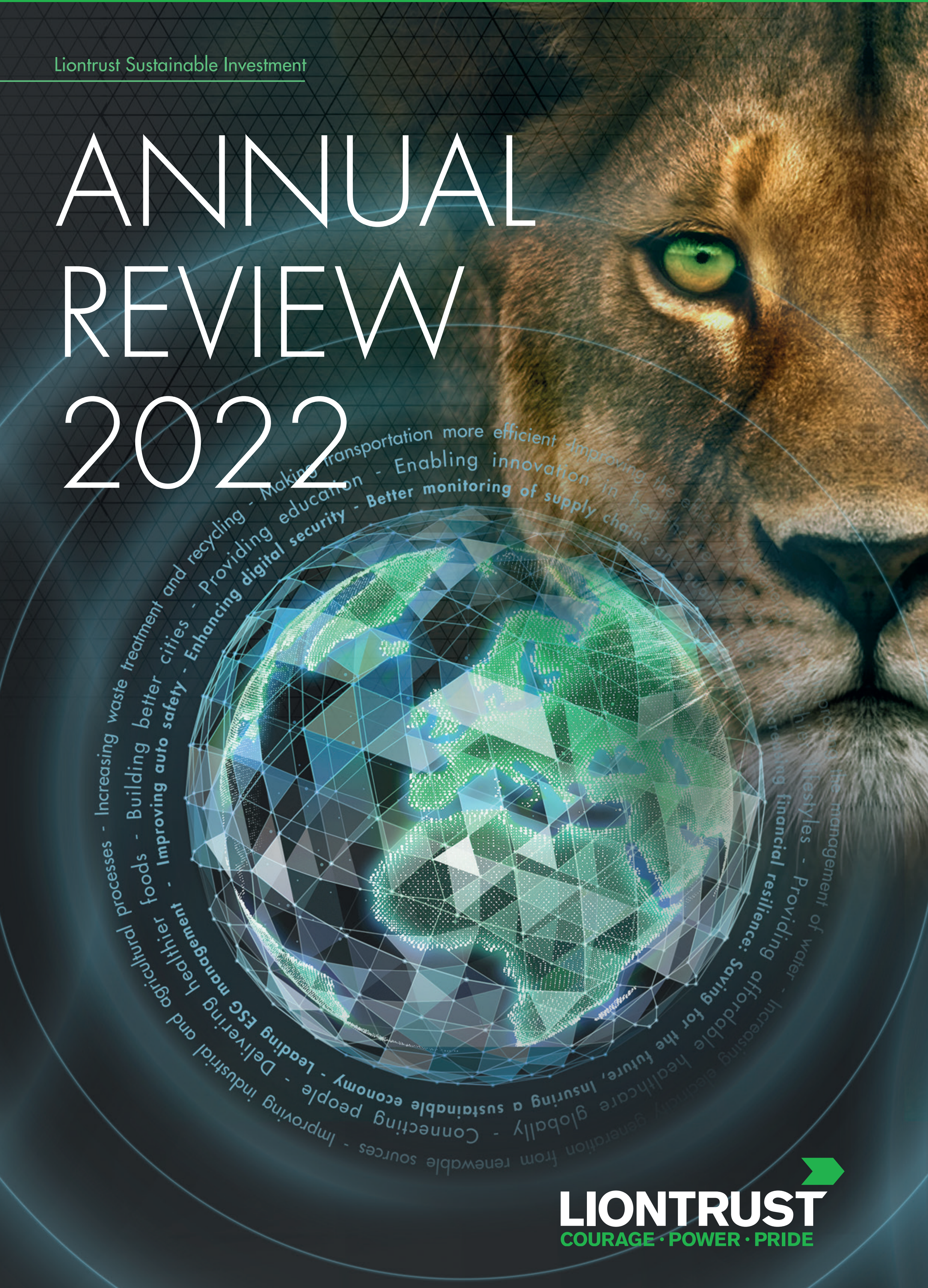
Liontrust Sustainable Investment

ANNUAL REVIEW 2022



LIONTRUST
COURAGE · POWER · PRIDE


Increasing waste treatment and recycling
Building better cities - Providing
Improving auto safety - Enhancing digital

Contents

Introduction

2022 was a challenging year for investors with volatility across almost every asset class and major macro-economic and political uncertainties – many of which are still ongoing. This environment has been especially challenging for those investing sustainably. And yet, looking to 2023 we are more excited about the prospects than we have been for years.

Since we launched our Sustainable Future (SF) funds in 2001, our proposition to clients has been to deliver superior returns by investing in sustainable companies – those companies that are making our world cleaner, healthier and safer. We believe these businesses have better growth and greater resilience than the market anticipates. In addition, by allocating capital to these businesses and engaging with management, we can accelerate environmental and societal improvements.

In spite of the poor performance of the SF funds in 2022, we are confident that we will deliver stronger returns in the years to come.

This confidence comes from the strong foundations of our 20 sustainable investment themes. It is our view that they identify the strongest and most dependable growth trends in the economy.

These themes can be summarised as the move to a cleaner, healthier and safer future. And, while it may sound a bold claim, we believe that 2022 was a bumper year for these themes.

If we look at the picture around renewable energy, which sits within our theme of Better resource efficiency, the cost of generating electricity from solar and onshore/offshore wind has continued to fall over the past 10 years. In addition, the competitive position of renewables versus fossil fuels has improved dramatically following volatile price spikes in fossil fuels.

When we as societies look to resolve the energy trilemma of being affordable, secure and clean, there is little that can compete with renewables. This is being recognised in government stimuli such as the US Inflation Reduction Act which has earmarked $370 billion towards reducing emissions. The EU 'Fit for 55' target of reducing net greenhouse gas emissions by at least 55% by 2030 will double the share of renewables. Even China has stated its target of being carbon neutral before 2060 and to phase down coal post-2025. These are dramatic changes with exceptional stimulus for this theme.

