medtech \$2.2bn by 2024
	Industrial Sensors \$29bn by 2025
	Consumer appliances \$50bn by 2025
	Electric Vehicles \$84bn by 2025

Source: The Company's Annual Results, 2021



Case Study #2 CASE STUDY

This company’s activities contribute to the following SDG targets and Regnan themes:

TARGET 1.4 **TARGET 11.1**

1 NO POVERTY **11 SUSTAINABLE CITIES AND COMMUNITIES**

Financial Inclusion

Theory of Change

This company is the first real estate investment trust dedicated to fighting homelessness in the UK. Since its IPO in October 2020, the company has acquired over 6,500 beds throughout the UK for individuals and families that were homeless or threatened with homelessness. The accommodation that the company 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. All of the properties are recently refurbished to a high standard and provide individuals, as well as families, well-being support and a place to rebuild their lives and reintegrate back into society.

What the company does

The company provides new, high quality, long-term housing accommodation for individuals in the UK at risk of homelessness. The company offers low and sustainable average weekly rents of under £95 per week, providing significant savings to local authorities compared to less suitable alternative accommodation. Its housing partners include registered charities, housing associations, community

interest companies and other regulated organizations, which have a proven operating track record in providing low-cost accommodation to the homeless. This housing stability as well as a focus on care, support, training and rehabilitation provides vulnerable homeless people with the skills and confidence to find long-term accommodation and enable them to reintegrate back into society.

20,000 victims of domestic violence made homeless last year

Why the company is in the portfolio

Homelessness is a persistent and growing problem for our society with significant social and economic ramifications. Being homeless devastates people’s lives, significantly affecting their physical and mental health.

The company directly addresses the social needs of those experiencing homelessness by providing long-term, stable accommodation. They fund high quality homes via conversion, refurbishment or forward funding, increasing the housing stock. The company has dynamic housing partners who have been able to scale up their housing provision significantly and we expect to see continued deployment and growth of the portfolio which currently houses close to 6,525 individuals. The low, sustainable levels of rent provide considerable cost savings for housing partners as well as local authorities which, via the Homelessness Reduction Act 2017, are legally obligated to take steps to house individuals who are, or are threatened with, homelessness. All the rent payable by the company’s tenants is funded by support from local and central government.

Given the significant supply / demand imbalance and need for greater homelessness support, we see significant opportunity for the company to scale and broaden the impact delivered through its established and growing network of housing partners.

The company has acquired over 6,500 beds throughout the UK for individuals and families that were homeless or threatened with homelessness



Cause



Impact



Cost

- Loss of income/financial difficulties
- Served prison sentences
- Substance abuse/drug dependency
- Foster care leavers
- Domestic abuse and violence
- Lack of adequate healthcare and mental health support
- 111% increase in local authority expenditure on B&Bs between 2014 and 2019
- Those who become homeless are 10 times more likely to die than those of a similar age
- 67% people released from prison without a home re-offend within a year
- 20,000 victims of domestic violence made homeless in a year
- £1.1bn annual local authority expenditure housing homeless people in temporary accommodation in England
- £18bn being the cost of reoffending to the UK economy
- £410m spent on B&B accommodation last year

Source: The Company

About Regnan

Regnan is a responsible investment leader with a long and proud history of providing insight and advice to investors and industry bodies such as the UNPRI.

In 2020 Regnan expanded into responsible investment funds management, backed by the considerable resources of Pandal Group.

Our strategies:

Regnan Global Equity Impact Solutions

The Regnan Global Equity Impact Solutions strategy is a solutions-first approach, focused on investing in mission-driven businesses that address underserved environmental and social challenges and deliver real, systematic change for the better. It is a high-conviction, global, multi-capitalization portfolio with low turnover and a strong emphasis on driving impact by engaging companies to improve measurable outcomes.

Regnan Sustainable Water and Waste

Our Thematic Investing team joined Regnan in April 2021 and launched the Regnan Sustainable Water and Waste Strategy in September 2021. Combining exposure to both water and waste-related companies makes this strategy a distinctive thematic investment proposition with diversification benefits.





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