

# STRATEGY GUIDE

## Improving Society



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The Martin Currie socially-focused impact strategy aims to positively address the problem of human inequity while delivering long-term capital growth. We do this by investing and engaging to improve fair treatment, access, opportunity, and advancement for all people.

The Martin Currie Improving Society strategy can help deliver this by both supporting those companies delivering the most meaningful impact, and actively engaging with them to accelerate the delivery of these ambitions. The strategy will invest on a long-term, global basis in 20-35 publicly listed companies whose products or services, (i) improve wellbeing, (ii) improve inclusion, and (iii) support a just transition. Firms providing solutions to facilitate improvements in human equity can meaningfully narrow the equality gap and make a real, measurable difference to society.



### Impact focused investment

Investing in the world's most socially impactful companies.



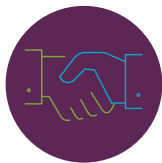
### Innovative research process

Three long term impact pillars inform our fundamental research.



### Meaningful impact performance measurement

Company-specific impact is identified, measured, and tracked through KPIs.



### Active engagement

Engagement across all holdings is central to driving the pace of impact and changes in behaviour.



### Differentiated portfolio construction

Impact and investment conviction directly influences position sizing.



ESG analysis fully integrated



All Martin Currie portfolios focus on Stewardship



# The strategy offers

## Impact focused investment



The Martin Currie Improving Society strategy invests in companies that provide solutions to key societal challenges. We acknowledge the barriers or advantages people possess and that to effectively address development goals requires fair treatment, access, opportunity, and advancement for all people. We believe that by investing in and engaging with society's most impactful companies we can generate this positive change as well as provide long-term capital appreciation.



## Innovative research process

Impact investing is all we do. We have a highly differentiated and detailed research process with impact at its core. Analyst coverage is based on key Sustainable Development Goals (SDG's), not traditional sector coverage. We conduct this analysis using a dedicated and detailed framework based on the Impact Frontiers 'Five Dimensions of Impact'<sup>1</sup>.



## Meaningful impact performance measurement

We invest in companies where we can identify a specific, significant and measurable impact. To assess this, we use the insight generated from our analysis to set company-specific impact KPIs and measure long-term progress against these.



## Active engagement

We conduct meaningful and structured engagement across all companies in the portfolio. We recognise the power of active ownership to accelerate impact and improve corporate behaviours.



## Differentiated portfolio construction

This strategy is highly concentrated and benchmark-agnostic. Portfolio weights are directly driven by the team's assessment of real-world impact, reflected in our impact conviction, as well as our conviction in business quality and opportunity set. When combined with our unique impact focused research process this ensures the portfolio is highly differentiated to broad benchmarks and traditional sustainable investment strategies.

A key consideration of our impact assessment framework is risk; informing our conviction in each investment together with its potential impact. Our business analysis captures proprietary governance and sustainability risk ratings on a forward-looking basis.



## All Martin Currie portfolios fully integrate a governance and sustainability assessment, engagement and voting into their investment process

Stewardship is at the heart of our client proposition. We systematically consider governance and sustainability factors that we believe could have a material impact on the ability of a company to generate sustainable returns. We actively engage with corporate management, motivated by a firm belief that this both helps protect and enhance the risk-adjusted return on our clients' capital.

<sup>1</sup>Source: <https://impactfrontiers.org/norms/five-dimensions-of-impact/>.





# How we identify companies that ‘Improve Society’

## Repeatable results to build long-term conviction

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a shared blueprint for peace and prosperity for people and the planet, now and into the future. Our research coverage focuses on seven key SDGs that contribute to the delivery of social impact. Analytical responsibility is split between team members as shown below.



Lauran Halpin



John Gilmore
















Eoghan McGrath



Research responsibility is split by SDGs key to the portfolio's objective of positive social impact. This allows us to develop deep familiarity with the conditions necessary to achieve the SDGs and how individual company impacts can facilitate this. By focusing on the SDGs rather than traditional sectors this allows us to become more focused on the impact delivered rather than being restricted by traditional industry analysis that is less relevant to our purpose.

