

Regnan Global Equity Impact Solutions Fund

Quarterly Portfolio Review | July 2021
Data as at 30 June 2021



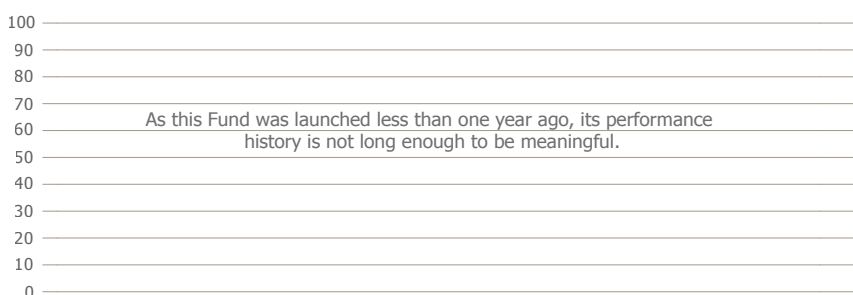
A GBP Class

Fund overview

- Aims to generate long-term outperformance by investing in 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.
- A high conviction, diversified, global multi-cap portfolio with very low portfolio turnover and a strong emphasis on driving impact through engagement.

Performance highlights (%)

Return since launch (%)



Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised*
A Acc GBP	-	-	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-	-	-
Quartile**	-	-	-	-	-	-	-	-

Discrete 12 month performance to

	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
A Acc GBP	-	-	-	-	-

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. The Fund's investment 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. Information on how JOHCM handles personal data which it receives can be found in the JOHCM Privacy Statement on our website: www.johcm.com. NAV of Share Class A in GBP, net income reinvested, net of fees. The A GBP Class was launched on 27 October 2020. Performance of other share classes may vary and is available on request.

*Annualised since launch. **Sector quartile ranking: IA Global, and Lipper Global Equity Global domiciled in the UK, offshore Ireland, or offshore Luxembourg.

Fund details

Fund size	GBP 94.76m
Strategy size	GBP 183.56m
Launch date	27 October 2020
Benchmark	MSCI ACWI Investable Market Index (12pm adjusted)
No. of holdings	32
Domicile	UK
Fund structure	OEIC
Tax status	UK reporting status
Denominations	GBP
Valuation point	12pm Dublin time

Total strategy assets updated quarterly and shown as at 30 June 2021.

Team



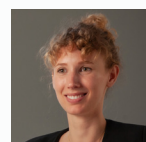
Tim Crockford
Senior Fund Manager
Tim has managed the Fund since launch. He joined JOHCM in 2020 and has 14 years of industry experience.



Mohsin Ahmad, CFA
Fund Manager
Mohsin has worked on the Fund since launch. He joined JOHCM in 2020 and has 13 years of industry experience.



Maxime Le Floch, CFA
Analyst
Maxime has worked on the Fund since launch. He joined JOHCM in 2020 and has 10 years of industry experience.



Maxine Wille, CFA
Analyst
Maxine has worked on the Fund since launch. She joined JOHCM in 2020 and has 6 years of industry experience.

Top 10 holdings

Stock	Impact Solution	Absolute
Evoqua	Water pollution was estimated to represent 1.8m deaths in 2015, according to the Lancet. The solution is to implement high purity water treatment solutions and increase water re-used within industrial processes so as to reduce water withdrawals and discharges. Evoqua is the leader in sophisticated water treatment solutions and is providing service-based solutions for companies to implement better water treatment in their operations.	4.3
Befesa	Secondary steel and aluminium production have a significantly lower CO2 footprint than primary production and use fewer natural resources. However, both secondary steel and aluminium production produce hazardous wastes, which are often landfilled, risking groundwater and sewage system contamination. Befesa's best-in-class recycling technology offers an alternative to landfills and its technology is able to extract and re-use the valuable metals contained within these hazardous wastes.	4.8
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.	4.3
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.	4.3
Afya	Afya is the leading provider of undergraduate medical courses in Brazil (c10% market share). Brazil has amongst the lowest level of medical density at (2.1 physicians per 1000 inhabitants, which reduces to 1.3 excluding the capitals versus an OECD average of 3.4). While the population of Brazil is rapidly ageing (60+ population is expected to be 18% of the population vs 13% in 2018) 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 governments Mais Medicos program.	4.3
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).	4.2
Lenzing	Fashion represents up to 10% global CO2 emission, 20% of waste water 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, and 87% of garments are incinerated or landfilled. Wood-based cellulosic fibres from Lenzing use 10x less water than cotton, have a neutral carbon footprint (not taking into account carbon sequestration from forests), 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.	4.1
Umicore	Umicore generates most of its revenues and dedicates its R&D towards clean technologies such as emission control catalysts, materials for rechargeable batteries for electric vehicles and recycling of metals. It helps solve two supply chain bottlenecks for electric vehicles: the supply of scarce metals such as nickel and cobalt and high-nickel cathode materials.	4.1
Sartorius	As a leader in providing single-use (SU) equipment, Stedim is significantly driving down the cost of and improve the speed of bioprocessing, helping manufacturers make biologic drugs more affordable and help to bring new, innovative therapies to market. Its products provide an enhanced safety profile, lowering the risk of cross-contamination, as well as a significantly lower environmental footprint than their stainless steel alternatives.	4.0
Horiba	Horiba has an 80% market share in emission measurement systems. Its automotive test division (c. 40% of sales) is expected to be a significant beneficiary of the introduction of the worldwide harmonized light vehicle test procedure and real driving emissions. Horiba also provides instruments and systems for applications outside of autos, including process and environmental monitoring, in-vitro medical diagnostics, semiconductor manufacturing and metrology.	4.0
Total		43.4

