

# NINETY ONE UK SUSTAINABLE EQUITY - GBP

INVESTMENT RESEARCH NOTE  
MARCH 2024

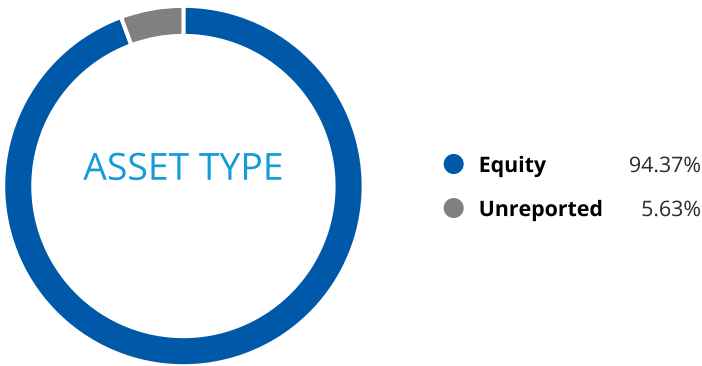
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels 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

Ninety One (formerly Investec Asset Management) was formed in 1991 in South Africa, and has since grown as a global investment firm. They have a long-standing ESG focus, starting from their origin in Africa within private markets. Today, there is an integrated approach to ESG described in-house as 'TIME' (Transparency, Impact, Measurement and Engagement). All fund strategies incorporate ESG principles with an active engagement policy as part of the process. The firm has been a UN PRI signatory since 2008 and is also a member of the UK Stewardship code, among others. Total AUM is well over £100bn.

Matt Evans is lead FM. He has 22 years investment experience and is a member of the firm's 'Quality Investment Team' which manages sustainable strategies. He joined the firm in 2017 from Threadneedle where he managed their UK Ethical Equity fund as well as UK mid cap funds. The broad Quality Investment team consists of over 20 professionals worldwide, with average tenure of 7 years and average industry experience of 12 years. They are supported by Ninety One's dedicated Sustainability and Engagement & Voting teams.

This is a long-only UK equity strategy, with a focus on quality sustainable ideas. Targeted return is +3% pa over FTSE All-share over a cycle. The fund holds between 40-60 names and uses a proprietary, thematic based analysis of a company's impact on society and the environment. Turnover is 20-25% pa and capacity is ample at £2bn. Over 80% can be liquidated in one day. The strong internal focus on ESG integration give an internal ESG score of 4/4.



INVESTMENT PROCESS

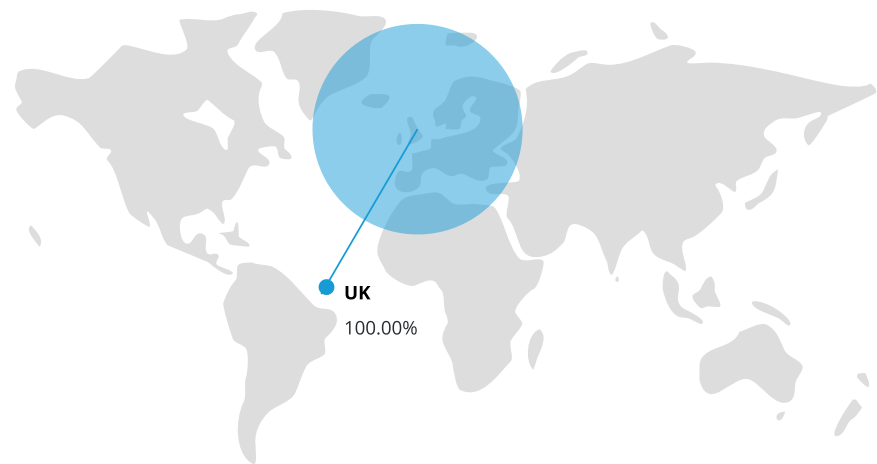
The process centres on bottom-up stock picking derived from fundamental analysis overlayed by long-term sustainable themes. There is a strong emphasis on company engagement and selecting companies with positive impact, both from a fundamental and ESG perspective. The fund has a mid/small cap tilt. Its ESG focus suggests that the fund is typically more defensive than non-ESG peers, particularly with avoidance of non-ESG compliant sectors. The investment philosophy revolves around 3 pillars: financial sustainability (of returns), internal sustainability (of businesses), and positive impact (contribution to a sustainable future). Diversification is driven by sector allocation and sustainable themes.