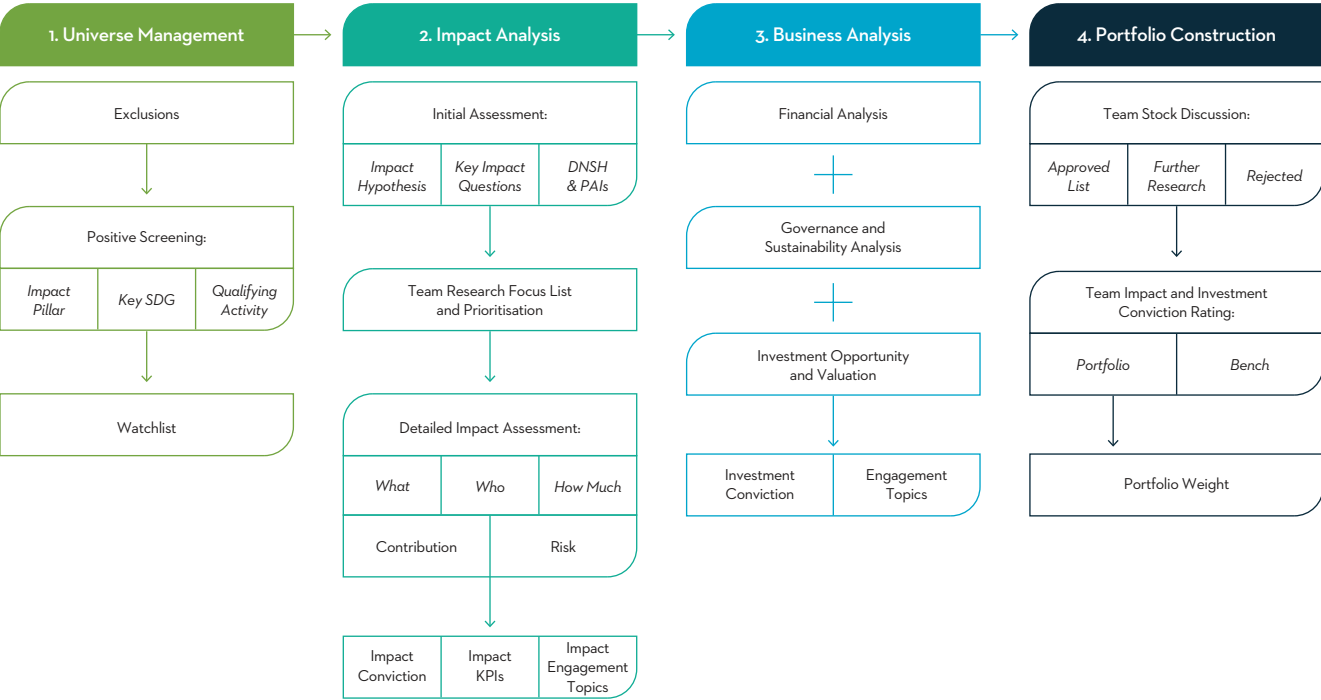
The research process leverages the experience, creativity, and passion of the strategy's portfolio management team to identify areas of the market which have the greatest opportunity to generate positive impact. The aim of the initial research scan is to identify companies on a global basis which significantly impact basic human needs, and thereby nurture human equity, in at least one of three categories:

Impact Pillar	 Improve Wellbeing				 Improve Inclusion			 Just Transition		
Impact Focus	 Mental Health & Wellbeing	 Preventative Medicine	 Medical Treatment & Advances	 Basic Human Needs	 Education	 Financial Equality	 Access to Resources	 Circular Economy	 Reskilling	 Upgrading the Lived Environment





Our process is differentiated, detailed, and starts with impact



Because we are focused on the impact our investee companies can deliver our process begins with our impact analysis before we move to business analysis and portfolio construction. Our aim is to have a research longlist of approximately 100 companies, spread across the three impact pillars. In this analysis we identify the impact area, the problem the company is solving and the mechanism for contributing to societal improvement through its business activities.



## We augment this analysis with a dedicated and detailed framework based on the Impact Frontiers 'Five Dimensions of Impact'

Our impact assessment framework focuses on the intentionality, materiality and additionality of the impacts created by companies through their products and services. We have based our Impact Assessment Framework on the Impact Frontiers' 'Five Dimensions of Impact', which provides a comprehensive, decision-useful tool for assessing the impact, both positive and negative, of companies, through five areas:



**What:** This leverages our SDG mapping to enable us to form a theory of change, whereby we identify for each company:

- Its key impact area.
- The problem the company is solving.
- The mechanism for contributing to change.

This granularity helps us narrow down the proportion of revenue a company earns from its impact-related products and services rather than considering the entirety of its revenue.



**Who:** We attempt to define who is affected by the activities identified, to ensure those most in need are receiving the benefits of the positive impact. The 'who' may not only be an individual, but a community or other cohort.



