

LEGG MASON CLEARBRIDGE US EQUITY SUSTAINABILITY LEADERS FUND - 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).

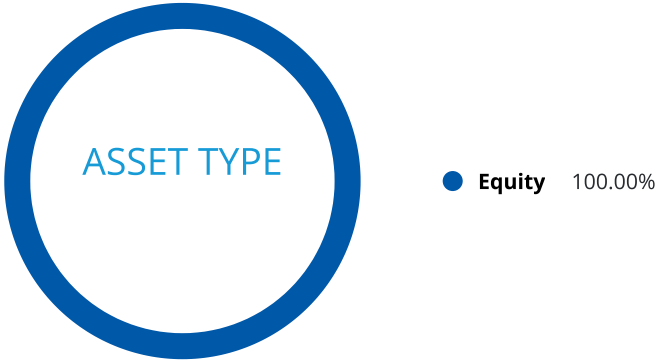
DESCRIPTION

SUMMARY

Legg Mason is a US-based asset manager with a global reach managing c.\$760bn of assets. It has a number of specialist, independent affiliates covering areas such as US small caps, fixed income, and infrastructure. In August 2020 Legg Mason Global Funds was acquired by Franklin Templeton. Franklin Templeton has a 70-year history, and the combined entity manages currently \$1.4tr of client assets, operating in 165 countries and employing 1300 investment professionals. Clearbridge manages AUM of \$177bn.

The Fund is managed by Derek Deutsch and Mary Jane McQuillen, with 21 and 24 years' experience respectively. They are supported by two dedicated portfolio analysts, as well as the wider team of 15 specialist sector analysts. ESG analysis is in-house, and is thorough and well integrated into the investment process.

The Clearbridge approach to investment is to act like an owner of a company, not a renter. That is to say, they are a long-term investor. Portfolio managers are each allowed their own style and process within this overall philosophy. The Fund aims to provide long-term capital appreciation from a high active share all-cap portfolio of companies with outstanding ESG characteristics. It is benchmarked against the Russell 3000 Index, and is available in both hedged and unhedged Sterling classes. Standing at \$480m AUM in December 2020, the capacity limit is considered to be \$25bn, and hence there is no issue at present. Collidr rates the Fund as 4/4 for ESG.



INVESTMENT PROCESS

The investment process has three main stages:

Quantitative Analysis and Initial ESG Evaluation –The process begins with sophisticated quantitative analysis using a proprietary multi-factor, sector-specific model to narrow down the investment universe to stocks that have qualities they want in companies, including attractive valuations (free cash flow yield, enterprise value/EBITDA, price/earnings, price/book, etc.), fundamental strength (debt/capital, ROE, sales growth, momentum), capital discipline (dividend growth, share count reduction, debt pay down, capital expenditures/depreciation). Stocks are then ranked within sectors and across the market. The model is recalculated monthly to prioritise candidates for in-depth fundamental research.

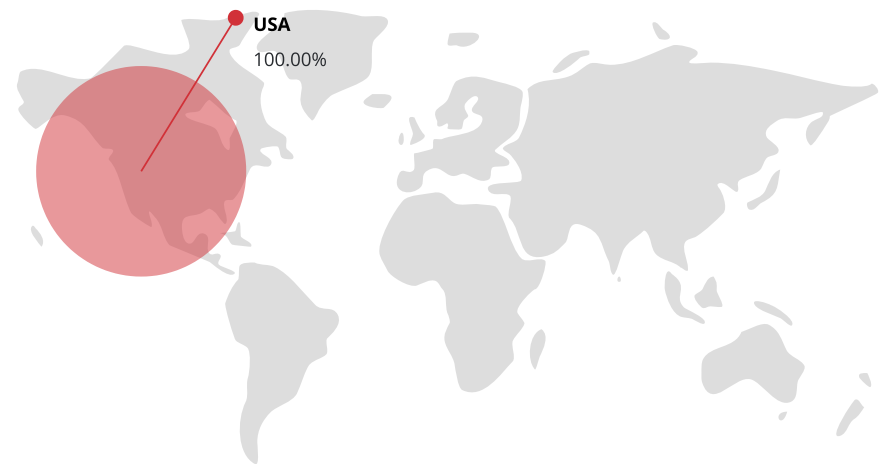
Proprietary ESG and Fundamental Analysis – The ESG evaluation is integrated into fundamental research and stock selection as part of a bottom-up approach to investing that seeks the best names within each industry. The primary source of ESG research is the internal fundamental research team, whose sector analysts have specific ESG criteria that they consider in addition to their fundamental research. ClearBridge's ESG Rating System assigns scores (AAA, AA, A etc.) to all companies, and these are monitored continuously. Companies scoring B or lower are excluded. The sector analysts then initiate direct dialogue with management and conduct interviews with other groups and individuals for input on indicators and best-practice standards on specific companies and industries. 90% of research is sourced internally.

