

CT RESPONSIBLE UK INCOME - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

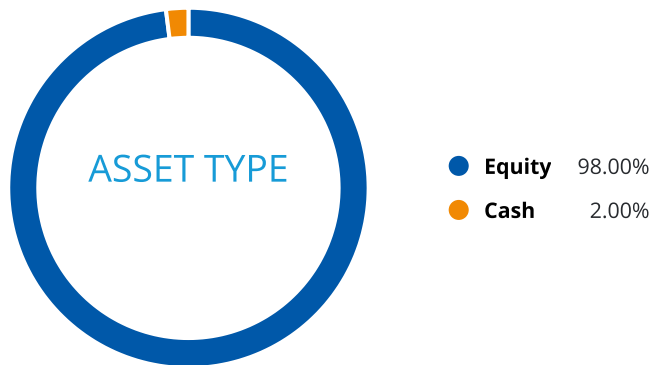
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Columbia Threadneedle is a global asset manager with 2500 employees and US \$546 billion assets under management as of September 2022. Columbia Threadneedle was formed in 30 March 2015 as a result of the merger between Columbia Management Group a US based asset management with Threadneedle Asset Management. Both companies were subsidiaries of Ameriprise Financial. In April 2021 Columbia Threadneedle acquired BMO's European asset management business for \$845 million.

The fund is managed by Catherine Stanley, also Head of the Global Small Cap Team, who has managed this fund since 2009 having joined the Group in 2000. She has c.30 years investment experience. Stanley is supported by the broader, 6-person small cap team who liaise closely with the firm's 20-strong Responsible Investment ('RI') team.

The fund is an equity long-only mandate, with bottom-up company analysis and a significant tilt to small/mid-caps and a high conviction approach to small companies, holding between 55-70 names. Active share is 70%. The fund can hold up to 20% in bonds too. Estimated capacity is c£800m. The liquidity profile suggests 60 days to redeem 99% due to the small cap exposure. There is a robust ESG process, with the RI team closely aligned with the FMs. Our internal ESG score therefore is 4/4.



INVESTMENT PROCESS

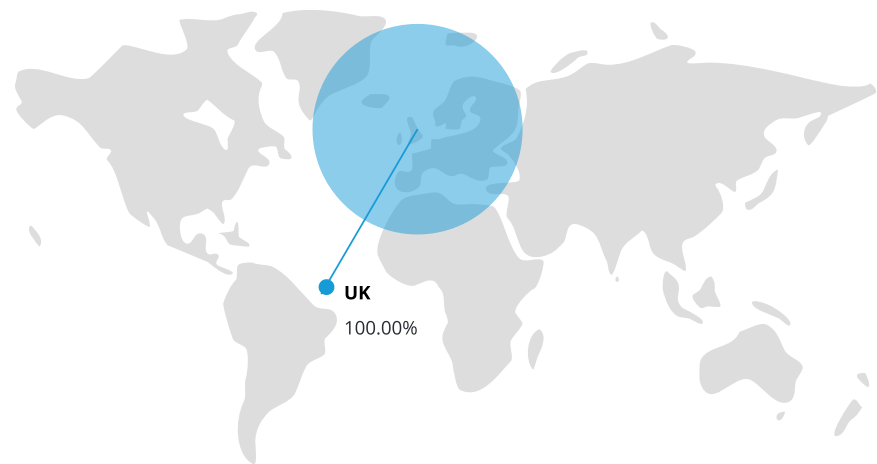
The ethical principles mean the managers are largely precluded from investing in some sectors to generate a yield of 110% of the FTSE All-Share market. The team relies on bottom-up stock selection driven by fundamental analysis and valuation to identify stocks in the UK with a long-term investment timeline. and provide both growth and income for the strategy. The investible universe is first screened for its ESG merits by the RI team before the FMs can go further to carry out their due diligence to ensure stocks selected make a positive contribution to society. There is an active engagement and voting policy by the RI team who can veto holdings.

Idea generation is the first stage of the process with huge experience in the UK market and accessing companies. Brokers are used to source ideas, with long relationships established across sectors. Next, the RI team positive and negative screening - using MSCI ESG data but overlayed with internal ESG analysis - is done to identify stocks suitable for inclusion in the fund's investment universe, around 220 names. The screens include alcohol, mining, gambling, nuclear power, pornography, tobacco, weapons, animal welfare, health and safety, human rights, labour standards, business ethics, etc. From this, the FM team do their own analysis to identify the best ideas for the fund. Each sector is assigned to a manager who acts as a specialist. This makes them the point of focus for enquiries and ensures that they are the centre of excellence for discussions on that sector. They try to meet a company's management before investing, upto 250 visits a year.

