



Rathbone Global Sustainability Fund
Annual review 2019

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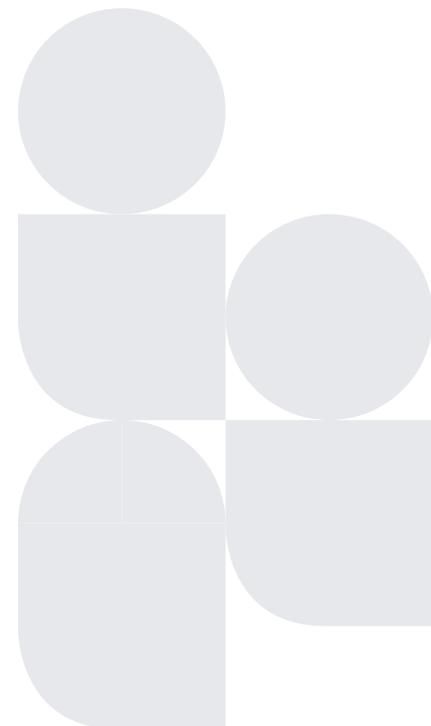
Since launching the Rathbone Global Sustainability Fund in July 2018, we have learned a great deal. We wanted to share some of our thoughts about our journey so far in this first annual report.

From the moment we first thought of creating our fund, we were adamant that complete transparency of our sustainability process was crucial. That is why we own the stocks we do, and what the key sustainability themes in the portfolio are. Also, how we have engaged with companies to do good while making better long-term investments. Our annual reports will play a key role in this. We hope you find the level of detail useful, as we believe it's a critical part of what we are trying to achieve.



David Harrison
Fund Manager

Rathbone Global Sustainability Fund



What's under the hood?

One of the first questions we often get is, "What is Rathbones' heritage in the sustainability space?" Closely followed by, "What value can you add that others can't?"

Rathbone Greenbank Investments has been at the vanguard of ethical investment research for more than 20 years and is in contact with us every day. Rathbone Greenbank's ethical research team forms an integral part of both our investment process and the fund. We work closely with the team on every stock we own or want to buy. The research team has the ultimate say on whether a company passes our sustainability criteria or not – we, as fund managers, cannot override this. We know that this approach works incredibly well from the experience of the Rathbone Ethical Bond Fund, which has been running very successfully since 2002. We wanted to recreate this formula in the global equity market, giving our investors the same level of transparency over our investment process.

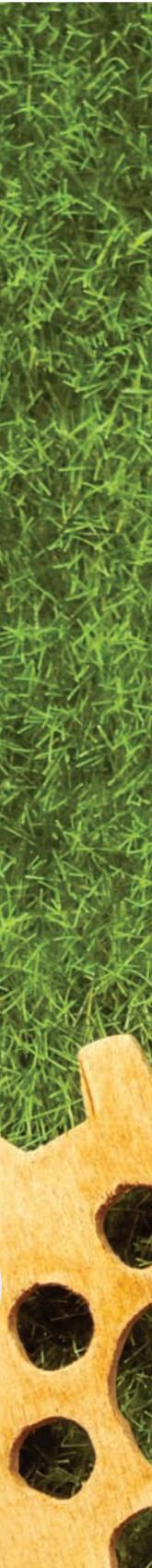
Having a clearly defined ethical framework is extremely important. This framework was created a number of years ago and has been a central part of the Rathbone Ethical Bond Fund process ever since. We have adopted a similar framework and

investors have a clear understanding of where we will invest and where we will not. We will never buy an oil company or even the most sustainable tobacco business (seriously, check out a few of their annual reports).

At the same time, we are clear in how we judge a company's sustainability credentials. The ethical research team has mapped the United Nations Sustainable Development Goals (UN SDGs) onto their proprietary database and use them as a tool to ask management teams about sustainability and how it influences their business. The UN SDGs comprise 17 goals, with 169 underlying targets that aim to 'end poverty, protect the planet and ensure prosperity for all' by 2030. These goals are an important addition to the sustainability process and a useful global roadmap for us all, that complements our existing approach.

One of our key advantages, we believe, is the level of transparency and information we provide on each company we own. In this report, we break down our portfolio by sustainability theme and how exposed we are to each area. We can also show this information down to a company level, something we believe investors will value.

"One of our key advantages, we believe, is the level of transparency and information we provide on each company we own."



“...the capability of Rathbone Greenbank is incredibly powerful.”

Everybody wants to be sustainable now

News about sustainability is everywhere. Investors, companies and wider society are talking about the need for all of us – people and companies – to change habits and drive our world toward a better future. This is incredibly helpful and the only way that we will address some of the most urgent issues that we all face. We applaud the momentum and are excited. At the same time, we maintain a healthy degree of scepticism before we judge any new investment idea to be sustainable. There will be more than a few companies that hide a ‘dodgy walk behind strong talk’.

The term ‘greenwashing’ has started to gain traction as many people worry that companies are re-branding themselves as ethical or environmentally aware without actually changing their business practices. We have seen a number of instances of greenwashing already and expect to see plenty more.

So how do we separate the companies ‘walking the talk’ in terms of sustainability and those that are simply riding the momentum for positive marketing spin? As mentioned previously, the capability of Rathbone Greenbank is incredibly powerful here. Meeting management is also a useful filter, to see who is faking it and who is not. It’s amazing how often companies simply wheel in an environmental social and governance (ESG) expert or tune out of a meeting whenever you quiz them on sustainability.