Turning to Improved health and innovation within healthcare: We have seen an acceleration in our ability to diagnose and treat diseases. This is exemplified by the dramatic cost reduction in gene sequencing: falling from $400 million for the first genome sequenced to around $400 today. This improves understanding of disease mechanisms and how to arrest them, as shown in the speed at which the vaccines for Covid-19 were developed (under 12 months) in comparison to the vaccine for typhoid fever which took over 100 years to develop.

Lastly, looking at Greater safety and resilience and the role of finance in enabling the transition to a low carbon energy system: large amounts of capital will be needed to finance the renewable energy growth and in 2022 we saw extremely strong progress in this area, with key banks committing £3 trillion of finance to clean energy projects. To put this into perspective, if 1MW of renewables is roughly £1 million, then this amount could fund 3000GW, which is equivalent to the entire capacity of US electric generation. This gives an idea of the quantum of capital that is being targeted towards renewables, and the critical importance of banks being prepared to finance these projects.

Peter Michaelis, Head of Sustainable Investment at Liontrust

For more information on Sustainable Investment plus our funds and team, go to **www.liontrust.co.uk/sustainable**

HOW WE INVEST:
OUR SUSTAINABLE VISION

Identifying superior stocks

01

Thematic analysis
– identifies companies with strong and dependable growth prospects due to alignment with our themes

02

Sustainability analysis
– focuses on those companies with excellent management and core products or services that contribute to society or the environment

03

Analysis of business fundamentals
– selects only those companies positioned to deliver high returns on equity

04

Valuation analysis
– determining that the shares of the company will be worth significantly more in the future

Our SF investment process is based on the core belief that sustainable companies have better growth and are more resilient than the market gives them credit for. We use this underappreciated advantage as we look to deliver outperformance across equity, bond and managed portfolios and, in supporting sustainable companies, accelerate environmental and societal improvements.

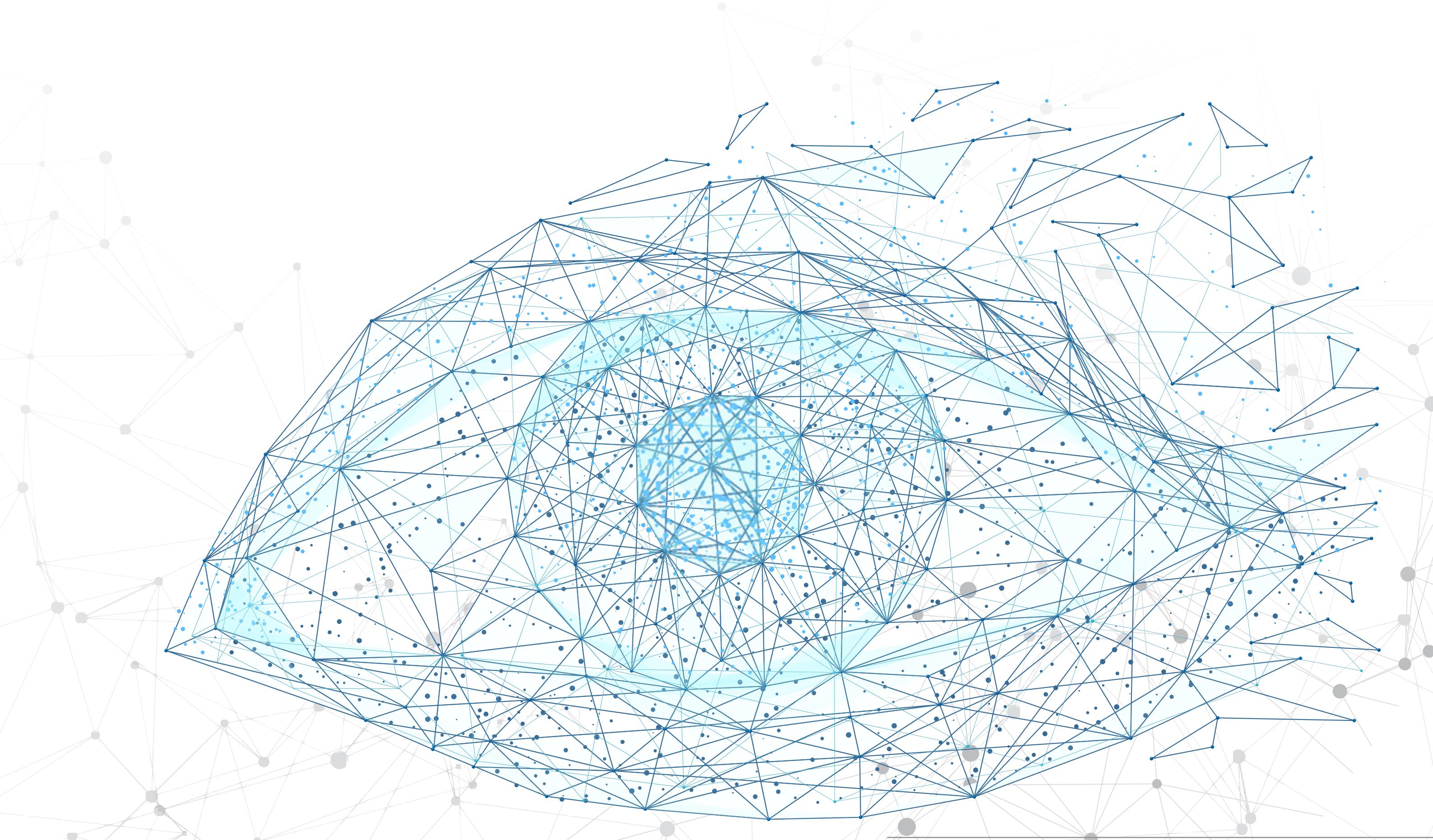
We are seeking to invest in the economy of the future and, to do this, the team looks at the world through the prism of three mega trends – Better resource efficiency, Improved health and Greater safety and resilience – and 20 themes within these, all contributing in different ways to creating a cleaner, healthier and safer planet:

Cleaner: Using our resources more efficiently (water, increasing recycling of waste, lower carbon energy sources and energy efficiency).