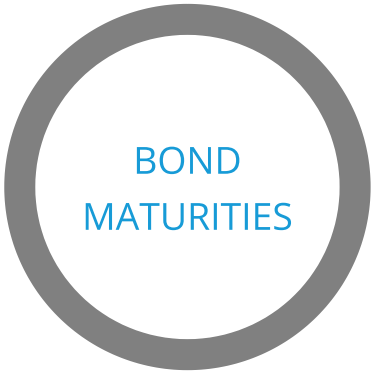
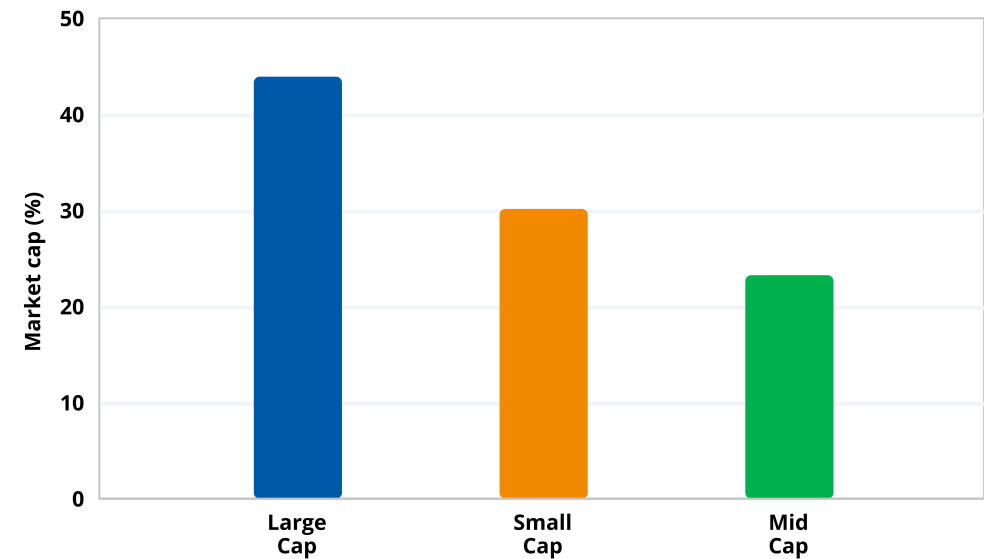
The portfolio construction phase is specific to the Responsible UK Income Fund. Stock ideas are viewed in the context of existing ideas in the portfolio and the specific objectives of the fund as well as the FM's own views on the particular idea. Stocks are picked purely on merit from the fund's ethically screened universe. They must meet the investment criteria and have a clear role in the portfolio, taking into account income and risk requirements. Up to 5-10% of the fund is held in investment grade corporate bonds too. Small/mid-cap exposure is typically between 40-55% of the fund. That ESG focus has assisted the fund in gaining exposure to the sectors that have been key drivers of market performance in recent years, whilst avoiding sectors such as energy.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