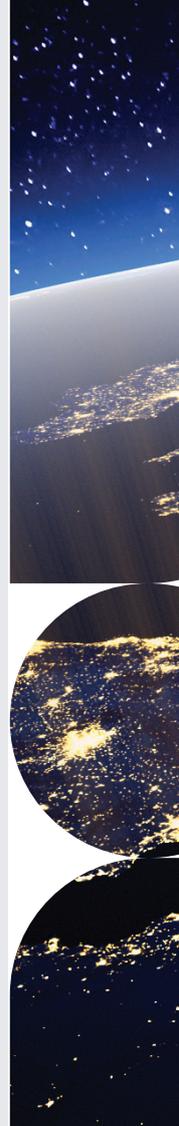
We meet hundreds of management teams each year. It has always formed a key part of our idea generation process. Management teams are often there to sell their company to you, so you have to enter any meeting with a degree of scepticism. Armed with the right questions, however, you can learn a lot about the business. You can get insight about the company’s suppliers, customers and any structural trends that might not be clear from the outset.

Meeting management is especially critical when it comes to sustainability issues. Face-to-face, you can quickly see if sustainability plays a key role in how a business allocates capital or if it is merely a marketing ploy. Many companies will have a dedicated sustainability or ESG person in the meeting, but I want the answer from senior management. If a chief executive can articulate clearly why sustainability is important and how it drives her business, then you know you are on the right track.

The UN SDGs provide a useful reference point to ask questions in meetings. Many companies are adopting these goals, but in some cases we have found little substance beyond this. We are wary when a business says it is adopting goals that are not directly relevant to its day-to-day operations. In many cases, we prefer when management focuses on fewer goals but with clear outcomes and measurement. When a company can clearly link these selected goals to how it will allocate capital in the future, we believe that is most powerful. As awareness around the UN SDGs continues to grow, we expect to see more pretenders but also more exciting investment ideas.

We also look at how a company makes its money versus how it is spending it. It is easy to set up a philanthropic foundation that drives your sustainability agenda, but how did the core business make its profits? Foundations are not a red flag, but can be a decoy and a ‘sticking plaster’ for a fundamentally unsustainable company.

“...we separate the companies ‘walking the talk’ in terms of sustainability...”





Quality and culture

We talk a lot about owning 'quality' companies for the long term. Quality to us means that the business has a wide and durable economic moat. This idea of an economic 'moat' was first coined by Warren Buffett, of Berkshire Hathaway fame, and is something we think about when looking at any new investment. The 'moat' is really the strength of the business: its market position, the type of product it sells, what stops rivals setting up in its market. The moat is also influenced by something else people rarely speak about – culture. We spend a lot of time understanding the culture of a business, as we believe that a healthy culture tends to signal a healthy business. It is harder to measure, but critically important.

One of the key ways we judge the strength of a business's moat is by looking at the level and durability of its cash flow. We prefer to judge companies by the cash they make over and above the cash they pay out. This is different to the earnings they report, which can be distorted by accounting tricks, mergers and adjustments. Analysing cash flow, how it's growing or contracting, and how much it changes over time is highly valuable. Cash always leaves a trail and cash never lies.

We like businesses that take the long view when allocating capital. To us, thinking sustainably is just an extension of capital allocation. We find that a long-term-minded management team running a strong business is often able to properly integrate sustainability considerations. They understand that not doing so will damage their core franchise (whether that's selling industrial parts, medical technology equipment or financial services). Weaker companies are often rushing around putting out fires, thinking only as far as the next problem. In that situation, sustainability tends to be an afterthought. This is not always the case, but it has proved a useful rule of thumb for us.

When it comes down to it, we are global investors. This is great for a concentrated fund like ours. Our job is to scour the world for the very best investments we can find – both for returns and for our planet. We have a huge universe of companies to choose from. We can take our time finding these quality businesses and only take the very best.

“Our job is to scour the world for the very best investments we can find – both for returns and for our planet.”

Sustainability spotlight

Plastics

Plastic waste is a problem that will impact our environment for generations to come. Research published by the journal *Science Advances* in July 2017 calculated that, of the estimated 8.3 billion tonnes of plastic produced since the 1950s, over half has ended up in landfill or the natural environment.

This is a problem that's been building for decades, but it's fair to say that 2018 was something of a watershed moment in terms of public awareness of the damage caused by plastic pollution.

Plastic packaging in particular is under scrutiny. Plastic bottles are a testament to the material's durability, taking at least 450 years to degrade. UK consumers alone discard around 35 million of these each year.

More broadly, plastic is so ubiquitous in packaging because it is a cheap, lightweight and durable product that can serve a wide range of important functions. As an example, plastic wrapping on a cucumber extends product life from three days to fourteen. Removing plastic in this scenario would therefore generate an associated increase in food waste.

There are nevertheless many cases where we can identify and challenge unnecessary or excessive packaging. Single-use plastics – straws, disposable coffee cups and plastic cutlery – are likewise all common sources of waste.

Investors need to encourage more companies to recognise and respond to the issue of plastic mismanagement as part of their broader sustainability frameworks. We can encourage companies to eliminate the unnecessary use of plastic and ensure that reusable, recyclable, or compostable alternatives are used wherever possible.

It tends to be retailers and consumer goods companies that are highlighted in the media, but it's important to look across the whole value chain. Which chemicals companies are producing different types of plastics? Who is designing and producing packaging? Who is involved in the collection and sorting of waste? And how are all these different agents interacting to promote or hinder a more circular economy for plastic?