Healthier: Improving our quality of life through better education, healthier lifestyles and diet or better healthcare.

Safer: Making the systems we rely on safer or more resilient. This includes transport safety, keeping our online data safe with cyber-security and spreading risk through appropriate insurance mechanisms.

Understanding these trends helps to identify areas of long-term structural growth and we then look to invest in companies on the right side of these transitions, contributing towards a better world while making profits for our investors.



01 Thematic analysis – strong and dependable growth prospects

Better resource efficiency

- Improving the efficiency of energy use
- Improving the management of water
- Increasing electricity generation from renewable sources
- Improving the resource efficiency of industrial and agricultural processes
- Delivering a circular materials economy
- Making transportation more efficient or safer

Improved health

- Providing affordable healthcare
- Connecting people
- Delivering healthier foods
- Building better cities
- Providing education
- Enabling innovation in healthcare
- Enabling healthier lifestyles
- Encouraging sustainable leisure

Greater safety and resilience

- Increasing financial resilience
- Saving for the future
- Insuring a sustainable economy
- Leading ESG management
- Enhancing digital security
- Better monitoring of supply chains and quality control

While themes are at the heart of our idea generation, there are three further criteria all companies have to satisfy.

02 Sustainability analysis: A company might have significant exposure to a theme, but we also have to check how sustainable the rest of its activities are. For each business, we determine key ESG (environmental, social and governance) factors that are important indicators of future success and assess how well these are managed via our proprietary Sustainability Matrix (which can be seen on page 24). Every company held by the SF funds is given a Matrix rating, which analyses the following:

- Product sustainability (rated A to E): Assesses the extent to which a company's core business helps or harms society and/or the environment. An A rating indicates a company whose products or services contribute to sustainable development (via our investment themes); an E rating indicates a company whose core business is in a conflict with sustainable development (such as tobacco or polluting activities like coal-fired electricity generation).
- Management quality (rated 1 to 5): Assesses whether a company has the appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality in relation to the risks and opportunities represented by potentially material ESG issues are graded from 1 (excellent) to 5 (very poor).

Companies must score C3 or higher to be considered for inclusion in our SF funds.

03 04 Analysis of business fundamentals and valuation analysis: Companies in which we invest have robust business fundamentals with a proven ability to deliver high returns on equity (RoE) through sustaining margins and asset turnover. Typically, these companies have a maintainable competitive advantage through scale, technology or its business model.

We then predict the likely sales, earnings and other financial returns we expect to see from these companies over the next three to five years, integrating our view of their quality into these. Applying the relevant valuation multiple allows us to derive a price target achievable in the next three years. When this shows significant upside (typically, we look for greater than 10% a year), the investment is recommended as a buy and available to be included in our funds

Growth

Theme driven

Growing addressable market
Share gainers
Structural tailwinds

Resilient returns

High quality companies

High barriers to entry
Aligned management team
Sustainable competitive advantages

Quality of earnings

Resilient, dependable

Recurring revenues
Cash flow conversion

- **Forecast financial outcomes over the next five years**
  Determining future revenues, margins and earnings
- **Identify the valuation metric relevant to the stock**
  Price/Earnings, EV/EBITDA, Price to Book
- **Determine the future level of the valuation multiple**
  Will the multiple fade, be sustained or expand?
- **Derive the valuation that the shares can reach over the coming years**
  We look for greater than 10% pa return

Meet the team

We have a 17-strong team that has been managing the Sustainable Future (SF) funds for more than 22 years, with a mix of experience and youth. This includes four graduates who joined in 2021.

A key differentiator is the fact all the sustainable elements are fully integrated within a single team. We do not have separate fund management and ESG divisions, for example. Instead, every member is responsible for all aspects of financial and ESG analysis relating to an investment decision. Because of this approach, our team engages with companies across a broad range of issues relating to different stages in our investment process, including screening criteria, sustainable themes and company-specific ESG issues (details of which can be found throughout this Annual Review).

The team, which has an average of 17 years of industry experience, is headed by Peter Michaelis. We also have a four-strong external Advisory Committee to provide another layer of expertise in key areas of social and environmental impact: Tony Greenham, Tim Jackson, Valborg Lie and Ivana Gazibara.

Equities

Theme and other responsibility | Academic background | Industry tenure / Team tenure

Peter Michaelis
Head of Sustainable Investment team

- *Better monitoring of supply chains and quality control*
- *Building better cities*
- *Enhancing digital security*
- *Improving the efficiency of energy use*

- MA in Physics from Oxford University
- MSc in Energy & Environmental Engineering from Sussex University
- PhD in Environmental Economics from the University of Surrey

- 23 years / 22 years

Simon Clements
Investment Manager

- *Improving the management of water*
- *Improving the resource efficiency of industrial and agricultural processes*
- *Making transportation more efficient or safer*

- BSc in Economics from the University of Newcastle, Australia
- Graduate Diploma in Applied Finance & Investment from Securities Institute of Australia
- CFA Charterholder

- 27 years / 14 years

Mike Appleby
Investment Manager

- *Delivering a circular materials economy*
- *Increasing electricity generation from renewable sources*
- Business development

- BSc (Hons) in Biological Sciences from the University of Edinburgh
- MSc in Environmental Management from Imperial College London

- 23 years / 19 years

Harriet Parker
Investment Manager

- *Connecting people*
- Leading engagement activities

- BSc in Economics & Management from the University of Bristol

- 19 years / 19 years

Laurie Don
Investment Manager

- *Enabling innovation in healthcare*
- *Providing affordable healthcare*

- BSc (Hons) in Computer Science from Durham University
- CFA Charterholder

- 15 years / 8 years

Martyn Jones
Investment Manager

- *Delivering healthier foods*
- *Enabling healthier lifestyles*
- *Encouraging sustainable leisure*
- *Providing education*

- MA in Management from The University of Glasgow
- CFA Charterholder
- MSt in Sustainability from the University of Cambridge

- 11 years / 9 years

Equities (continued)

