Investing with conviction, Investing for results
Regnan Global Equity Impact Solutions

→ Investing in companies with solutions that positively impact people and planet
→ Identifying early growth opportunities for sustainable returns
→ Seeking out market inefficiencies in pricing in long-term systems changes
→ Aiming to outperform the broad global equity market for long-term results
Making capital work for a better tomorrow

What we invest in today shapes our world for tomorrow — positively or negatively. Impact investment funds give investors the opportunity to be more proactive with their investment capital, helping the world thrive as they invest for financial returns.

Impact investing isn’t a type of asset class or subset of securities. It describes investment funds that invest with the intention to generate a measurable positive impact on people and planet, along with a financial return. These funds fall under the sustainable (or, responsible) umbrella of investing, along with ESG integrated and other sustainably themed funds. While environmental, social and governance funds focus on a company’s inputs (such as fossil fuels consumed) and outputs (such as emissions produced), impact funds focus instead on positive environmental and social outcomes that are driven by the company, across the industry, and throughout the community (such as clean energy solutions).

A range of sustainable investment approaches are available to investors

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→ Impact funds look for companies with products and services that make a difference and that will drive portfolio growth and investment returns because of that difference. Companies more likely to achieve impact may be more likely to achieve greater profit, because their products and services are addressing an unmet need.
Why invest for impact?

Impact funds offer investors the opportunity to achieve investment returns plus non-financial outcomes that benefit society and the environment. Potential benefits include lower investment volatility over time, added growth over time, greater positive impact on the world, and mitigation of negative impacts.

Funds considered should meet basic risk/return characteristics and reflect the investor’s views on generating alpha, managing the portfolio, and measuring impact. The right fund choice should offer consistent long-term sustainable returns, with transparency of impact results.

Investors continue to report strong results for impact investments:

- **88%** met or exceeded their financial expectations
- **99%** met or exceeded their impact expectations

The impact case is the investment case

J O Hambro Capital Management and our sustainability specialist counterpart, Regnan, teamed up to launch our flagship impact strategy: Regnan Global Equity Impact Solutions. The strategy looks to invest in companies around the globe that are growing because they deliver innovative solutions to fulfill unmet needs.

Our approach to managing this portfolio is based on our methodology for fully integrating the investment and impact analysis. Starting with our investment framework, we translate the United Nations Sustainable Development Goals (UN SDGs) into investable solutions and investment themes, which helps us create an investable universe of companies around the world that are selling solutions that contribute toward achieving these goals.

A company in our investable universe must pass our five impact tests and receive unanimous approval from the product team before we consider it for the portfolio:

1. **Nature**: Does the company's solution contribute to a specific UN SDG target?
2. **Intentionality**: How central is the solution to the company’s strategy and mission?
3. **Additionality**: Would this impact occur to the same extent if the company’s solution didn’t exist?
4. **Balance**: What are the company’s actual and potential negative impacts?
5. **Directionality**: What is the trajectory of the company’s net impact?

### Seeing the bigger picture of impact

Our proprietary thematic research identifies targets and related solutions, using top-down views (market potential) plus bottom-up insights (company assessments).

We go beyond typical ESG issues. Because we are systems thinkers, we look at the bigger picture for ways to generate impact and identify solutions before we research companies. This sets us apart from impact funds that have a more tactical portfolio construction process. For example, in our research on hydrogen power, we look beyond hydrogen’s potential to decarbonize certain heavy industries to also consider any negative effects, such as the substantial amount of water required to produce it.

### Regnan’s proprietary investment universe

- **50** of the 169 UN SDG targets addressed
- **150+** unique solutions
- **2k+** companies in the universe
- **8** investable themes
Global roots for broader engagement

Active ownership and engagement are critical to driving positive change and generating consistent returns. Our portfolio team has extensive experience in engaging directly with companies to advocate for positive change. We work closely with Regnan Insight & Advisory Center team, which has strong relationships with influential organizations around the globe. We use this network to effect positive change and to advise asset owners, investors and companies on how to amplify active ownership and engagement. Engagement efforts look for potential negative impacts of a company’s products and services, collaborating with corporate management to develop realistic programs, with measurement and accountability for change.

Our global roots magnify these efforts. With European and Australian heritage in the investment and advisory businesses, we are based in markets that are more than just familiar with impact investing — they are ahead of the curve. Regnan began as a joint venture between a university and a large Australian pension fund. Today, few firms can match the depth of experience that comes from our two decades of research and engagement.

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1 Source: Regnan and J O Hambro, 3/31/21. Exposure to eight impact themes based on company revenue estimates or other relevant metrics. The residual amount is cash, neutral impact exposures, and a negligible amount of negative impact where the team has decided that a product or service sold by a company may be detrimental to a UN SDG.
A principled process for portfolio management

Our portfolio construction process looks for smaller, focused businesses, which also expands the opportunities for growth and impact. By nature, these companies tend to have management and culture that's more amenable to investor engagement and to providing data for accountability and measurement. Efforts that support greater impact can also help sustain a shareholder base of long-term investors.

Risk management of the portfolio includes financial risk assessment (macroeconomic exposure, factor exposure, and currency risks, for example) and non-financial risk assessment (such as climate-related physical asset risk and cybersecurity risk). Stress-test assumptions are key to understanding the types and levels of risks that are acceptable, how these risks can be monitored, and whether a company could be encouraged to address these through the team’s engagement efforts. J O Hambro’s risk management team provides additional risk oversight.
Case in Point: Best-in-class technology cleans up manufacturing

One of the innovative companies in our portfolio has created a recycling model for industrial steel dust and aluminum salt slags, both hazardous wastes. Based in Germany, the company manages more than a million tons of steel and aluminum residues annually, in Europe and Asia.

Steel and aluminum are two of the major pillars of our industrialized world, but they are also two of the most challenging industries to decarbonize. By recycling and reintroducing steel and aluminum residues, this company contributes to UN SDG targets of responsible consumption and production:

• Provides an alternative to hazardous waste going to landfills
• Reduces the need for mining by recovering valuable materials, such as zinc, from this waste
• Lowers the risk of groundwater contamination
• Shrinks the manufacturing carbon footprint

This real-time example illustrates how our impact strategy seeks companies that are growing because they deliver solutions to meet underserved needs around the world.

Active investing for impact

To learn more about how we select impact opportunities and invest for long-term sustainable results, go to johcm.com/regnan

Not a recommendation to buy or sell any particular security. A full list of holdings available upon request.
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