Ethical and environmental concerns aside, investors increasingly recognise the long-term financial consequences of unchecked plastic pollution. At a basic level, better resource stewardship makes good business sense. But how companies think about plastic will also determine who benefits most from future changes in regulation and consumer preferences. We work with Rathbone Greenbank's ethical, sustainable and impact research team to understand where the fund has exposure to plastics and what risks and opportunities this creates.



For example, the fund invests in the Norwegian company Tomra. Tomra is a world-leading provider of advanced sensor-based solutions for optimal resource productivity. Its technology helps to minimise waste in the food and minerals industries, while significantly improving the recovery and sorting of materials such as plastic.

Governments around the world are tightening up rules on how waste plastic is handled. For example, in March 2019, the European Parliament approved new legislation that will not only see a number of single-use plastic products banned in the region by 2021, but also sets a requirement for European Union (EU) member states to reach 90% collection rates for single use plastic bottles by 2029.

Tomra is in a fantastic position to take advantage of this new legislation. The group's 'reverse vending machines' promote a more circular economy by refunding deposits on used containers returned for recycling. The company is already running successful schemes across the world including in Scandinavia, Germany and Australia and estimated that its global network of 80,000 reverse vending machines collected over 35 billion containers for reuse and recycling in 2018. In the next few years, we believe Tomra will continue to be able to capitalise on global efforts to improve the collection, sorting and handling of plastic waste.

“...investors increasingly recognise the long-term financial consequences of unchecked plastic pollution.”

Stewardship and corporate governance

Another important aspect of sustainable investing for the Rathbone Global Sustainability Fund is our approach to corporate governance and stewardship. As a signatory to the UK Stewardship Code, Rathbone Unit Trust Management is mindful of its responsibilities to its clients and seeks to be good, long-term stewards of the investments which it manages on their behalf. The companies in which the fund invests must adopt best practice in corporate governance as we believe that doing so provides a framework in which each company can be managed for the long-term interests of its shareholders. Rathbone has developed a core set of guiding principles which apply to our stewardship and governance-related activities:

Materiality – we recognise that governance and stewardship risks can be material to the performance and valuation of companies.

Active voting – we actively vote all shares held within the Rathbone Global Sustainability Fund except where local regulations make voting impractical.

Engagement – active engagement with companies on governance issues, including writing to companies when voting against management, outlining our specific concerns.

Transparency – we will report annually on our stewardship activities. The latest report (Stewardship report 2019) covering 2018 voting and our stewardship policy are available on our website rathbonefunds.com

Rathbone Unit Trust Management approaches each company meeting on a case-by-case basis using a combination of established best practice for each market and knowledge of the particularities of each company to reach a decision. In addition to this, the fund benefits from an additional sustainability-themed voting overlay. This ensures that voting on fund holdings will be consistent with the values of the fund and its sustainability criteria. The default position is to vote in favour of social and environmental proposals that seek to promote better disclosure and good corporate citizenship, while also enhancing long-term shareholder and stakeholder value. On the next page are a couple of examples of the policy in action since launch in July last year.

“The default position is to vote in favour of social and environmental proposals that seek to promote better disclosure and good corporate citizenship, while also enhancing long-term shareholder and stakeholder value.”

Alphabet

Google owner Alphabet has faced criticism on various diversity issues, most notably for maintaining a sizeable gap between average earnings of its male and female staff. We therefore supported a request for the company to produce a report on its gender pay gap, requiring better disclosure of how the company will manage diversity risks. Currently Alphabet hasn't shown any willingness to report on its gender pay gap in jurisdictions where it isn't required by law. As a result the fund sold its holding in Alphabet as we believe the company's opposition isn't consistent with the fund's sustainability criteria.



An example of poor corporate governance we encountered was at the Finnish elevator manufacturer Kone. At its AGM in February 2019 we voted against the re-election of its Directors as the proposed composition would mean only 13% of the board would be independent and one of the executives is present on both the audit and remuneration committees. Also we believe Director elections shouldn't be bundled together and should be done individually. This avoids shareholders having to give an all-or-nothing vote making it easier to only reject the election of Director(s) considered to be breaching best practice on corporate governance.

Portfolio carbon footprint

Rathbone Global Sustainability Fund

Estimated carbon footprint for portfolio equity holdings

Valuation date	30 Apr 2019	
Portfolio value	£3,076,496	
Equity value (% total value)	£2,910,309	95%
Value covered by carbon data (% total value)	£2,857,203	93%
Number of holdings not reporting carbon data	6	
% eligible holdings with data (by value)	98%	
Number of holdings excluded due to lack of data/estimates	1	

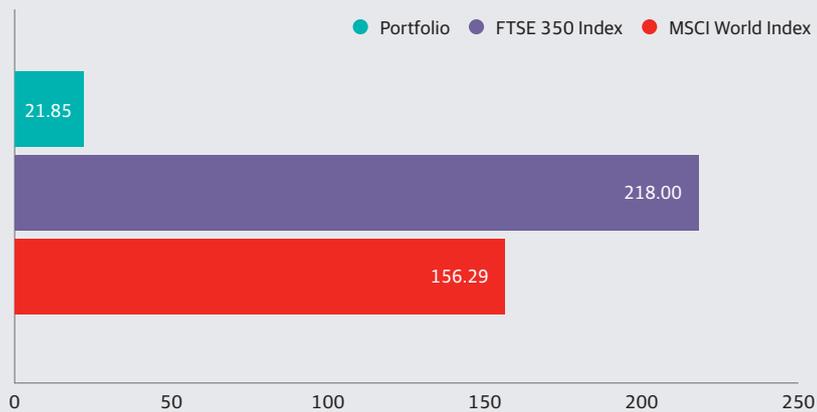
	Tonnes	Tonnes per £m invested	
Portfolio carbon footprint	62.43	21.85	
FTSE 350 Index carbon footprint	622.88	218.00	-90%
MSCI World Index carbon footprint	446.56	156.29	-86%

“That means the fund is estimated to be 86% less carbon intensive than the MSCI World Index.”