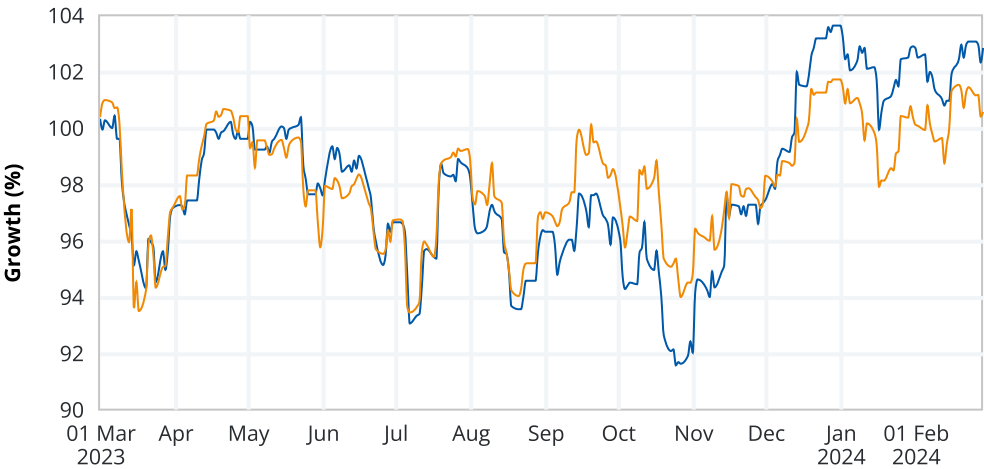
Not Applicable

OVERALL PERFORMANCE

CT Responsible UK Income 2 Inc UK All Share Total Return GBP

GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



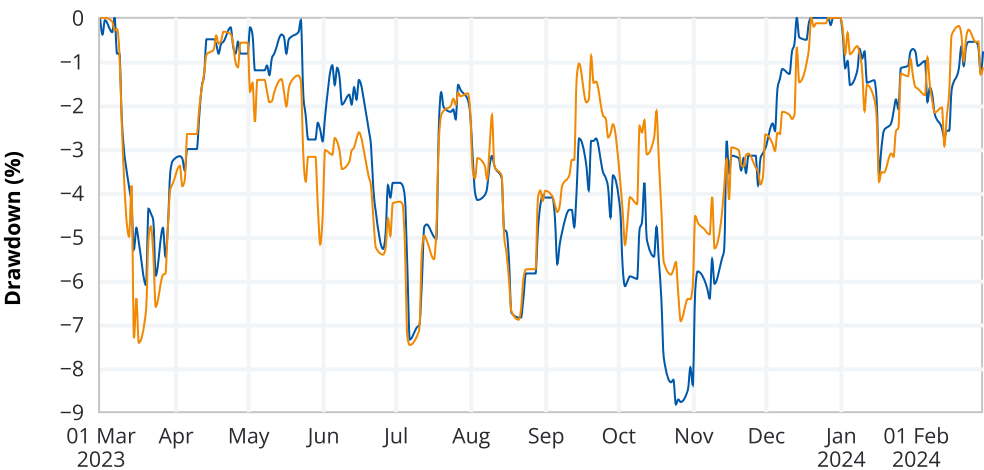
GROWTH (%) - FROM INCEPTION

13 Aug 2003 - 29 Feb 2024



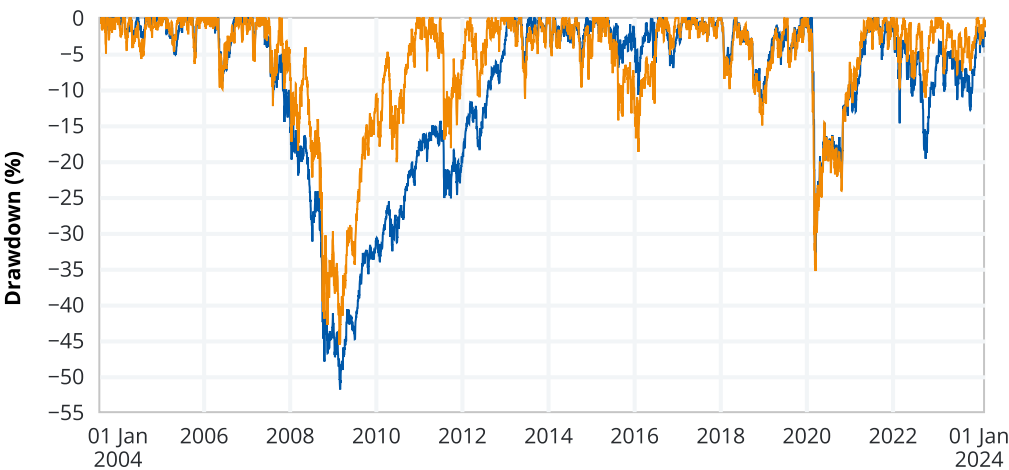
DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