There is no quantitative screening carried out, although upto 30% of the FTSE All Share index is excluded by sector coverage (alcohol; gambling; tobacco; controversial weapons; adult entertainment; and heavy extractive industries). Company engagement is a core feature of the process with conclusions written up within the teams 'quality framework', covering financial, business and capital allocation analysis, plus a valuation overlay focusing on cashflows. Within all these areas, sustainability is at the heart of the analysis, i.e. how efficiently can a business operate especially with regards to its carbon intensity; low capital intensity and leverage are sought too, and hence strong free cashflow generation; capital allocation looks at how aligned a company is with its shareholders.

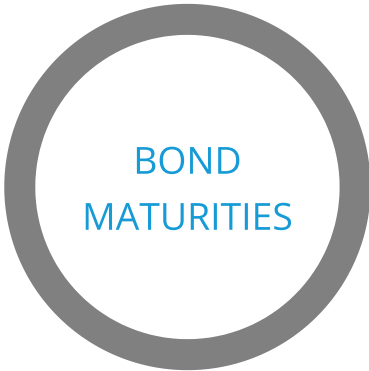
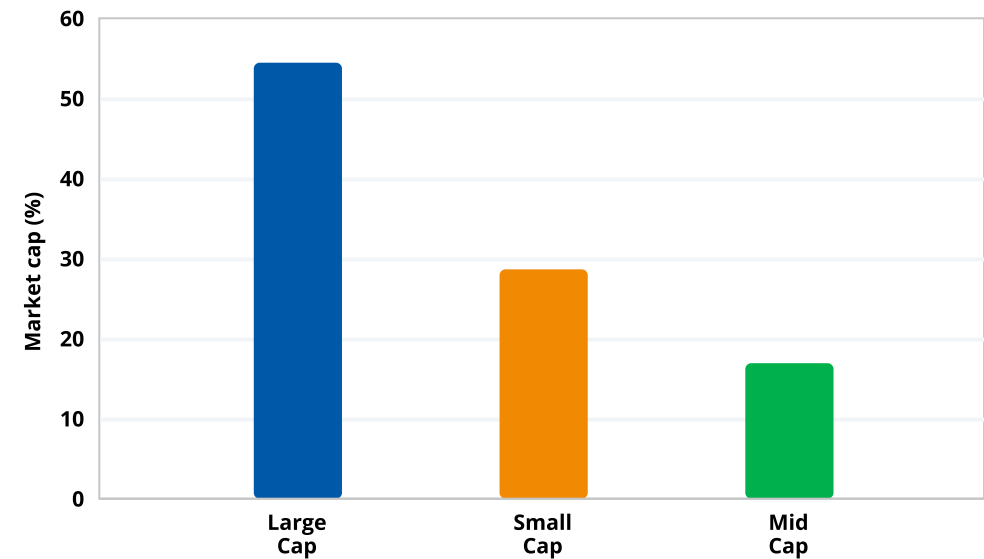
The impact on the environment is assessed (carbon footprint, cleaner energy initiatives, water usage), social impact (strong employee care) and supply chain (maintaining social and environmental standards with suppliers). The results are summarised in an 'internal sustainability assessment' report per company with the analysts scoring each section from '1' (good) to '4' (poor). The key differentiator vs peers is this analysis is a proprietary framework of 'investible themes'. This considers how impactful a company's products or services are towards a given theme and holds the portfolio accountable in how it enhances a positive ESG impact. These themes are mapped against the UN Sustainable Development Goals (SDGs) that cover social and economic development issues, including climate change, poverty, hunger, health, education and social justice. The team work with the in-house sustainable team to assess a company's impact and highlight topics for engagement. An example being Ceres Power, a SMID co, where 91 met with the business to pressure it to improve its ESG disclosure policy.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