Portfolio analysis (%)

Data as at 30 June 2021

Significant portfolio changes

Stock	Buy/Sell	Impact Solution
PTC	Buy	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).
Lenzing	Buy	Fashion represents up to 10% global CO2 emission, 20% of waste water 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, and 87% of garments are incinerated or landfilled. Wood-based cellulosic fibres from Lenzing use 10x less water than cotton, have a neutral carbon footprint (not taking into account carbon sequestration from forests), 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.
Emergent BioSolutions	Sell	Following an error which lead to 15m doses of covid-19 vaccine being wasted at its CDMO unit. This event could seriously hamper the company's ability to win further business and grow its CDMO segment post the initial covid-19 vaccination programmes 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. As a result, we decided to sell the position.

Portfolio analysis (%)

Data as at 30 June 2021

Theme breakdown

	Absolute	
Health & Wellbeing	22.0	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	20.4	
Energy Transition	13.0	
Water	9.9	
Future Mobility	7.3	
Education	4.7	
Financial Inclusion	3.0	
Food Security	1.9	
Positive Impact	82.2	
Cash	1.7	
Neutral Impact	13.2	
Negative Impact	2.8	

Active bets

Top 5	Relative
Evoqua	5.3
Befesa	4.8
Xylem	4.3
Bank Rakyat Indonesia	4.3
Afya	4.3

Bottom 5	Relative
Apple	-3.0
Microsoft	-2.5
Alphabet	-1.9
Amazon	-1.9
Facebook	-1.1

Sector breakdown

	Absolute	Relative	
Industrials	28.1	17.2	
Health Care	20.2	8.6	
Materials	10.0	4.8	
Consumer Discretionary	15.2	2.4	
Utilities	3.2	0.6	
Energy	0.0	-3.4	
Real Estate	0.0	-3.4	
Financials	10.2	-3.7	
Consumer Staples	0.0	-6.6	
Communication Services	0.0	-8.7	
Information Technology	11.3	-9.5	
Cash	1.7	1.7	

Market cap breakdown

	Absolute
Large (>USD 15bn)	46.3
Mid (USD 1 - 15bn)	50.4
Small (<USD 1bn)	1.6
Cash	1.7



Attribution & contribution (%)

Stock attribution

Top contributors	Relative return
Hannon Armstrong	0.46
Evoqua	0.38
Afya	0.36
Sartorius	0.30
Alfen	0.24
Top detractors	
Lenzing	-0.55
Bank Rakyat Indonesia	-0.50
Valeo	-0.37
Duerr	-0.37
Ørsted	-0.32

Sector attribution*

	Relative return	
Industrials	0.95	
Financials	0.48	
Health Care	0.37	
Consumer Staples	0.12	
Real Estate	0.01	
Communication Services	-0.07	
Energy	-0.08	
Consumer Discretionary	-0.11	
Utilities	-0.22	
Materials	-0.35	
Information Technology	-0.74	

*Excludes cash

Fund manager's commentary

Data as at 30 June 2021

- The second quarter was punctuated by a decline in nominal yields and the eventual loss of momentum of some of the reflation trade winners.
- At a portfolio level we continued to see good progress on corporate earnings.
- We expect the portfolio companies to continue to see earnings growth as their solutions grow into their addressable markets ahead of market expectations.