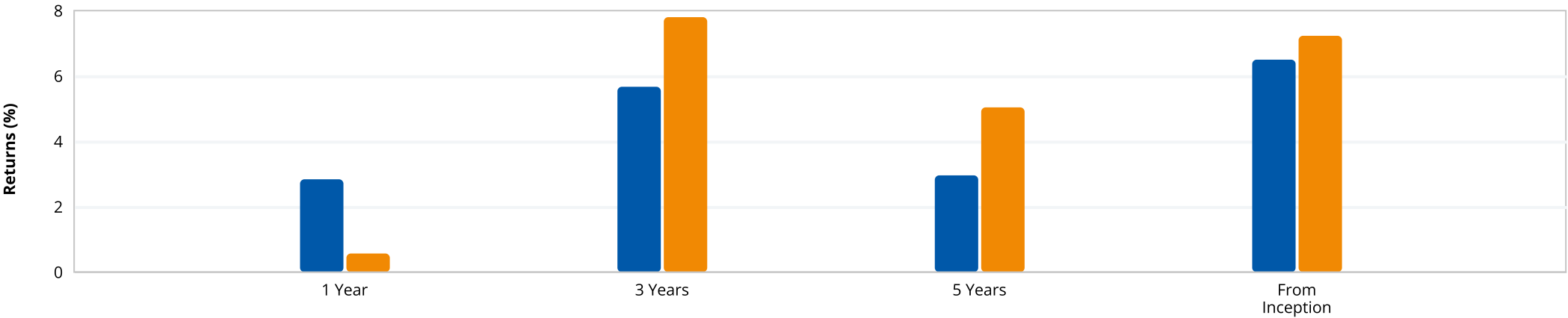
DRAWDOWN (%) - FROM INCEPTION

13 Aug 2003 - 29 Feb 2024



RETURNS

CT Responsible UK Income 2 Inc UK All Share Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.71	-0.06											-0.77
2023	4.40	0.66	-2.85	2.53	-1.76	-1.24	1.97	-2.22	0.47	-4.55	5.31	6.48	8.91
2022	-3.17	-3.28	4.44	-1.04	-1.20	-5.19	5.19	-4.71	-9.25	3.21	6.78	0.57	-8.60
2021	-2.06	0.00	5.57	4.28	2.35	0.07	1.43	2.34	-1.84	0.78	-1.86	5.08	16.94
2020	-0.55	-8.05	-17.39	8.81	2.25	-0.21	-1.89	1.55	-1.66	-3.75	11.95	2.10	-9.60
2019	3.35	2.51	1.42	3.78	-2.45	0.00	1.55	-2.52	3.19	-0.32	3.06	2.76	17.31

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
CT Responsible UK Income 2 Inc	2.84	5.67	2.96	6.50
UK All Share Total Return GBP	0.57	7.80	5.04	7.23

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
CT Responsible UK Income 2 Inc	2.84	17.94	15.62	263.13
UK All Share Total Return GBP	0.57	25.21	27.74	317.66

CT Responsible UK Income 2 Inc UK All Share Total Return GBP

PERFORMANCE - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024

RETURNS (%)	2.84	0.57
VOLATILITY (%)	10.81	11.59
ALPHA	-0.18 *	
BETA	1.07 *	1.00
CORRELATION	0.90 *	1.00
SHARPE RATIO	-0.18	-0.35
SORTINO RATIO	-0.26	-0.48
MAX DRAWDOWN (%)	-8.82	-7.47

*Calculated over a 3 year period where history permits.

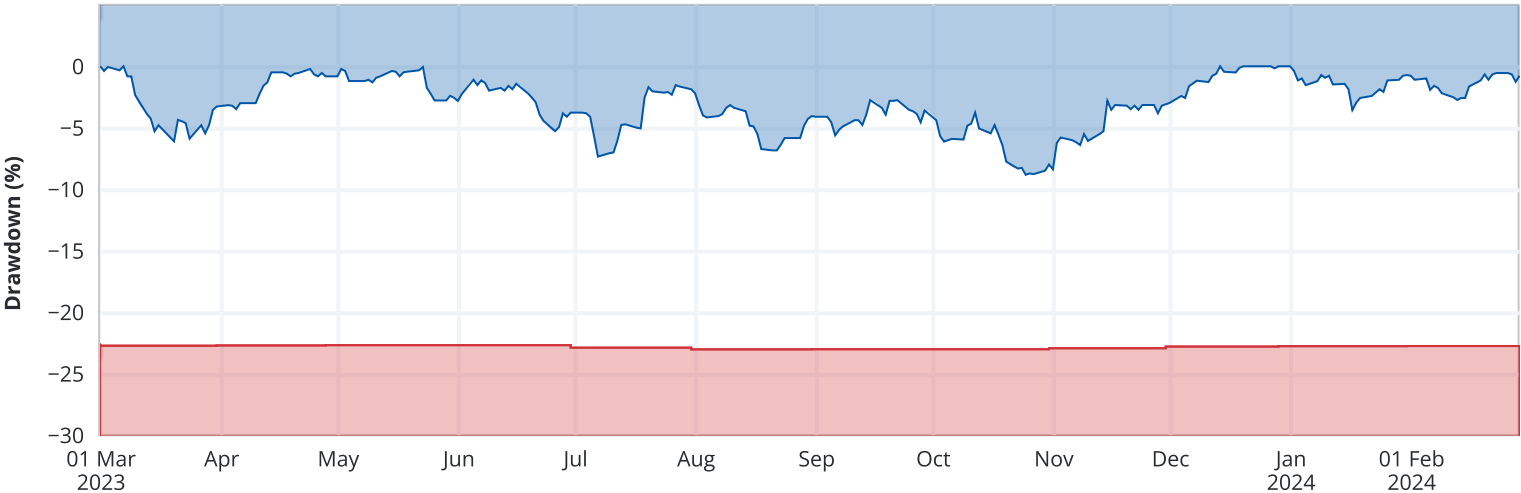
PERFORMANCE - FROM INCEPTION

13 Aug 2003 - 29 Feb 2024

RETURNS (%)	6.50	7.23
VOLATILITY (%)	12.62	16.95
ALPHA	0.00	
BETA	0.87	1.00
CORRELATION	0.89	1.00
SHARPE RATIO	0.35	0.30
SORTINO RATIO	0.47	0.42
MAX DRAWDOWN (%)	-51.84	-45.61

SIMPLE STRESS TEST DRAWDOWN (%)

1 Mar 2023 - 29 Feb 2024



Stress test notes

This chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

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