Chris Foster
Investment Manager

- *Increasing financial resilience*
- *Insuring a sustainable economy*
- *Leading ESG management*
- *Saving for the future*

- MA in Economics and Mathematics from the University of Edinburgh
- CFA Charterholder

- 10 years / 8 years

Mingming Huang
Portfolio Manager Assistant

- Analytical support for thematic analysis and engagement

- BSc Mathematics with Business Management from Queen Mary University of London

- 4 years / 4 years

Sarah Nottle
Trainee Analyst

- Equities and Sustainable investment

- BCom in Finance and Commercial Law and BA in International Relations from University of Sydney
- IMC

- 5 years / 2 years

Ed Phelps
Trainee Analyst

- Equities and Sustainable investment

- BSc (Hons) Economics from University of Nottingham
- Studying for the IMC

- 2 years / 2 years

Fixed Income

Stuart Steven
Head of Fixed Income

- Portfolio construction
- Banks

- BA in Accountancy from Stirling University
- MSc in Investment Analysis

- 29 years / 13 years

Kenny Watson
Investment Manager

- Credit positioning and high yield
- Utilities, retail, household goods, travel and leisure

- BA in Accounting and Economics from the University of Strathclyde
- Chartered Accountant

- 26 years / 9 years

Aitken Ross
Investment Manager

- Interest rates
- Insurance and financial services

- BSc in Accountancy and Finance from Dundee University
- MA in International Financial Analysis from Newcastle University
- CFA Charterholder

- 13 years / 11 years

Jack Willis
Investment Manager

- Credit positioning
- Telecoms, property, healthcare, industrials, chemicals

- BSc in Mathematics with Finance from the University of Leeds
- MSc in Finance and Investment from the University of Leeds
- CFA Charterholder

- 9 years / 7 years

Hannah Muir
Portfolio Manager Assistant

- Sustainability analysis and portfolio administration

- Studying for the IMC

- 8 years / 6 years

Nancy Kondelidou
Trainee Analyst

- Credit and Sustainable investment

- Bachelor of Laws (Hons) / MSc Law & Finance from Queen Mary University
- CFA Level 1

- 2 years / 2 years

Deepesh Marwaha
Trainee Analyst

- Credit and Sustainable investment

- BA (Hons) Economics & Human Resources from University of Strathclyde

- 2 years / 2 years


Increasing waste treatment and recycling - Making transportation more efficient
management of water - Increasing electricity generation from renewable sources - Improving industrial and agricultural processes
Building better cities - Providing education - Enabling innovation in
lifestyles - Providing affordable healthcare globally - Connecting people - Delivering healthier foods
Enhancing digital security - Better monitoring of supply chains
financial resilience: Saving for the future, Insuring a sustainable economy - Leading ESG management - Improving auto safety

Advisory Committee

Our sustainable investment team employs the services of an Advisory Committee which provides guidance and expertise in key areas of social and environmental impact.

Tony Greenham is Director of Economy, Enterprise and Manufacturing at the RSA (Royal Society of Arts, Manufactures and Commerce), where he leads a programme of policy research into the future of work, social impacts of technology, green industrial strategy and economic democracy. He is a former corporate stockbroker and has written extensively on financial sector reform including the undergraduate economics textbook *Where Does Money Come From?*

Valborg Lie is Stewardship Manager at LGPS Central, responsible for bespoke engagement and voting services to support investment objectives. Valborg has a wealth of experience, working on responsible investment (RI) issues over the last 15 years. From 2005 to 2013, she worked as Head of RI within the Norwegian Ministry of Finance overseeing the management of the Norwegian Government Pension Fund Global (GPFG), one of the biggest sovereign wealth funds globally. Valborg leverages an extensive network of institutional investors and SWFs globally to help promote and build RI best practices.

Tim Jackson is Professor of Sustainable Development at the University of Surrey and Director of the Centre for the Understanding of Sustainable Prosperity (CUSP). From 2004 to 2011, he was Economics Commissioner on the UK Sustainable Development Commission, where his work culminated in the publication of the controversial bestseller *Prosperity without Growth – economics for a finite planet.*

Ivana Gazibara is a futures and systems change expert with more than 15 years of experience in sustainability strategy and innovation. She is currently working with the TransCap Initiative to build the field of systemic impact investing. Ivana has previously led Forum for the Future's futures practice, overseeing thought leadership projects, strategic foresight work with partners, and internal and external horizon scanning networks. She has also incubated and led The Futures Centre, the only open, participatory futures platform focused on tracking and making sense of change with the purpose of advancing a sustainable future. Prior to that, Ivana was part of SustainAbility's emerging economies team, working to build the organisation's practice in India and Brazil. Ivana has an MSc in Development Management from the London School of Economics and a BA in Peace and Conflict Studies from the University of Toronto.

Mark Stevenson 'Reluctant Futurist' Mark Stevenson is a strategic advisor to governments, investors, NGOs and corporates and co-founder of Carbon Removals company CUR8.

Though branded a 'futurist' by others Mark is more, as one client puts it, 'Chief Annoying Question Asker'. He helps organisations change the way they feel, think, invest and operate in order to answer the intertwined questions the future is asking us - on climate change, inequality, the retreat of democracy and the failures of the markets to price risk properly (to name just four).

His two bestselling books, An Optimist's Tour of the Future and the award-winning We Do Things Differently map out some existing and proven solutions to our current dilemmas.

He is Global Ambassador for environmental law firm Client Earth and former strategic advisor on peace, national security and climate change to the UK Ministry of Defence.

He also enjoys a successful side career as a comedy writer and songwriter, which he regards as essential for maintaining key skills needed in his strategy work. "The brain does the PR for what the heart has already decided, if you can't speak to the heart any systems change is dead in the water."

His hit podcast with comedian Jon Richardson and fellow systems change advocate Ed Gillespie is available on all major platforms.