**How Much:** Within this section we consider the scale of the impact and identify company specific KPIs to track this. We also consider the long-term growth of impact-related revenue and whether this is exceeding, meeting, or lagging our expectations, informing our engagement with investee companies. It is within this section we consider the intentionality and materiality of the impact based on the first three dimensions of impact.



**Contribution:** Additionality may be the most challenging aspect of impact to analyse, however we work to improve our confidence in the forecast of impact by applying the same rigour as we do in our business analysis. This should provide a more realistic measure of the additionality of impact. Where we can, we will revisit our assumptions and compare against what materialised in comparable situations.



**Risk:** This final element forces us to question our biases and inform our engagement process and incorporates any risks that may prevent the expected impact occurring, as well as any externalities identified in other areas of our analysis. When assessing risk, we consider the likelihood of the risk occurring and the scale of the consequences if it does. Once a risk is identified we look for mitigators against this risk. We do not believe that a positive and negative impact can be "netted off" and our analysis helps identify potential unintended consequences of a company's operations.

This work is distilled into our final Impact Conviction rating, allowing us to compare companies in the portfolio and across our research universe. This analysis also forms the basis for determining our engagement objectives.

# The Improving Society portfolio

## Portfolio construction driven by impact and investment conviction

When constructing, the position sizes reflect our conviction equally weighted across two dimensions:

- conviction in the impact the company will likely have.
- conviction in the risk adjusted return, business quality, and valuation.

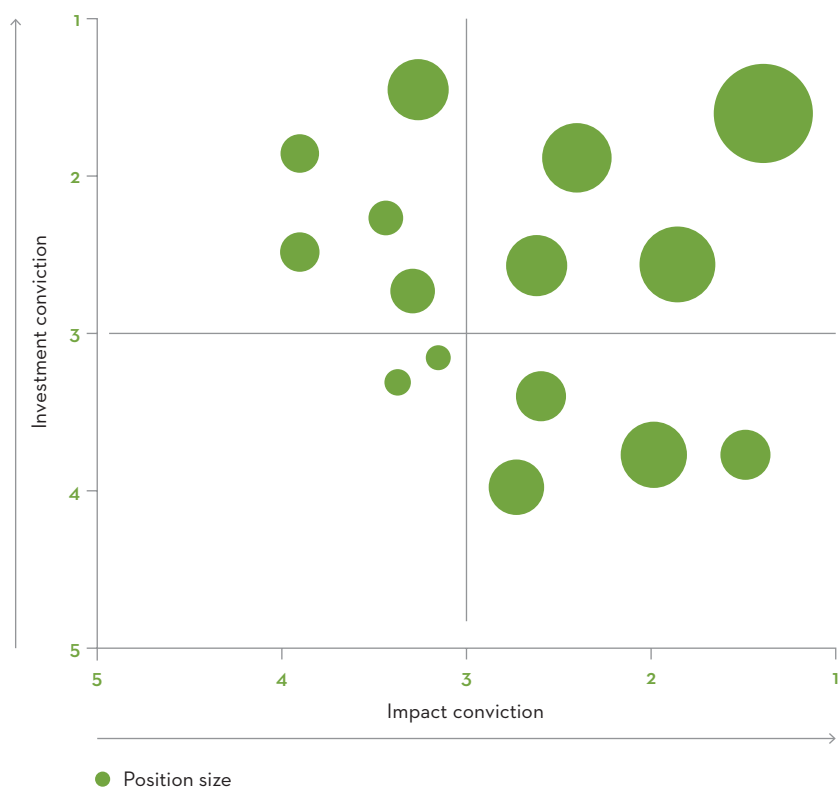
Only companies which demonstrate significant impact, have been through our impact-focused investment process, and pass our negative screening criteria reach the portfolio construction phase. When determining positions sizing, the team express conviction on a scale of 1 (high conviction) to 5 (low conviction) for both dimensions with a view to allocating more capital to those where potential impact and potential risk adjusted return are highest.

Companies where the potential impact is low, particularly where this is combined with low return potential will not make it into the portfolio.

Position sizing is reflective of the team conviction in both impact and return, with higher conviction investments likely carrying higher active weights compared to lower conviction holdings. Where conviction has weakened the team will engage in the first instance to understand the factors surrounding the change. If materially weakened, the team may consider an investment's position size within the portfolio, and if there is a consensus reached that conviction has deteriorated significantly, the investment may be sold in favour of higher conviction ideas.

