

MAY 2021

DON'T LET YOUR INCOME GO UP IN SMOKE!

Many income funds continue to lean on stocks with poor ESG properties and risks

It doesn't have to be this way!

1. Around the world, consumer and investor preferences are evolving to be **more environmentally-aligned** and **conscious of social impact**.
2. Income funds have been slower to adapt to this and often boast tobacco-makers and non-aligned energy companies as prominent holdings.
3. There are **ample opportunities** for income funds to generate current yield and strong returns by investing in greener income alternatives than traditional income stocks.

A traditional income fund could support the production of over 13,000 cigarette packs per year!

- Per US\$1 million invested in a fund with a 5% allocation to tobacco
- Based on Phillip Morris 2019 cigarette production of 707 billion sticks
- Equates to roughly 5 million sticks per US\$1 million of market cap*

*Phillip Morris market capitalization as of 14 December 2020. Sources Bloomberg, JOHCM, Phillip Morris 2019 annual report.

JOHCM Global Income Builder Fund

- Flexible fund investing across equity, credit, hybrids and defensive assets
- Rated 4 Globes out of 5 by Morningstar for sustainability
- Among the most sustainable income funds in its Morningstar category
- Tobacco-free

JOHCM Global Income Builder Fund carries a 4 Globe Morningstar Sustainability Rating (as at 30 April 2021). Only 16 funds within Morningstar's World Allocation peer group carry a Morningstar Sustainability Rating, and only 3 of them (including JOHCM Global Income Builder Fund) carry a 4 Globe Morningstar Sustainability Rating.

Income investors are **well-positioned** for the key emerging trends of the day

1. Decarbonisation

- Traditional, income-generative businesses are key enablers of decarbonisation
- **Income-generative beneficiaries:** industrial gases, utilities with transmission networks, green power & hydrogen supply chains, semiconductors, other electric vehicle components

2. Deglobalisation

- Coronavirus and geopolitics drive the need for local strategic sourcing
- **Income-generative beneficiaries:** factory automation and robotics, utilities, software

3. Digitalisation

- Covid-19 accelerates the shift to the cloud, online advertising and the decline of cash, but high valuations create “growth trap” risk
- **Income-generative beneficiaries:** platform companies across payments, IT infrastructure and online media



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