Performance of our funds - quartile rankings to 31.12.22

	Sector	1 year	3 years	5 years	10 years
Sustainable Future Managed	IA Mixed Investment 40-85% Shares	4	2	1	1
Sustainable Future Cautious Managed	IA Mixed Investment 40-85% Shares	4	4	2	0
Sustainable Future Defensive Managed	IA Mixed Investment 20-60% Shares	4	4	1	0
Sustainable Future Managed Growth	IA Flexible Investment	4	1	1	1
Sustainable Future Global Growth	IA Global	4	3	1	1
Sustainable Future European Growth	IA Europe Excluding UK	4	4	4	4
Sustainable Future UK Growth	IA UK All Companies	4	4	3	1
UK Ethical	IA UK All Companies	4	4	3	1
Sustainable Future Corporate Bond*	IA Sterling Corporate Bond	4	4	4	2
Monthly Income Bond Fund	IA Sterling Corporate Bond	2	2	2	1
GF SF Pan-European Growth Fund**	FE Peer Group	4	4	4	3
GF SF European Corporate Bond Fund**+	FE Peer Group	3	4	N/A	N/A
GF SF Global Growth Fund+^	FE Peer Group	4	3	N/A	N/A

Performance in 2022 was poor for the SF strategies and this has also affected 3-year rankings. Longer term however, the picture remains strong with 6 out of 9 first quartile over 10 years. For more detailed commentary on performance for each strategy please refer to the factsheets [HYPERLINK]

Source: FE Analytics, primary share classes, total return (net of fees, income/interest reinvested). Funds versus comparator benchmark quartiles as at 31.12.22, generated 07.01.23 *Manager inception date 20.08.12. ** In Euros. +GF SF European Corporate Bond Fund launched 29.05.18 and GF SF Global Growth Fund launched 12.11.19 ^ In US dollars.

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. Please refer to the Key Risks page for more information

Discrete returns (%) - To previous quarter 12 months ending

	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Sustainable Future Managed	-20.5%	13.5%	21.3%	24.7%	-0.5%
IA Mixed Investment 40-85% Shares	-10.0%	10.9%	5.3%	15.8%	-6.1%
Sustainable Future Cautious Managed	-18.2%	9.2%	12.8%	19.5%	-2.2%
IA Mixed Investment 40-85% Shares	-10.0%	10.9%	5.3%	15.8%	-6.1%
Sustainable Future Defensive Managed	-18.4%	6.8%	11.3%	16.8%	-2.2%
IA Mixed Investment 20-60% Shares	-9.5%	7.2%	3.5%	11.8%	-5.1%
Sustainable Future Managed Growth	-20.7%	16.5%	33.2%	26.4%	1.1%
IA Flexible	-9.0%	11.3%	6.7%	15.7%	-6.7%
Sustainable Future Global Growth	-21.3%	17.4%	32.3%	29.4%	1.3%
MSCI World	-7.8%	22.9%	12.3%	22.7%	-3.0%
IA Global	-11.1%	17.7%	15.3%	21.9%	-5.7%
Sustainable Future European Growth	-27.7%	13.7%	24.3%	25.9%	-14.8%
MSCI Europe ex UK	-7.6%	16.7%	7.5%	20.0%	-9.9%
IA Europe ex UK	-9.0%	15.8%	10.3%	20.3%	-12.2%
Sustainable Future UK Growth	-25.8%	12.5%	5.3%	30.2%	-6.7%
MSCI UK	7.1%	19.6%	-13.2%	16.4%	-8.8%
IA UK All Companies	-9.1%	17.2%	-6.0%	22.2%	-11.2%
UK Ethical	-25.3%	10.4%	2.8%	37.8%	-7.3%
MSCI UK	7.1%	19.6%	-13.2%	16.4%	-8.8%
IA UK All Companies	-9.1%	17.2%	-6.0%	22.2%	-11.2%
Sustainable Future Corporate Bond*	-19.1%	-2.0%	7.0%	11.8%	-3.6%
iBoxx Sterling Corporate All Maturities	-18.4%	-3.2%	8.6%	11.0%	-2.2%
IA Sterling Corporate Bond	-16.1%	-1.9%	7.8%	9.5%	-2.2%
Monthly Income Bond Fund	-15.4%	-0.2%	5.5%	9.4%	-3.0%
iBoxx Sterling Corporates 5-15 Years	-19.2%	-3.3%	8.6%	10.7%	-1.7%
IA Sterling Corporate Bond	-16.1%	-1.9%	7.8%	9.5%	-2.2%
GF Sustainable Future Pan-European Growth A1 Acc*	-29.0%	20.4%	13.5%	32.4%	-17.0%
MSCI Europe	-9.5%	25.1%	-3.3%	26.0%	-10.6%
GF Sustainable Future European Corporate Bond A5 Acc*	-14.8%	-0.3%	1.0%	7.3%	N/A
iBoxx Euro Corporates All Maturities Index	-14.2%	-1.1%	2.7%	6.3%	N/A
GF Sustainable Future Global Growth B5 Acc USD	-30.3%	15.4%	38.0%	N/A	N/A
MSCI World	-18.1%	21.8%	15.9%	N/A	N/A

Source: Data as at 31.12.22. FE Analytics, primary share class, total return (net of fees, interest/income reinvested). Funds versus comparator benchmarks. GF SF European Corporate Bond Fund launched 29.05.18 and GF SF Global Growth Fund launched 12.11.19 so discrete data is not available for five full 12 month periods. *In Euros

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KEY THEMES


and access to clean water –
– Increasing financial resilience
Improving industrial processes – Increasing

Sustainable investment themes

We continue with our sustainability theme analysis to understand where we can find positive longer-term growth as a result of demand for products and services that are less damaging to the environment and more equitable to society. The purpose of this analysis is to identify companies exposed to the theme. This doesn't mean we necessarily buy these companies, but we will work on them to analyse how well they are managed, their business fundamentals and valuation, which will all inform our investment decisions. Highlights of this work in 2022 include the following:

Making transportation more efficient or safer

We look for companies whose products and services improve our transport system or make travel safer. We look for:

- Modal shift away from private car usage to public transport systems such as bus and rail. Urban transport systems are improved by reducing congestion as well as transport emissions (which make the local air quality toxic), as the mode of transport shifts from self-driven cars to public transport systems such as trains, tubes and buses as well as active transport.