Explanatory notes

- The FTSE 350 Index figure is based on the current market cap weightings of the constituents of the FTSE 350 Index (excluding Investment Trusts) as at 31 December 2018
- In constructing the FTSE 350 Index and MSCI World Index data, sector averages have been estimated for those companies that do not report greenhouse gas (GHG) emissions data
- The portfolio footprint is derived by calculating the percentage of a company's shares in issue held within the portfolio. This percentage is then multiplied by the company's total GHG emissions to derive the amount of carbon which can be ascribed to the portfolio holding
- Only the portion of the portfolio invested in equities and covered by carbon data is used in the FTSE 350 Index and MSCI World Index carbon footprints. This is to ensure a fair comparison
- This value is allocated across the index constituents according to their respective market cap weightings. A similar process is used to calculate the share of each company's carbon footprint 'owned' by the benchmark

Tonnes per £1m invested



The IPCC's (Intergovernmental Panel on Climate Change) most recent report highlighted the need to limit the rise in global average temperatures to 1.5°C above pre-industrial levels in order to avoid significant environmental and economic costs; yet current global policies and targets are projected to result in over 3°C of warming. This ambition gap needs to close.

One of the ways in which investors can demonstrate support for the low-carbon economy is by measuring and reporting on the climate impact of their investments. We have conducted a carbon footprint assessment of the portfolio, showing the carbon 'owned' via an investment in the fund.

The analysis looks at Scope 1 and Scope 2 emissions. This is due to widespread gaps in company reporting of Scope 3 emissions and our desire to compare like-for-like company data.¹

This shows that every £1 million invested in the fund owns 21.85 tonnes of greenhouse gas (GHG) emissions. If the same amount were invested passively in the MSCI World Index it would own 156.29 tonnes of GHG. That means the fund is estimated to be 86% less carbon intensive than the index.

This is partly driven by the fact that the fund excludes some of the highest emitting industries such as fossil fuels and mining. However, the positive sustainability focus of the fund also means that within the sectors where we do invest, we are looking for companies that can demonstrate leadership and an evidenced commitment to the low-carbon economy.

1. Scope 1: All direct greenhouse gas (GHG) emissions from sources owned or controlled by the company, e.g. emissions from vehicles owned by the company. Scope 2: Indirect GHG emissions from consumption of purchased electricity or heat. Scope 3: Other indirect emissions, such as from business travel or waste disposal.

Positive sustainability criteria

In the past year, we have witnessed a step-change in public attitudes towards the environment and sustainability issues. A Swedish schoolgirl – Greta Thunberg – inspired a global protest movement calling for much more ambitious action on climate change, while the 'Blue Planet effect' has led to a backlash against single-use plastic.

The IPCC's special report, published in October 2018, on the impacts of global warming of 1.5°C above pre-industrial levels, sets out in no uncertain terms the risks to society; the economy and the environment should we fail to take more urgent action on greenhouse gas emissions.

This was followed by a similarly stark warning in May 2019 from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) in its first global biodiversity assessment since 2005. This warned of unprecedented rates of species extinction that *"are eroding the very foundations of our economies, livelihoods, food security, health and quality of life worldwide"*.

Against this backdrop, the need for global economies to move towards lower-carbon, less resource-intensive and more sustainable practices is clear.

The Rathbone Global Sustainability Fund seeks to identify and invest in companies that are supporting this transition through the way in which they operate or the products and services they provide. The fund invests in companies with a wide range of sustainability attributes as shown in the chart opposite.

We believe that companies displaying strong policies and practices with regard to environmental, social and governance issues are likely to be well-positioned to deliver long-term value creation for investors.

In order to qualify for inclusion in the fund, companies that pass the negative screen must also display leading or well-developed business practices and policies (operational alignment), and/or allocate capital towards the provision of products or services aligned with sustainable development (activity alignment).



"...the need for global economies to move towards lower-carbon, less resource-intensive and more sustainable practices is clear."

Rathbone Global Sustainability Fund

Case studies



Case study

Abbott Laboratories



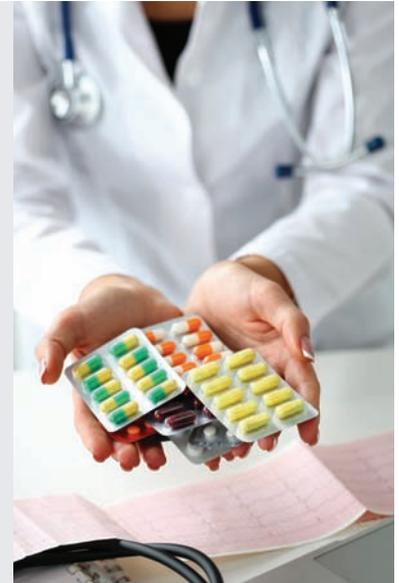
Health and wellbeing: Healthcare access

Investment case

- leading nutritional products and diagnostics company, with a diversified portfolio
- Abbott is a market leader in adult nutrition with its Ensure brand
- freestyle diabetes monitors are a significant product for type 1 diabetes market