# OVERALL PERFORMANCE

● Ninety One UK Sustainable Equity    ● FTSE 250 Ex IT

## GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



## GROWTH (%) - FROM INCEPTION

17 Dec 2018 - 29 Mar 2024



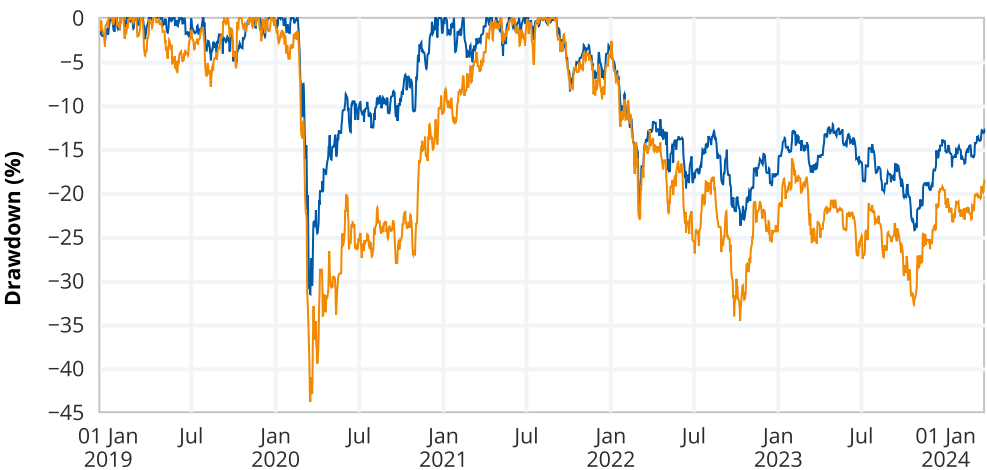
## DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



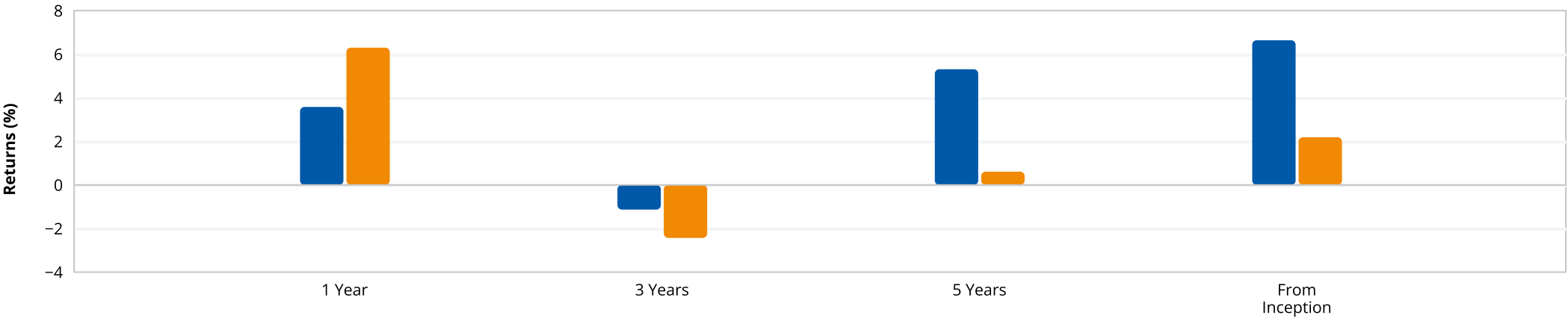
## DRAWDOWN (%) - FROM INCEPTION

17 Dec 2018 - 29 Mar 2024



# RETURNS

● Ninety One UK Sustainable Equity    ● FTSE 250 Ex IT



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.85	-1.21	3.64										1.51
2023	3.21	-0.01	-0.60	3.44	-1.88	-2.19	1.20	-2.86	-0.81	-6.13	4.96	6.96	4.63
2022	-7.04	-4.80	2.35	-0.43	-0.54	-6.06	5.27	-3.18	-5.83	1.73	5.01	-1.37	-14.79
2021	-1.11	0.01	2.75	3.42	0.95	1.19	0.35	3.20	-3.31	-0.07	-2.53	3.66	8.54
2020	2.48	-8.79	-12.02	10.96	3.28	-0.30	-1.71	3.16	-0.41	-0.81	7.31	7.45	8.51
2019	4.45	2.47	2.85	7.34	2.58	-1.16	2.14	-1.85	0.79	1.19	4.85	4.05	33.62