The second quarter was punctuated by a decline in nominal yields and the eventual loss of momentum of some of the reflation trade winners, culminating with the publication of the Fed's new dot plot, that had the effect of sending short-term yields up and lowering long bond yields, flattening the yield curve as inflation expectations receded. This changed the course of the weakening dollar, sparking another rally over June. We saw repeated but short spikes up in volatility over the quarter, with the VIX yet to return to pre-Covid-19 levels.

These moving parts created a lot of noise in a market where equity risk premia, rather than underlying earnings momentum, still seems to be a more powerful driver of stock prices.

At a portfolio level we continued to see good progress on corporate earnings, with Sartorius, Orsted, Lonza, Alfen, Carl Zeiss, Umicore, Lenzing, Tomra, Agilent, Procredit, Xylem, Hella, Autolus, Hannon Armstrong and Befesa all seeing notably strong earnings momentum in absolute terms which reaffirmed our investment case and sees these businesses grow into their addressable markets.

During the reporting period sector allocation detracted but was offset by strong security selection, especially within the industrial and consumer discretionary areas which were key drivers of performance, as was the portfolio's healthcare exposure. This was partially offset by our financial names failing to keep pace with the sector. Brazilian education providers YDUQS and Afya were among the portfolio's biggest contributors; they benefitted from the improving Covid-19 backdrop in Brazil and partial recovery of the Brazilian real. Industrial water business Evoqua was the top contributor. It grinded higher after it announced solid results which beat expectations, however, guidance on future earnings was somewhat muted. Evoqua, is currently one of the largest positions in the portfolio and sits within our water theme, which is long term and perpetual by nature. We expect the business (and others like it) to benefit from infrastructure spend by governments.

Portfolio additions over the quarter included garment manufacturer Lenzing. The company produces wood-based cellulosic fibres for use in apparel. Their products use ten times less water than cotton, have a neutral carbon footprint, are highly biodegradable, and almost exclusively use chemicals that are recycled in a loop process. We also added PTC Inc to the portfolio in early May. It provides leading software solutions across the life cycle of products through computer-aided design (CAD), product life cycle management, industrial internet of things and augmented reality. Both PTC and Lenzing play to our circular economy theme.

We sold Emergent BioSolutions following an error which led to 15m doses of Covid-19 vaccine being wasted at its CDMO unit. This event could seriously hamper the company's ability to win further business and grow its CDMO segment following the initial Covid-19 vaccination programmes in 2021 which was a key pillar of our investment thesis. We took the decisive decision to exit shortly after the news broke and prior to subsequent declines in the share price.

The main challenge for a number of our names over the year has been relative earnings momentum, whereby sectors that were hit particularly hard in 2020 by the global halt in activity have seen positive earnings revision at a faster pace. This has been driven by easy comparative year-on-year data, which has started to fade in some sectors and will continue to do so in the absence of another leg-up in commodity prices and a "re-steepening" of the yield curve that is driven by rising inflation expectations, the likelihood of which we see as still being in the balance, however, we expect that the marginal impact on equity risk premia will be somewhat less extreme as it was when equities were at more attractive valuations in the sectors that have been the biggest beneficiary of the reflation trade. This should make for a more favourable environment for the strategy in the second half of the year.

As ever, our focus remains on investing in mission-driven companies with proven solutions. We expect the portfolio companies to continue to see earnings growth as their solutions grow into their addressable markets ahead of market expectations and as they deliver real world impact through their innovative solutions to the environment and social challenges we face.

Performance over 1 month	%
Fund - A Acc GBP	-
Benchmark	-

Country registration

	A GBP	Y GBP
UK	✓	✓

Regulatory documents

English language KIIDs can be found on our website at www.johcm.com

Foreign language versions are available on request by calling +44 (0) 20 7747 5646

Share class details (Further details on additional share classes are available on request)

	ISIN	SEDOL	Bloomberg	Initial charge	Annual charge	Ongoing charge	Minimum investment
A Acc GBP	GB00BMCZDD05	BMCZDD0	RGEISAA LN	Up to 5%	0.75%	0.92%	£ 1,000
Y Acc GBP	GB00BMCZDK71	BMCZDK7	RGEISYA LN	Up to 5%	0.63%	0.82%	£ 50,000,000

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