Sustainability criteria

- provides industry leading access to healthcare programmes in countries where resources are constrained
- products and services support human wellbeing and help individuals to lead healthy lives
- innovative instruments and tests help diagnose and monitor a range of health conditions with speed and accuracy



Case study

Adobe



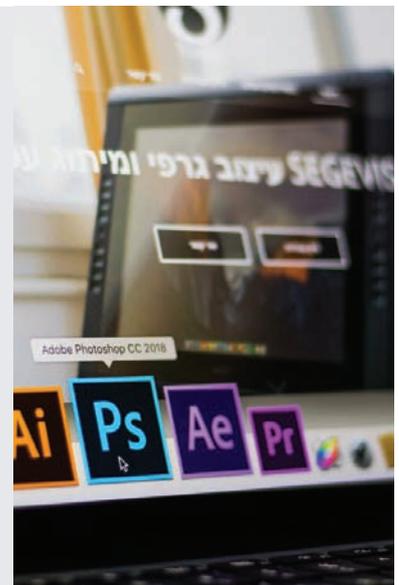
Decent work: Operational alignment (employment)

Investment case

- leading US software company with a focus on creating digital media and publication tools
- highly embedded with customers and a key beneficiary of the structural shift to digital
- subscription based model with excellent levels of cashflow and attractive returns on capital

Sustainability criteria

- invest in education and talent pipeline to increase the diversity of the current and future workforce
- Project 1324 which supports young creatives with resources and meaningful experiences to realise their creative potential
- commitment to 100% renewable energy for all operating sites and digital delivery of products by 2035



Case study

AIA



Decent work:
Operational alignment (employment)

Investment case

- leading Pan-Asian insurance products business
- focus on savings and protection products. Beneficiary of rising middle class
- double digit revenue growth supported by excellent and durable returns on capital

Sustainability criteria

- significant investment in infrastructure-related sectors such as electricity, transportation and telecommunications
- focus on recruiting, developing and retaining capable, engaged and high-performing employees
- AIA Diabetes Care, first of its kind insurance product covering pre and type 2 diabetes



Case study

AO Smith



Energy and climate: Energy security

Investment case

- market leader in energy efficient water heaters in the US
- high levels of R&D and innovation drive pricing power
- market leader in premium boilers in China, with strong growth potential

Sustainability criteria

- water heating products are highly recyclable
- offer solar powered commercial water heating systems
- patented water treatment technology increasing output of fresh water



Case study

Aptiv



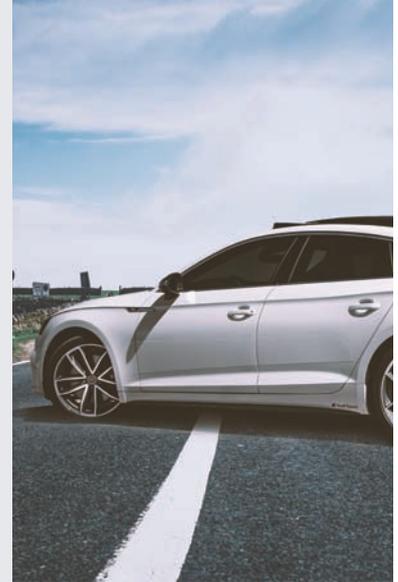
Innovation and infrastructure:
Supporting environmental sustainability

Investment case

- US auto-supply business with a focus on the 'digital nerve centre' of vehicles
- good cash flow returns, consistently above the cost of capital
- significant growth opportunities from focus on vehicle autonomy and safety

Sustainability criteria

- creating sustainable products around autonomous driving and electrification
- active safety features helping to reduce vehicle accidents and fatalities
- long-term targets for reducing waste, water and emissions aligned to the UN SDGs



Case study

ASML



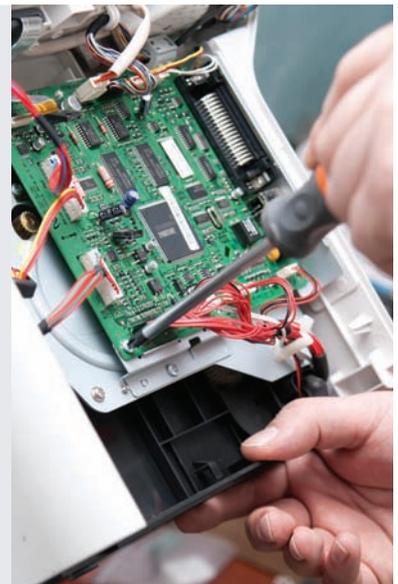
Innovation and infrastructure:
Supporting environmental sustainability

Investment case

- global leader in semi-conductor manufacturing equipment
- enjoys well over 50% market share in next generation technology
- structural rise in chip usage. Significant long-term growth opportunities

Sustainability criteria

- smaller, cheaper and more energy-efficient
- products support the transition away from a linear economic model to a circular economy
- targeting 100% renewable electricity by 2020



Case study

Assa Abloy



Innovation and infrastructure:
Supporting human wellbeing

Investment case

- global leader in entry systems, an industry with attractive growth
- structural shift to digital locks a multi-year driver
- returns on capital are attractive and durable

Sustainability criteria

- provides security and safety to customers with locks, doors and gates
- Latest door sensors reduce the environmental footprint of buildings
- Mobile access allows keyless entry to hotel rooms, reducing need for plastic cards