The approach is best illustrated in a stylised schematic as shown below and is also subject to the following limits:

- Maximum 10% stock limit.
- Maximum 30% sector limit.
- Maximum 50% limit in any impact pillar.



## Mechanisms of impact

### Investing in companies that create solutions to the world's biggest challenges

- Impact investing involves investing in companies with the intention to generate a measurable, beneficial, social or environmental impact alongside a financial return.
- Public markets impact investing can help deliver this by supporting those companies creating impact at scale and actively engaging with companies to accelerate delivery of these ambitions.
- We invest in companies which provide products and solutions which address human inequity, meaningfully narrow the equality gap, and make a measurable difference in the world.
- In doing so we aim to positively address the issue of inequity by investing and engaging to improve fair treatment, access, opportunity, and advancement for all people.

### Engagement to accelerate impact

We recognise the power of active ownership including engagement and voting practices to generate change.

We conduct meaningful and structured engagement across all companies in the portfolio.

Every holding in the portfolio is subject to a structured engagement plan to accelerate impact and drive standards in sustainability related behaviour.

- We define and track company specific KPIs and establish whether each company is meeting, exceeding, or lagging these expectations. Where companies are lagging or where we see significant opportunity to accelerate impact, this will form part of our engagement objective.
- Where our analysis surfaces opportunities for behavioural improvements, we engage with companies to drive positive change in these areas of corporate practice.

We track the proportion of the portfolio at each engagement stage of completion. This is assessed on a scale from 1-5 with 1 representing initial contact on the issue to 5 being the engagement has reached conclusion.

## The Improving Society investment team

The members of the impact investment team all began their careers at different times and businesses. What has drawn us together is a common focus on, and passion for, active stewardship and investing for impact. This has led us to investment roles which have been marked by an increased focus on sustainability throughout our careers. We share a common desire to contribute to solving the structural increase in inequality and shortfall between the goals and delivery of key societal objectives such as the Sustainable Development Goals and action on climate change. Through our experience and, having observed the positive impact companies can have in relation to social and other sustainability-related issues, we are convinced that an investment strategy focused on achieving and accelerating real world change can have a strong impact in solving these challenges. We are excited that we can help deliver the next chapter in achieving Martin Currie's corporate purpose of 'Investing to Improve Lives'.



**Lauran Halpin**

Portfolio Manager,  
Impact Equity



**John Gilmore**

Portfolio Manager, Impact Equity/ Stewardship,  
Sustainability & Impact Specialist



**Eoghan McGrath**

Investment Analyst, Stewardship,  
Sustainability & Impact



## Key facts

### To invest in companies that contribute to human equity and improving society

Objective	Social impact and long-term capital appreciation
Asset Class	Listed Equities
Style	Impact
Investable Universe	Global
Benchmark	N/A
Performance Goal*	Outperform the MSCI All Country World Index
Market capitalisation	All-Cap
Sector/country allocations**	30% maximum sector/country allocation as a result of stock selection, managed within factor risk analysis
Security limit	Maximum 10% absolute stock weight
Impact Focus limit	Maximum allocation of 50% in any one impact pillar
Number of stocks	20-35
Portfolio turnover	Expected to be low (<30%)
Strategy inception	2023

Investment vehicles only available in certain jurisdictions. The characteristics shown are guidelines only and are not hard risks limits. \*Performance is measured against the MSCI ACWI. For the avoidance of doubt, the index is not used for the purpose of determining or constraining the composition of the Fund's portfolio. It is not used as a reference to attain the sustainable investment objective as the Fund does not align its sustainable investment objective with that of the Index. \*\*Secondary to stock selection.

## About Martin Currie

<p>since <b>1881</b></p> <p>Over <b>140 years</b> of investment experience</p>	 <p><b>FRANKLIN TEMPLETON</b></p> <p>Specialist investment manager of Franklin Resources Inc.</p>	 <p>Market leading <b>ESG credentials</b></p>
 <p><b>Team of 50 investors</b> managing high-conviction portfolios</p>	 <p>Offices located in <b>Melbourne,</b> <b>Edinburgh, Leeds, London,</b> <b>New York &amp; Singapore</b></p>	 <p>Total AUM <b>US\$21.5 billion</b></p>

Source: Martin Currie as of 31 March 2023.

For further information on our market leading ESG credentials please refer to full details on our website: [www.martincurrie.com/our-story/our-stewardship-approach](http://www.martincurrie.com/our-story/our-stewardship-approach).

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## Important information

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The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy does not necessarily target particular sustainability outcomes.

**Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.**

Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.

- 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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