

JUNE 2024

For institutional, professional and wholesale investors only

MAKING AN IMPACT ONE YEAR ON



Dear Investors,

As we celebrate Improving Society's first anniversary – offering clients one of the first socially-focussed impact equity strategies – we are delighted to share an update with you, on what has been a fruitful first year.

Globally, impact investing continues to be a rapidly growing area of the investment market due to its focus on measurability and outcomes. This has helped cut through claims of sustainability and 'greenwashing' and has provided investors a clearer picture of how their money is 'doing good' out in the world.

The strategy was launched to fill the gap for a product focussing on social impact. It provides access to a portfolio of listed equities which are driving real, measurable societal change at scale, across a number of key impact areas.

Not only has the strategy filled a vital hole focussing on the 'Social' of Environmental, Social and Governance (ESG), but it has also raised the bar for the provision of evidence-based impact outcomes in the marketplace. This has been achieved by committing to setting and reporting against impact key performance indicators (KPI) for each company in the portfolio on a yearly basis in the annual Impact Report. We released our baseline report in [December 2023](#).

Whilst we recognise that societal impact at scale will take time to deliver, we are incredibly proud of the progress the portfolio has made in creating real-world impact alongside attractive returns over the past year. In the last 12 months we have also worked hard to support the efforts our companies are doing to deliver innovative solutions through our ongoing stewardship: we engage with each company in the portfolio on a regular basis across a range of objectives in order to help improve corporate practices and drive impact forward.

The following pages illustrate examples of how companies from each of our social impact pillars – [Improving Wellbeing](#), [Improving Inclusion](#), and [Supporting a Just Transition](#) – are driving change and how we are supporting this change through our stewardship efforts. These examples provide just a glimpse of the change the overall portfolio is generating in society. We look forward to updating you fully on the progress the companies in the portfolio have made in creating real world impact in our 2024 Impact Report later this year.

We would like to extend our thanks to individual investors as well as the investment community for the continued interest in and support of the Improving Society strategy.

We look forward to a long and impactful future.

Warm regards,



Lauran Halpin

Head of Impact Equities



John Gilmore

Portfolio Manager, Impact Equities



Eoghan McGrath

Investment Analyst, Impact Equities

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Impact Pillar:



Improving Inclusion

Impact Focus:



Financial Equality

MercadoLibre began as an online marketplace in Latin America. It has since expanded to become a driving force behind the digitalisation of commerce in the region. With small and medium-sized enterprises (SMEs) representing approximately 90% of businesses in the region, the broader economy is dependent on the health of local enterprises.

Its role in the local enterprise ecosystem has allowed businesses to operate more smoothly and reach more customers through e-commerce. This is through both its e-commerce division, which expands the market available for SMEs to sell into, and its fintech segment. The on-platform data collected by MercadoLibre has given the company a greater ability to underwrite loans to these businesses, many of which have had no previous access to credit.

Impact KPIs:



Entrepreneur first-time loans granted

SMEs represent a large proportion of the economy, but without readily accessible credit options. Provision of credit is the first time many businesses access a loan to expand.



SMEs on the platform

MercadoLibre reduces friction for SMEs, with many using the platform as their primary source of income. This is used as a broad proxy for scale of impact.



Items sold by SMEs and entrepreneurs

We would expect to see the number of products sold by SMEs and entrepreneurs to increase, indicating more income for these sellers.

We continue to see growth that exceeded expectations across our KPIs including the number of SMEs operating on the platform, number of items sold by SMEs and the number of first loans granted to these enterprises. We discussed with management the company's interest rates which are above the market rate. They contextualised their rates with their 'base of pyramid' customer base and associated higher risks. We are broadly comfortable with this explanation, however we will continue to discuss with the company their rates and safeguards around lending.

Source: Martin Currie and company published data, as at 31 May 2024.

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Intuitive Surgical

Impact Pillar:



Improve Wellbeing

Impact Focus:



Medical Treatment and Advances

Intuitive Surgical is the global leader in robot assisted surgery and with c.80% of the market share it has a dominant position, but the company still has room to grow. With consistent R&D spending, it is expanding the range of surgical operations it can carry out, increasing its total addressable market. The company's management have four distinct aims: to improve patient outcomes, minimise disruption to lives, increase medical team satisfaction and lower procedure costs. They seek to achieve this through the use of its robotic surgical platform to conduct minimally invasive surgery, resulting in safer outcomes for patients, while reducing the cost per procedure.

At the beginning of 2024, the company announced the FDA clearance of its latest robotic system, the da Vinci 5, which was greatly anticipated by the market. The new system includes numerous enhancements that should improve surgeon experience, increase autonomy and streamline care team workflow. This should all drive greater adoption, improved utilisation, and attainment of the company's four core aims.

Impact KPIs:



Procedure growth

We would like to see procedure growth continuing at its current pace.



da Vinci utilisation

Machine utilisation increasing as surgeons become more adept at using the equipment.



R&D intensity

An indicator of Intuitive's innovation pipeline to increase future impact.

Our KPIs paint a mixed picture, procedure growth has remained strong, as has research and development spending. Total revenue growth, as an indicator of overall impact scale, has fallen slightly behind our expectations – conversely, the promise of a new da Vinci system caused hospitals to either delay the purchase of a new system, or cause them to purchase via a lease agreement with upgrade option. We are not concerned over this and see procedure growth as a more meaningful indication of the scale impact the company is having, with R&D a leading indicator of future impact.

Source: Martin Currie and company published data, as at 31 May 2024.

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Impact Pillar:



Supporting a Just Transition

Impact Focus:



Safer and cleaner communities

MIPS stands for Multi-directional Impact Protection System and is an 'ingredient' safety technology that over 120 brands incorporate into their helmets across sport and safety applications. The core MIPS system is designed to reduce rotational force on the brain in the event of a crash, developed through many years of extensive product development and research. This enables them to help fulfil their purpose to 'reduce head injuries and save more lives'.

According to the European Road Safety Observatory (ERSO), almost 1 in 10 European road fatalities is a cyclist¹, furthermore fatalities from cycling unlike other road users has not fallen over the last decade. Ensuring better safety from crashes can have a significant impact, and help meet the firm's ambition of reducing both the number and severity of road accidents. From an impact perspective, we are excited that the firm have made the move to expand into the safety helmet market which is another significant opportunity to improve safety outcomes and save lives.

Impact KPIs:



Total MIPS safety systems sold

The company have sold in excess of 40 million units over last decade.



Number of customers

MIPS now works with over 150 business customers to integrate its technology.



Total company revenue growth

Given the business is 100% impact revenue we would like to see 5-year growth of >10% CAGR.

Our key KPI's for measuring impact include the total number of MIPS safety systems sold and the number of customers that it works with to integrate its technology. The KPI on number of systems sold has been a challenge for the company for two reasons. Firstly there has been a significant downturn in the bike market post Covid (which is their key market) and secondly the company stopped reporting the unit volumes of products shipped. As such we have identified this KPI as lagging expectations. We have engaged with the company on when they would be comfortable restarting the disclosure. We are also actively discussing that when they restart unit volume disclosures these should include segment reporting in order to paint a clearer picture of the business; this is because the various categories of products have very different pricing points. The KPI to grow the number of customers they work with remains on track and represents a key building block for expanding into the safety helmet market.

¹Source: European Road Safety Observatory, Facts and Figures – Cyclists – 2020, December 2020.

Source: Martin Currie and company published data, as at 31 May 2024, and ERSO, trade press, MIPS company data.

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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.
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- 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.
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- The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the strategy and may also cause the strategy to sell investments that will continue to perform well.

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