Case study

Becton Dickinson



Health and wellbeing: Healthcare access

Investment case

- leader in medical safety devices and consumables used in urgent care environments
- extremely high market share and enjoys significant barriers to entry
- products are often life-critical and difficult to replicate

Sustainability criteria

- advancing the world of health by improving medical discovery, diagnostics and the delivery of care
- supports carers in healthcare by developing innovative technology, services and solutions
- on the front line of helping medical researchers through expertise in bioscience and genomics





Case study

Big Yellow

Energy and climate:
Operational alignment (climate)

Investment case

- the largest self-storage operator in the UK
- a structural growth industry with a very high incremental return on capital
- London supply is severely restricted

Sustainability criteria

- installing motion sensor lighting and switching entire estate to LED lighting
- reducing greenhouse emissions per square metre occupied through renewable energy initiatives
- supports different charities by donating free storage space



Case study

Chr. Hansen



Improving food & health

Health and wellbeing: Access to nutrition

Investment case

- global leader in cultures and probiotics
- duopoly with high and sustainable barriers to entry
- growth opportunity significant from both existing and new markets

Sustainability criteria

- bacterial and enzyme food additives help to prevent mould growth, spoilage and food waste
- contribute to global health through its probiotics healthy food ingredients
- agricultural products improve soil health, reduce crop spoilage and lower the use of antibiotics in meat production



Case study

Close Brothers



Decent work:
Operational alignment (employment)

Investment case

- niche UK financial services business – merchant banking and asset management
- clear focus on capital allocation and high market shares has driven long term returns
- conservatively financed and relatively simple business model

Sustainability criteria

- responsible lending policy – won't finance arms companies or onshore oil development projects
- provide finance to green energy projects, especially smaller ones that struggle to get finance elsewhere
- apprenticeship programmes to help recruit and train the next generation of workers from school leavers to graduates



Case study

Diasorin



Health and wellbeing: Healthcare access

Investment case

- Italian medical company, leader in niche diagnostic testing
- larger players generally avoid niche tests and partner with Diasorin
- Excellent management team that allocate capital very clearly and consistently

Sustainability criteria

- help patients improve the quality of their lives through early detection of potential diseases
- participate in scientific collaborations and help connect research and development in medicine
- provide scholarships and access to labs to promising students, many of which go on to work for the company



Case study

Ecolab



Resource efficiency: Water security

Investment case

- market leader in commercial cleaning products
- consistent growth in market share and excellent pricing power. Client retention of over 95%
- highly cash-generative business and durable return on capital

Sustainability criteria

- by 2030, aims to help customers conserve 300 billion gallons of water annually
- antimicrobial technology improve sanitation and food safety
- aims to assist companies across multiple industries achieve net-zero water usage



Case study

First Republic



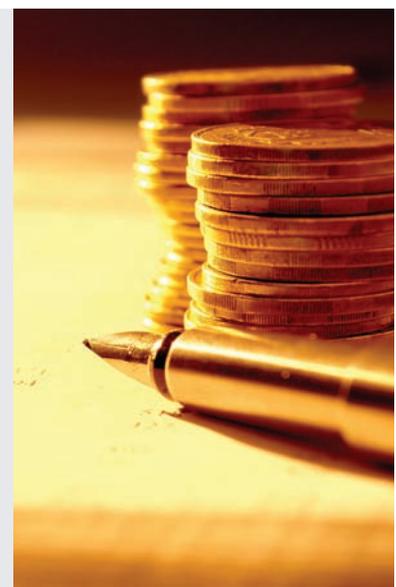
Decent work: Operational alignment (employment)

Investment case

- California based bank, with a strong focus on wealth management
- unique culture creates long-lasting and strong customer relationships
- stable and attractive returns. A simple and niche financial services companies

Sustainability criteria

- financial products give access to finance for businesses, students and families
- attractive employee benefits and work life balance helps to ensure low staff turnover
- Eagle Community Home Loan Program helps individuals in the community become homeowners



Case study

GN Store Nord



Health and wellbeing: Healthcare access

Investment case

- leading Danish hearing aid and audio company, with strong focus on innovation
- only hearing aid company without a large retail footprint, making it more agile and scalable
- audio business benefitting from structural change in how we work

Sustainability criteria

- helps people who are hard of hearing with a full range of solutions
- graduate and mentoring programme to attract and develop the talent of tomorrow
- GN Hearing co-sponsors research into better hearing solutions



Case study

Halma



Health and wellbeing: Healthcare access

Investment case

- UK industrial business, focused on safety technology across multiple applications
- market leading positions in niche segments helps to protect pricing power
- significant long-term growth potential whilst achieving attractive returns on capital

Sustainability criteria

- involved in manufacturing a wide range of products that protect and improve the quality of life for people worldwide
- medical technology helps to diagnose and treat disease earlier and more accurately
- innovative technology is improving the safety and security of the energy industry



Case study

Henry Schein



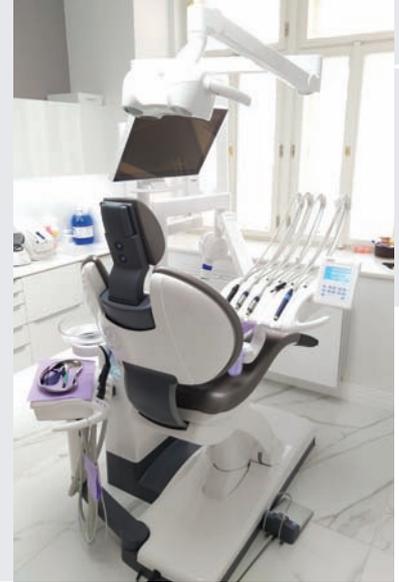
Health and wellbeing: Healthcare access

Investment case

- US dental and medical distribution business
- highly fragmented market with few other scale players
- excellent long-term growth opportunities, supported by high returns on capital