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Ninety One UK Sustainable Equity	3.58	-1.13	5.31	6.64
FTSE 250 Ex IT	6.30	-2.43	0.61	2.19

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Ninety One UK Sustainable Equity	3.55	-3.33	29.39	40.32
FTSE 250 Ex IT	6.25	-7.09	3.08	12.11

● Ninety One UK Sustainable Equity ● FTSE 250 Ex IT

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

RETURNS (%)	3.58	6.30
VOLATILITY (%)	10.25	15.95
ALPHA	-0.06 *	
BETA	0.62 *	1.00
CORRELATION	0.93 *	1.00
SHARPE RATIO	-0.13	0.07
SORTINO RATIO	-0.19	0.11
MAX DRAWDOWN (%)	-13.75	-14.98

\*Calculated over a 3 year period where history permits.

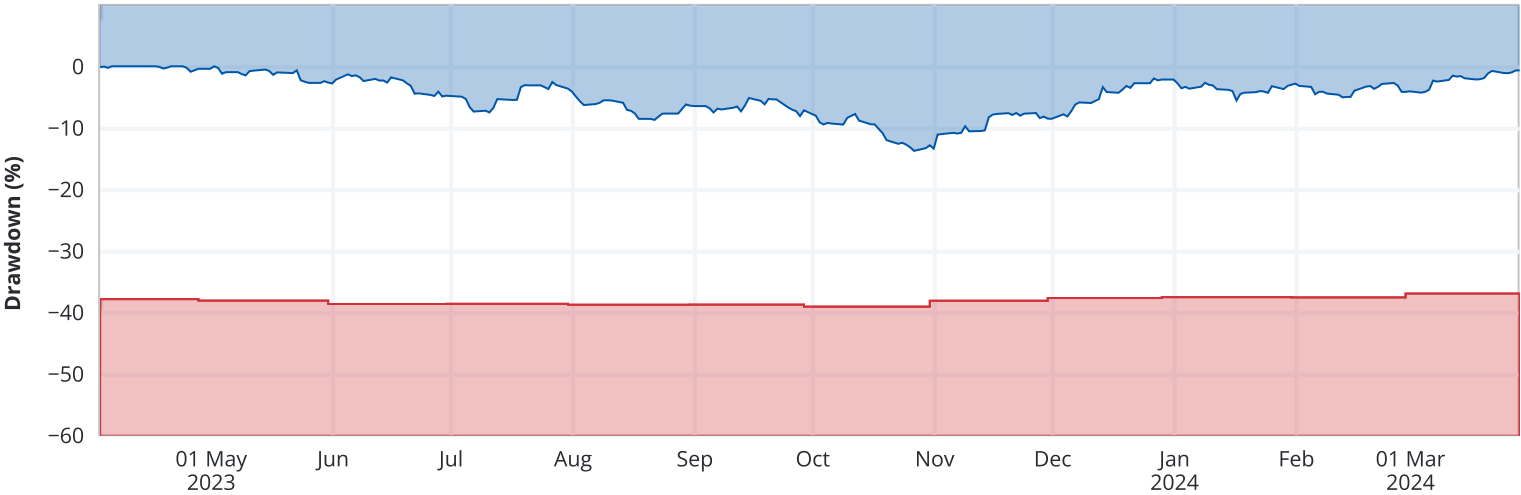
PERFORMANCE - FROM INCEPTION

17 Dec 2018 - 29 Mar 2024

RETURNS (%)	6.64	2.19
VOLATILITY (%)	15.51	20.56
ALPHA	0.36	
BETA	0.60	1.00
CORRELATION	0.88	1.00
SHARPE RATIO	0.32	0.00
SORTINO RATIO	0.42	0.00
MAX DRAWDOWN (%)	-31.55	-43.81

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The 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.

# DISCLAIMER

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