

IMPROVING SOCIETY

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For institutional, professional and wholesale investors only

IMPACT REPORT 2023 SUMMARY





Lauran Halpin
Portfolio Manager,
Head of Impact Equities



John Gilmore
Portfolio Manager,
Impact Equities



Eoghan McGrath
Investment Analyst

The Improving Society Strategy was developed to generate intentional, measurable positive change in the world while also generating long-term financial returns for our clients. The inaugural report provides the ethos and aims of the Strategy. We firmly believe that public equities offering impactful, innovative solutions can drive real world change at scale which is vital given the large funding gap in most social causes globally.

Societal and social challenges remain chronically underfunded

In its most recent status report on the Sustainable Development Goals (SDGs), the UN estimates that they remain chronically underfunded and as such are behind schedule. 50% of targets are behind schedule and 30% have gone backwards since they were established in 2015.¹ We think equity markets and particularly impact products can have a role in solving these social challenges. Our premise for this strategy is two-fold:

- The private sector and equity markets are instrumental in incentivising innovation, accelerating investment and providing scalable solutions to support these challenges; and
- The biggest funding gap is on social issues. This is because impact capital to date has predominantly been directed towards environmental or climate challenges rather than social challenges.

We choose to focus on the seven SDGs which we believe to have the most significant shortfall in delivery, SDGs 1, 2, 3, 4, 5, 6 and 10.² We want to play our part in promoting solutions to these areas and to achieve this, we invest in companies whose products and services fall into one of three Impact Pillars which are **Improve Wellbeing**, **Improve Inclusion** and **Just Transition**.

Progress assessment for the 17 Goals based on assessed targets, 2023 or latest data (percentage)



Source: United Nations, 'The Sustainable Development Goals Report 2023'.³

¹Source: UN Sustainable Development Goals, The Sustainable Development Goals Report, 10 July 2023 - Special Edition. <https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf>, pp.8,60-76.

²For further information, please refer to our publication 'The Seven Sustainable Development Goals', July 2023. This is available upon request.

³Source: UN Sustainable Development Goals, The Sustainable Development Goals Report, 10 July 2023. <https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf>, p.8.

Impactful companies can deliver exceptional long-term returns

A focus on impact should not lead to a sacrifice of returns for investors. We firmly believe and can demonstrate that impact and financial performance are positively interrelated. Companies that create impactful and innovative products which meet the unmet societal needs of consumers, businesses and governments, can access attractive growth opportunities through the scale that only public markets can offer. Quality companies should attract additional capital, thereby expanding as a force for good in the world with profit generation allowing for reinvestment to generate further impact and compound returns for shareholders.

Measuring impact is difficult, and to compare across different investee companies can be misleading. How does one compare lifesaving orphan drugs that may only have patient numbers in the hundreds with technology that enhances food security for billions of people across the world? That is why we tailor our measures, to gauge progress through company-specific impact key performance indicators (KPIs). And why we provide transparency on our impact measurement metrics for each company in which we invest.

How we think about the Sustainable Development Goals (SDGs)

We use the SDGs to make our actions as investors more specific and intentional. We construct our primary research universe through an SDG lens by identifying companies whose products and services make a significant contribution to them. We organise our research by SDG so we can find businesses whose products and services effectively solve the identified challenges rather than exhibiting simply broad alignment. Many investors split coverage by sector or geography - we believe this is misplaced in an impact fund. Finally, we are outcomes-focused. We use the underlying SDG targets to be more specific about the outcome being targeted and to identify where this should fit within our broader impact framing for the strategy.

|| We organise our research by SDG so we can find businesses whose products and services effectively solve the identified challenges rather than exhibiting simply broad alignment. ||



Accelerating impact through engagement

We recognise the power of active ownership including engagement and voting practices to generate change. As a long-term capital partner with our investee companies, it is our responsibility to do what we can to encourage positive change. In the pursuit of this, we use objective-led stewardship to engage across two lenses:

1. Engaging to accelerate the positive impact being created by the company's products and services, and
2. Engaging to improve corporate behaviour.

Our engagement on impact can be broadly split into three main axes of impact: impact disclosure, accessibility of impact and acceleration of impact. We have seen recent improvements in disclosure around environmental, social and governance topics. Impact reporting is related but distinct and this disclosure is still developing. Recognising this, a lot of our initial engagement work has been around disclosure and measurement of company impact.

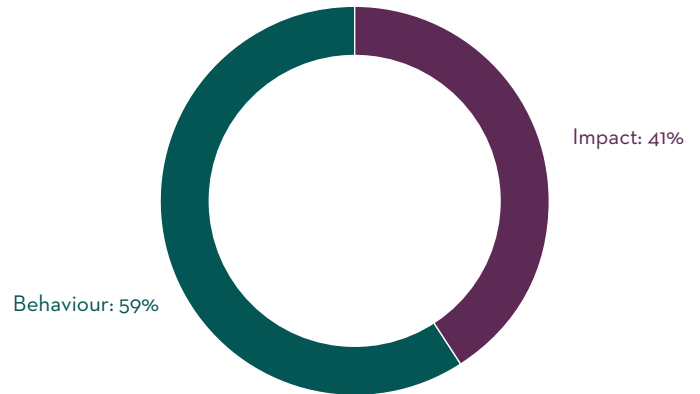
Summary

Our report is just the beginning of a longer journey to deliver impact and investment return through our holdings and we look forward to sharing our progress with you, our investors, in future Impact Reports over the coming years.

We hope you enjoy reading the [full Impact report](#), in which we present to you the collection of 'short stories' on social impact which make up the Improving Society Strategy. Each company tells the story of the positive impact it is making in the world through its own specific impact analysis and key performance indicators.

“ Our report is just the beginning of a longer journey to deliver impact and investment return through our holdings and we look forward to sharing our progress with you, our investors, in future Impact Reports over the coming years. ”

Lens split for engagements to date



Source: Martin Currie, December 2023.



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- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives, Index futures and FX forwards to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.
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