Sustainability criteria

- products and logistics expertise enable medical practitioners to improve the health of patients
- partnering leading dental schools to provide oral health care in underprivileged areas
- after Hurricane Harvey helped health care professionals restore and re-open their practices



Case study

Kingspan



Energy and climate: Energy security

Investment case

- global market leader in high performance insulation
- patent protected technology with superior insulation properties
- strong return on equity and balance sheet to aid global expansion

Sustainability criteria

- products themselves help significantly reduce energy consumption and greenhouse gas emissions
- water and energy division provides renewable technologies and wastewater management
- makes use of PET (polyethylene terephthalate) plastic bottles in insulation products



Case study

Kone



Innovation and infrastructure:
Supporting environmental sustainability

Investment case

- elevator market is consolidated with very high barriers to entry
- structural demand remains robust as urbanisation means building up, not out
- highly cash-generative business with long-term visibility

Sustainability criteria

- product innovation means energy savings through modernisation of elevators
- no landfill waste at a number of manufacturing sites



Case study

Legal & General



Decent work:
Operational alignment (employment)

Investment case

- UK insurance business with strong investment management franchise
- significant growth opportunities in US market
- attractive dividend yield underpinned by robust cashflow

Sustainability criteria

- provides funding into small-to-medium-sized enterprises, supporting job creation and economic growth
- offers agile working contracts allowing workers to be more flexible and not be tied to one office location
- developing low carbon, energy efficient homes in housing business



Case study

Linde



THE LINDE GROUP

Resource efficiency: Sustainable consumption

Investment case

- global leader in industrial gases, with operations across multiple sectors
- merger of Praxair and Linde assets should drive significant synergies
- wide and durable moat around a highly cash-generative business

Sustainability criteria

- hydrogen gas used to help produce cleaner air by reducing sulphur emissions from trucks and cars
- oxygen gas helps steelmakers save energy and serves medical patients needing respiratory oxygen
- high performance surface coatings help improve energy efficiency in jet engines and machine turbines



Case study

Littelfuse



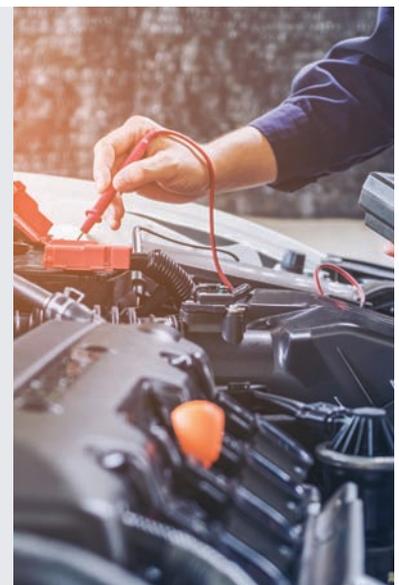
Innovation and infrastructure:
Supporting human wellbeing

Investment case

- global leader in power-management technology for auto and industrial sectors
- vehicle electrification drives structural demand for products
- brand and barriers to entry help protect margin and pricing

Sustainability criteria

- products assist in the growth of smart meters, LED lighting and electric vehicles
- working with customers in renewable energy and energy storage markets to improve efficiency
- products support the safety of electrical systems



Case study

Mastercard



Innovation and infrastructure:
Supporting human wellbeing

Investment case

- multi-year driver of cash-to-card switch. Global penetration 50%
- in duopolistic industry structure with durable barriers to entry
- excellent top line growth and very strong cash generation

Sustainability criteria

- inclusive growth agenda to move people from poverty to prosperity
- Mastercard Impact Fund (previously their inclusive growth fund) designed to reduce income and information inequality
- innovation in mobile payment and pre-paid cards targets under-served customer groups



Case study

Norma



Resource efficiency: Sustainable consumption

Investment case

- German engineering business, focused on mission-critical clamps and seals
- product used in a variety of applications and a key driver in emission reduction
- cash-generative and profitable business with market-leading positions

Sustainability criteria

- water management products help customers control water consumption
- clean water project - providing water supply to schools in India and Brazil
- making products in automotive and aerospace industries lighter to reduce CO₂ emissions



Case study

PRS Reit



Investment case

- UK developer focused on providing high-quality, affordable rentals
- development pipeline is attractive. Limited competition
- dividend stream should be attractive and predictable

Sustainability criteria

- provides affordable housing solutions
- properties deliberately located to provide access to employment, local services and education
- building sites create local employment and on site apprenticeships



Case study

RELX

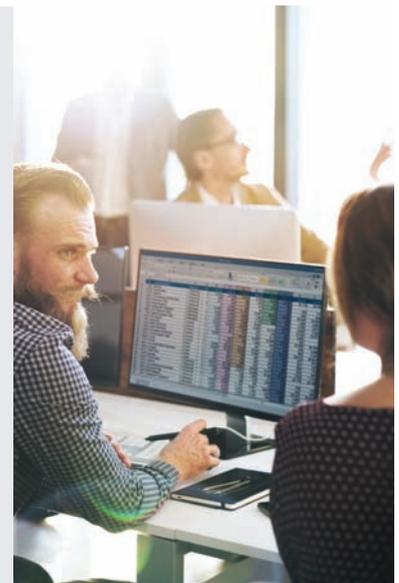


Investment case

- global leader in providing data analytics to the scientific and legal industries
- often provides a critical service to its customers, with few global competitors
- wide economic moat in the business is reflected by excellent return of capital