- Reducing negative impacts of travel: Companies that produce equipment that reduces pollution from cars, or that improve safety, are set to benefit from structural growth (higher than that of the autos industry) by helping meet tightening global regulations to reduce emissions from travel. To respond to tightening global regulation to reduce emissions from cars, we see rapid electric vehicle adoption as an area with many potentially interesting investments.

- Asset sharing: We like systems that facilitate the sharing of transport (bicycles or cars) as this can increase utilisation and reduce materials intensity in transport. For example, rental of efficient vehicles and technology that facilitates journey sharing.

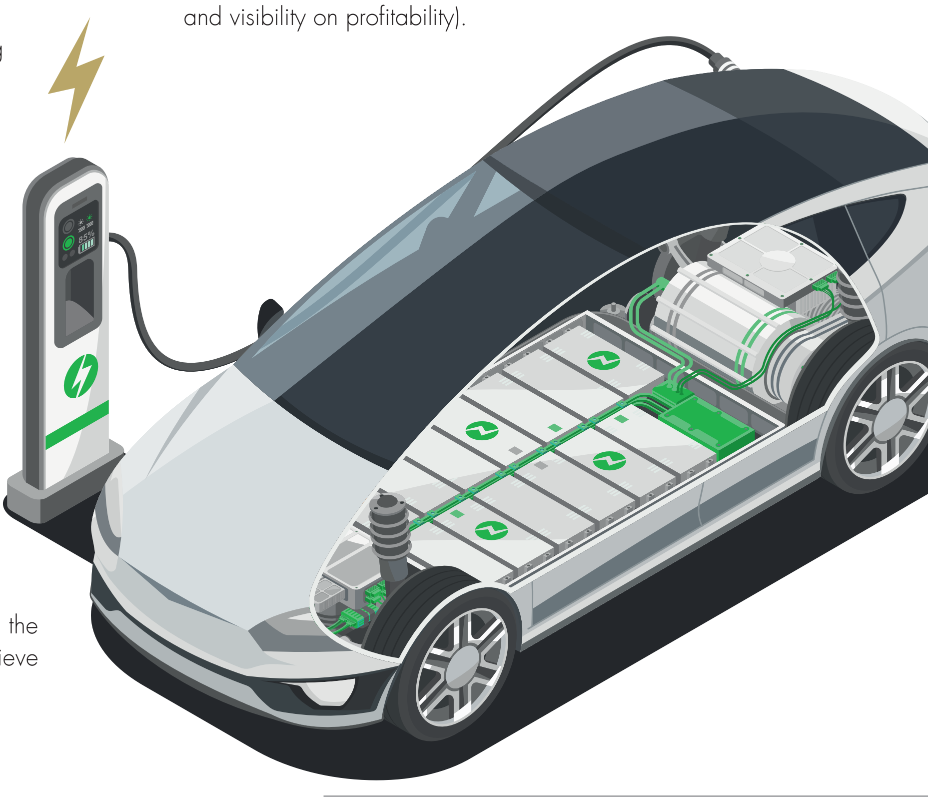
- **Battery manufacturing** is dominated by a huge build out of capacity in Asia (dominated by CATL in China). However, it is yet to be seen which battery chemistries will dominate. Both these observations make us cautious about investing in this area, despite the expectations of phenomenal growth.

- **Pureplay electric vehicle companies** are another potential beneficiary of this trend. The leader, Tesla, (which we don't invest in given the concerns around governance) has made a huge contribution in putting the passenger car industry on notice and blazing the trail for electric vehicles. Other pureplay electric vehicle manufacturers such as Rivian and Lucid seemed to be on highly inflated valuations on recent listings in the US market. Again, we are happy to watch and observe how this part of the value chain progresses.

- **Electric vehicle charging infrastructure** (used to charge the electric vehicles) is another area of growth we identified. We have been following a number of companies in this area, including Alfen in Holland, and Podpoint in the UK. Our concerns around commoditisation of this charging infrastructure and potential competition from the bigger vehicle manufacturers mean we have yet to get comfortable on the business fundamentals (competition, and visibility on profitability).

Public transport: The Covid pandemic and resulting lockdowns were a major handbrake on use of public transport and the share prices of many companies involved in public transport were volatile and suffered as a result. But we still see this as a major structural change in reducing congestion, emissions and improving safety. Companies exposed to this theme in our UK funds include Trainline (digital ticketing company) and National Express (public transport bus company).

Moving away from the internal combustion engine: The shift away from internal combustion engine driven transport to lower carbon alternatives (especially electric vehicles) is well underway. We retain our conviction that the longer-term structural growth in electric vehicles (at the expense of diesel and petrol cars) is still underestimated by the market. Shorter term headwinds such as supply chain constraints (in chips) pushing out lead times for new EV vehicles and the super-high electricity costs from the energy crisis we believe are short term and receding.



Circular economy

The way we currently use materials is wasteful and to make better use of our limited resources we need to increase their lifespan, and reuse and recycle materials where possible.

Plastics re-use: Plastic has a bad name, largely because single use plastics aren't always disposed of correctly which leads to a shocking build-up of plastics in the environment and our food chain. For example, the "Great Pacific Garbage Patch" is estimated to contain at least 79 thousand tonnes of ocean plastic and cover an area of 1.6 m square kilometres (Nature 2018 https://www.nature.com/articles/s41598-018-22939-w). But there are many instances where plastic is a fantastic and appropriate material (look around a hospital) and its durability can make it very appropriate for multi-decade use (not single use).

There are two companies we have invested in which recycle single-use plastics into multi-decade uses and help increase the circularity and significantly reduce emissions in the process: ADS is a US-listed company that makes plastic drainpipes used in water and storm drainage, while TREX makes plastic decking which lasts longer than wooden alternatives. Both companies use a large amount of recycled plastic to make their products, which increases circularity and gives them a competitive position on costs versus conventional alternatives.