Portfolio Construction – The Portfolio Managers build a concentrated portfolio of 30-50 high-quality companies with outstanding ESG attributes from the bottom up and invest with a long-term horizon. Consideration is given to sector diversification. Position size is determined by the team's level of conviction, risk and active exposure.

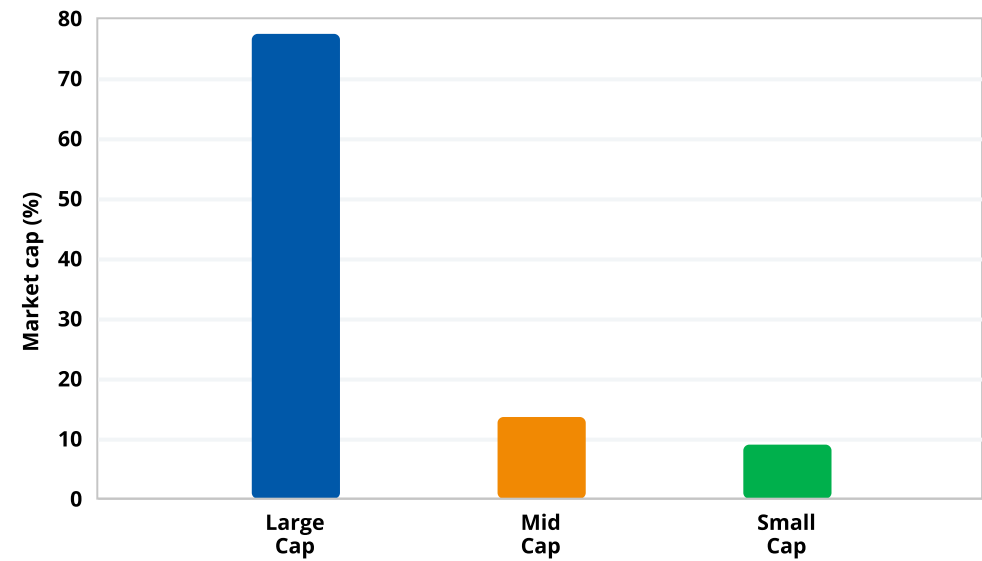
The investment team monitors risk and reward within the portfolio. They also review the portfolio with the Firm's independent Risk Management Committee on a quarterly basis. The managers are committed to on-going engagement with investee companies, and vote actively. They work with company managements as long-term owners, focusing on ESG leadership and prudent financial management. Stocks become sell candidates when they fall out of the investment universe, no longer meet the investment criteria, reach fair value or when there is a significant change in fundamentals. A stock may also be sold if a better investment opportunity is identified. All final decisions on portfolio holdings and voting rest with the PMs.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● Legg Mason ClearBridge US Equity Sustainability Leaders X Acc GBP ● Russell 3000 Total Return GBP

GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



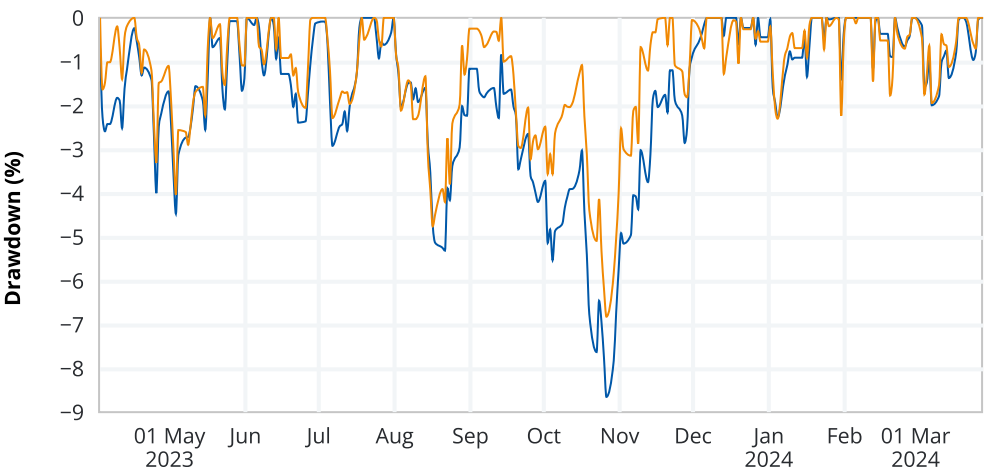
GROWTH (%) - FROM INCEPTION

1 Jan 2016 - 29 Mar 2024



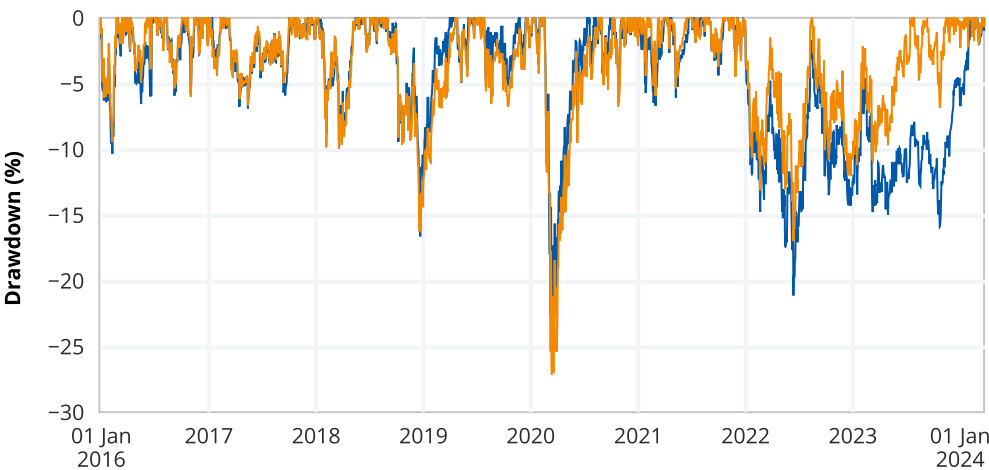
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



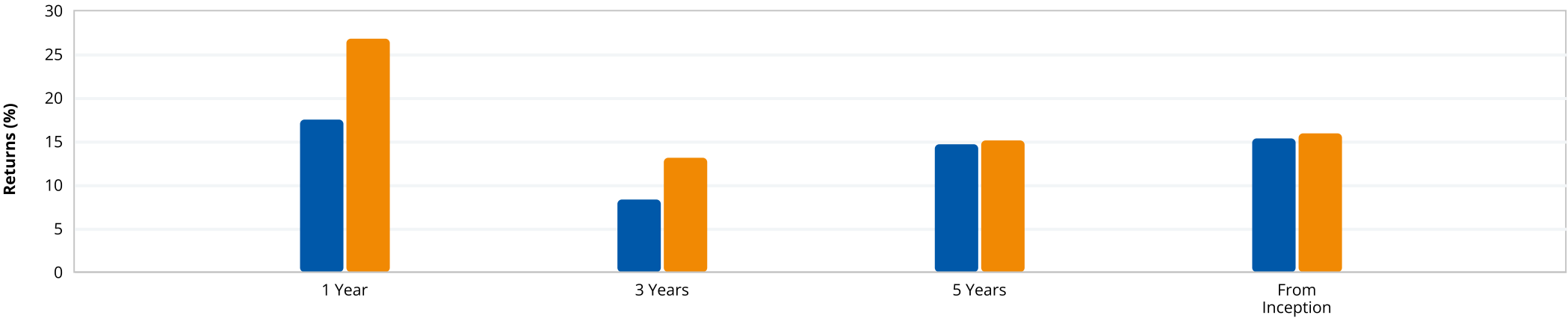
DRAWDOWN (%) - FROM INCEPTION

1 Jan 2016 - 29 Mar 2024



RETURNS

● Legg Mason ClearBridge US Equity Sustainability Leaders X Acc GBP ● Russell 3000 Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	1.06	5.35	3.23										9.90
2023	5.30	-0.31	-2.02	-2.19	0.59	2.76	1.75	-1.65	-2.01	-2.63	5.96	4.41	9.83
2022	-7.36	-2.68	3.54	-5.38	-1.02	-4.24	10.70	1.54	-5.64	3.87	1.22	-6.44	-12.65
2021	-1.21	-0.56	5.40	3.23	-2.23	4.53	1.45	4.54	-3.06	6.05	2.36	2.29	24.70
2020	1.64	-3.64	-7.67	8.87	8.25	1.25	0.65	3.86	2.35	-0.14	7.67	2.25	26.90
2019	5.58	3.07	2.14	5.36	-2.36	6.78	6.68	-0.38	0.80	-3.48	4.68	-0.33	31.70