Sustainability criteria

- products promote sustainable access to information, helping the advancement of science, health and access to justice
- free universal access to SDG Resource Centre which includes information and research on the UN SDGs
- targeting 100% renewable energy by 2020



Case study

Sampo



Decent work:
Operational alignment (employment)

Investment case

- Nordic financial services company with excellent management team
- insurance business is cash-generative with durable barriers
- banking exposure should unlock long term value. Dividend is very attractive

Sustainability criteria

- offers customers insurance solutions that provide them with security and stability in their daily lives
- loss prevention is the most important issue discussed with clients when choosing insurance offering
- stable and trusted employer with international career opportunities and mentoring programmes



Case study

Sartorius



Health and wellbeing: Healthcare access

Investment case

- leader in making 'catalytic starters' for many biologic drugs
- strong market share in growing industry. High barriers to entry
- high level of sustainable growth. Returns on capital very attractive

Sustainability criteria

- products are used in biopharmaceutical industry to produce medical drugs
- laboratory instruments and consumables used in research, helping to enable scientific progress
- increasing the proportion of environmentally friendly raw materials in products



Case study

Tomra



Resource efficiency: Sustainable consumption

Investment case

- Norwegian company focused on recycling and sensor-based sorting machines
- extremely strong market share in both sorting and collection solutions and an excellent brand
- robust revenue growth and attractive profit margins drive durable return on capital

Sustainability criteria

- food sorting products reduce wastage and increase food safety
- sorting solutions increase recycling rates and reduce waste sent to landfill
- working with manufacturers to help produce 100% recyclable packaging and create a circular economy



Case study

Trimble



Innovation and infrastructure:
Supporting environmental sustainability

Investment case

- leader in advanced location-based software solutions
- software effectively digitises a farm or construction site
- attractive long term growth opportunities are underpinned by excellent cashflow

Sustainability criteria

- enable farmers to increase efficiencies, enhance productivity and improve crop performance
- in transportation bring efficiency and visibility into fleet operations for cleaner, greener and safer operations
- provide customers with instruction for safe disposal including recycling programme to prevent products ending up in landfills



Case study

UDG Healthcare



UDG Healthcare plc

Health and wellbeing: Healthcare access

Investment case

- provides global sales and marketing support for pharmaceutical companies
- trend of outsourcing in the industry gives significant long-term growth opportunities
- attractive and stable return on capital should be sustainable as the company grows

Sustainability criteria

- engages in the supply and distribution of pharmaceutical and medical products
- team in the US converts waste to clean renewable energy at a local energy from waste facility
- these facilities produce 90% less greenhouse gas than landfill



Case study

Unilever



Resource efficiency: Sustainable consumption

Investment case

- strong sustainable growth potential
- focus on faster and more relevant innovation
- acquisitions to strengthen global portfolio

Sustainability criteria

- sustainable living plan: contributing towards the achievement of...
- improving health and wellbeing for more than 1 billion
- halve the environmental impact of their products
- enhance the livelihoods of millions of people



Case study

US Bancorp



Decent work:
Operational alignment (employment)

Investment case

- leading US bank, largely focused around the Mid-West
- business model is relatively simple. Management very returns focused
- extremely well capitalised franchise, supported by conservative lending

Sustainability criteria

- commitment to workplace diversity and employee training and development
- opportunity fund which gives loans to small business owners
- American dream mortgage loans: serves low-to-moderate income borrowers



Case study

Vestas



Energy and climate: Climate action

Investment case

- global leader in manufacturing onshore wind turbines and the servicing of turbines
- is protected with high barriers of entry and perfectly placed to capitalise on growth of wind energy
- delivers best in class margins with strong free cashflow generation

Sustainability criteria

- manufacturer of wind turbines which is a clean renewable energy source
- company's mission of benefiting the planet by reducing CO₂ emissions and driving down the cost of energy
- invests in local community focussing on education, training and providing job opportunities



Case study

Visa



Innovation and infrastructure:
Supporting human wellbeing

Investment case

- global leader in payment processing, operating in duopoly with Mastercard
- benefits from multi-year switch from cash-to-card payments
- double digit revenue growth supported by excellent and durable returns on capital

Sustainability criteria

- work with start up businesses and developers to co-create new ways to pay at innovation centres
- Visa allows people and businesses to make and receive payments directly from mobile phones
- committed to achieving 100% renewable energy across global operations by the end of 2019



Case study

Xylem



Resource efficiency: Water security

Investment case

- US company focused on industrial equipment for the water industry
- huge opportunity for long-term growth in water sensing technology
- fragmented industry with high barriers and good return on capital

Sustainability criteria

- treating water to make it safe to use or be returned to the environment
- smart water networks identify infrastructure problems earlier so wastage can be minimised
- water reclamation plants purify and recycle water for beneficial use



Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment. We recommend that if you are not a professional adviser, you should consult one before taking further action.

The information contained herein is believed to be accurate at 30 April 2019, with the exception of the Case studies, these are as at 31 May 2019; no warranty of accuracy is given and the information is subject to change without notice. Any opinions or estimates included herein constitute a judgement as of the date of site visit. This information has been sourced directly from the example holding company website or has been supplied by the company representative at time of site visit.

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