Asset sharing: This is increasing the utilisation of a product so it sits idle less of the time (I have a mower I share with my neighbour; this costs us half as much as each buying our own mower and gets used twice as much, but has used half the resources compared to us both owning our own mower – win, win win). The SF investment team identified a trend towards more hiring of equipment, especially in building and construction, which increases utilisation and contributes to using materials more efficiently. Ashtead Group is a rental company we have invested in. As an example, they estimate that one JCB digger being rented out substitutes ten privately-owned machines on average.

Waste streams; clothing: Fast fashion (buying lots of cheap fashionable clothes that you hardly ever wear) is the opposite of what we should be doing to reduce materials consumption from the clothes we wear. A string of new companies specialising in reselling second-hand clothes has caught our attention as they provide an excellent move towards reuse of fewer higher-quality items that are affordable. The business model (how these companies make money) is still in flux and we are following with interest progress at companies such as Fivrr (not invested).

Improving energy efficiency in industry

2022 was a very eventful year which saw a global energy crisis, particularly acute in Europe, triggered by Russia's illegal invasion of Ukraine. Much of Europe relies on Russia for a large proportion of its natural gas and attempts to replace Russian gas (due to embargos following Russia's unacceptable behaviour in Ukraine) meant there was huge demand for natural gas of anything but Russian origin. This pushed global natural gas prices up to all-time highs. This in turn hit electricity prices which are affected by the cost of natural gas. The super-high wholesale electricity price rises meant energy users were faced with electricity bills multiple times higher than they had been used to. This prompted emergency interventions by many governments to tax super-normal profits from electricity generators (this included many renewable generators) and cap electricity prices for customers through various forms of market intervention or paying very large subsidies to consumers and some businesses.

This has had a profound effect on the way governments think about energy and prompted a new interest in security of supply (not being reliant on fossil fuels from politically risky areas), higher conviction in the role renewables can play in achieving this and also a realisation of how important energy efficiency is. It makes even more sense to use energy more efficiently, waste less energy, reduce energy bills and emissions.

An investment in energy efficiency becomes more economical the higher the energy prices are because the payback period (how long it takes to recoup your original investment) becomes very short. While there was a panic into using more fossil fuels (coal for generation in Europe) and calls to reopen the North Sea and support natural gas (and even calls to open up fracking in the UK), we think the longer-term impact will be fairly muted. Unfortunately, sometimes it takes a crisis to reassess a challenge, and the only positive out of all this tragedy is, we believe, the resolve for increasing renewables and energy efficiency has been profound and will have a lasting impact in providing additional structural demand for businesses that provide products and services into these areas.

We continue to work on this theme which can be applied right across our economy.

Meanwhile there appear to be two investable areas which could lead to dramatic changes to carbon emissions from industry: firstly, one specific to the iron and steel sector, and secondly, more general improvements in overall process efficiency.

Iron and steel production: Recycling steel is much more energy efficient than primary iron ore production (using about 80% less energy) but a limit on available scrap metal for recycling means we can't simply stop primary iron production. An alternative, more energy efficient method of producing primary iron is Direct Reduced Iron (DRI) and bringing this up to economic scale is key to improving energy efficiency. There is a huge disparity in carbon intensity for different steel producers that range from 3.2 – 0.6 tCO_2e/ t crude steel and we would focus on the most energy efficient companies that are also being proactive in continually improving the carbon intensity of their production. We do not currently hold any steel producers in the SF Funds.

Software for process efficiency improvements: There are numerous areas where process industry can use energy more efficiently and the digitisation of production and optimisation to reduce material and energy intensity is a theme we have invested in for many years. Companies exposed to this theme include PTC (industrial design technology), Ansys (simulation software for testing and design), Autodesk (digitisation in building and construction), and Keyence (sensors and vision used in industrial production to reduce errors and improve materials and energy efficiency).


IMPACTS
transition to lower carbon fuels – Making transportation
the healthcare system – Delivering
of supply chains and quality control

Sustainability

Measuring sustainability 1: How we think about sustainable companies and the positive impacts they make

We aim to outperform the market by investing in sustainable companies and use our influence as shareholders to drive positive change. To summarise our investment process (set out in detail on pages 5 and 6), we are looking to find sustainable companies characterised as being:

- On the right side of positive trends in our economy to make it cleaner, healthier and safer (and enjoying structural growth as a result)
- Proactively managed and whose overall business is aligned with positive trends
- Profitable and likely to continue to generate good investment returns
- Where we believe the market has underappreciated this profitable growth

This is what drives our investment decisions, and our investment process is designed to embed these aspects into our stock selection.