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	17.50	8.33	14.67	15.34
●	26.78	13.12	15.11	15.92

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	17.35	26.98	97.72	222.69
●	26.55	44.49	101.55	236.43

● Legg Mason ClearBridge US Equity Sustainability Leaders X Acc GBP ● Russell 3000 Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

RETURNS (%)	17.50	26.78
VOLATILITY (%)	11.41	12.57
ALPHA	-0.38 *	
BETA	1.05 *	1.00
CORRELATION	0.97 *	1.00
SHARPE RATIO	1.05	1.64
SORTINO RATIO	1.55	2.56
MAX DRAWDOWN (%)	-8.65	-6.82

*Calculated over a 3 year period where history permits.

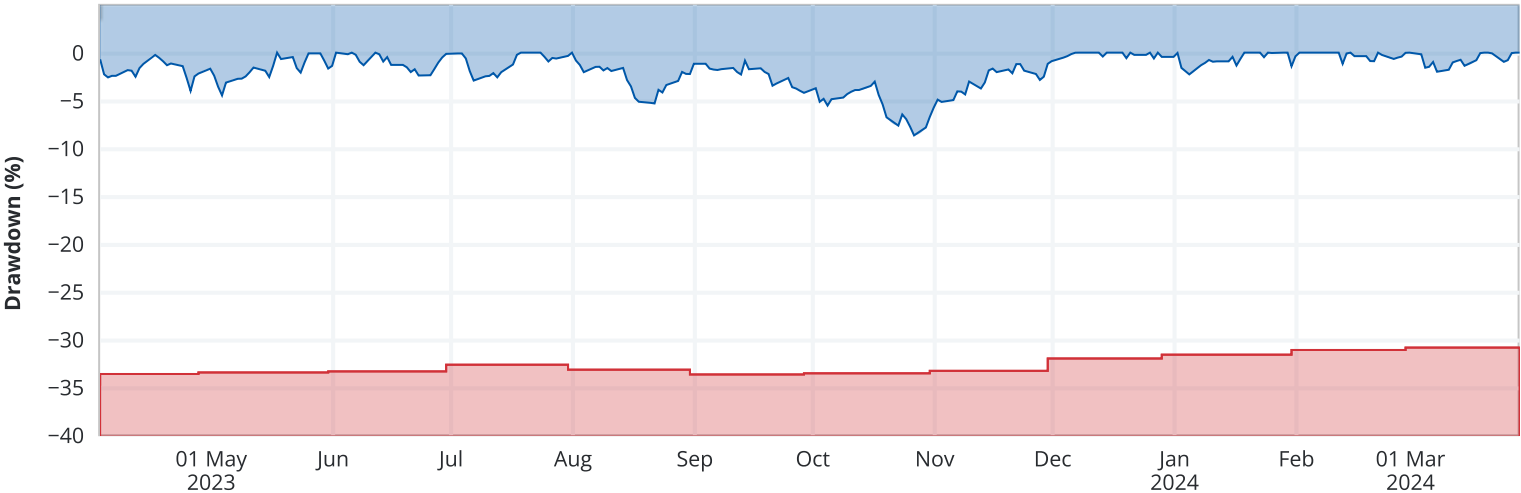
PERFORMANCE - FROM INCEPTION

1 Jan 2016 - 29 Mar 2024

RETURNS (%)	15.34	15.93
VOLATILITY (%)	18.44	19.09
ALPHA	0.04	
BETA	0.97	1.00
CORRELATION	0.96	1.00
SHARPE RATIO	0.75	0.72
SORTINO RATIO	1.09	1.03
MAX DRAWDOWN (%)	-23.24	-27.13

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

Legg Mason ClearBridge US Equity Sustainability Leaders Fund - GBP | March 2024

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