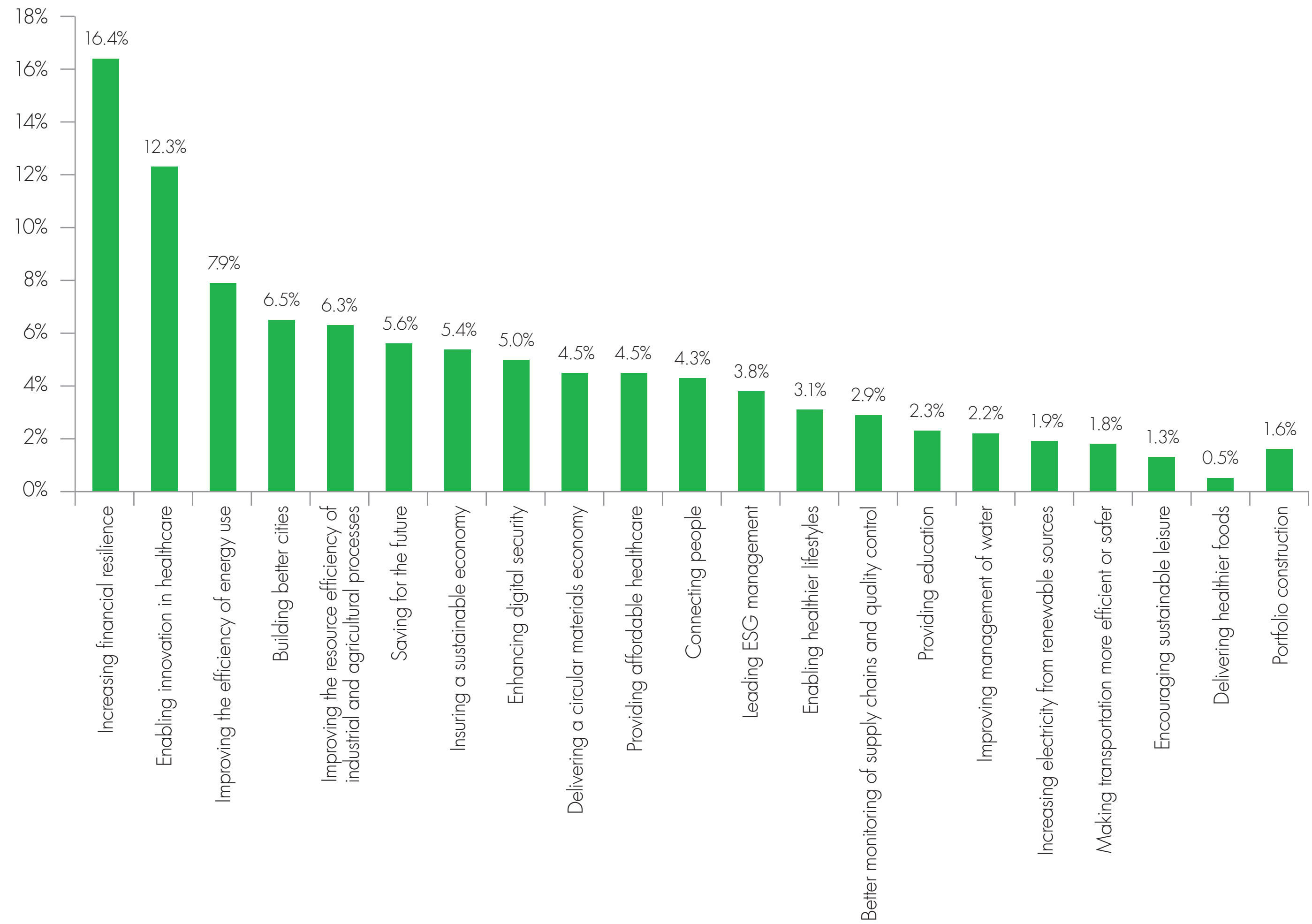
In terms of sustainability, the resulting portfolios are invested in companies that:

1) Are exposed to positive sustainable investment themes while avoiding structural decline
2) Have more sustainable products and services and are more proactively managed
3) Are subject to challenging engagement from us to improve how they are managed

Exposure of the SF funds to our Sustainable investment themes

As set out on page 6, we have identified 20 investment themes that help us to understand positive trends in the market and find companies exposed to structural (long-term) growth as well as avoiding those suffering structural decline. On average, our main SF strategies had the below broad weightings to these themes at the end of 2021; this demonstrates the diversified nature of our themes, giving the funds exposure to many different areas of our economy expected to experience secular growth.

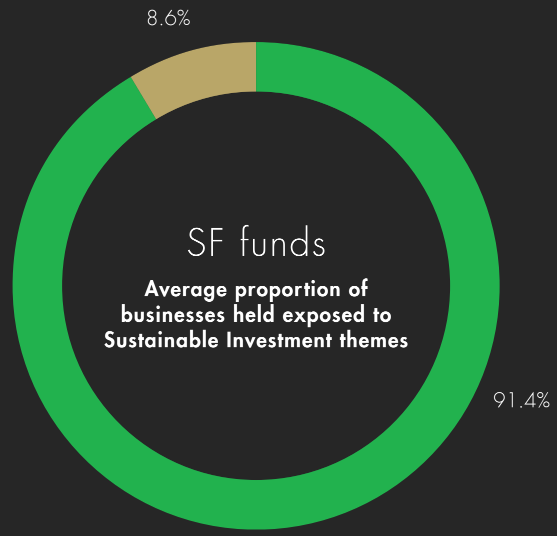
Exposure to Sustainable investment themes is disclosed for each fund individually and available from our website at liontrust.co.uk.



Source: Liontrust/Factsheet 31.12.22: simple average exposure for SF UK Growth, SF European Growth, SF Global Growth and SF Corporate Bond funds.

For a company to be associated with one of our Sustainable themes, it needs to have at least 25% of the business' revenues exposed to the theme. On average, the main SF strategies have very meaningful exposure, with 88.8% of companies held greater than 50% and 11.2% greater than 25%.

This is disclosed for each individual fund and available from the Liontrust website.



Strongly exposed to theme (>50% of business)

Moderately exposed to theme (>25%, <50% of business)

Source: Liontrust/Factset 31 December 2022

Measuring sustainability 2: The overall sustainability of the businesses in which we invest

We measure a company's overall sustainability using our Matrix ratings. This captures the net contribution to sustainability from a company's products and services as well as how proactively the management team is handling its interactions with the environment and society to maximise positives while minimising negative externalities. For the main SF funds, the weighted average matrix rating is close to B2. This demonstrates how the funds are investing in companies whose products and services are better than the median, and this is also true for the quality of the management teams who are running their business more proactively – in terms of sustainability – than the market. We believe this is where the best opportunity set lies for investors, and we avoid areas of the market with less sustainable products and reactive management (the black area of the matrix below).

Source: Liontrust, 31.12.22

The weighted average Matrix rating is disclosed for each fund and is available from the Liontrust website.

We are often asked why we choose to have our own rating system rather than using one of the many options available from third-party ESG data providers. The reason we maintain our own system, and use our own discretion, is that we often disagree with ratings from third-party providers because we believe different aspects of a business are important when assessing sustainability. We do use third-party providers as we find their research interesting and their collated data useful, but this is a starting rather than the end point of our analysis.

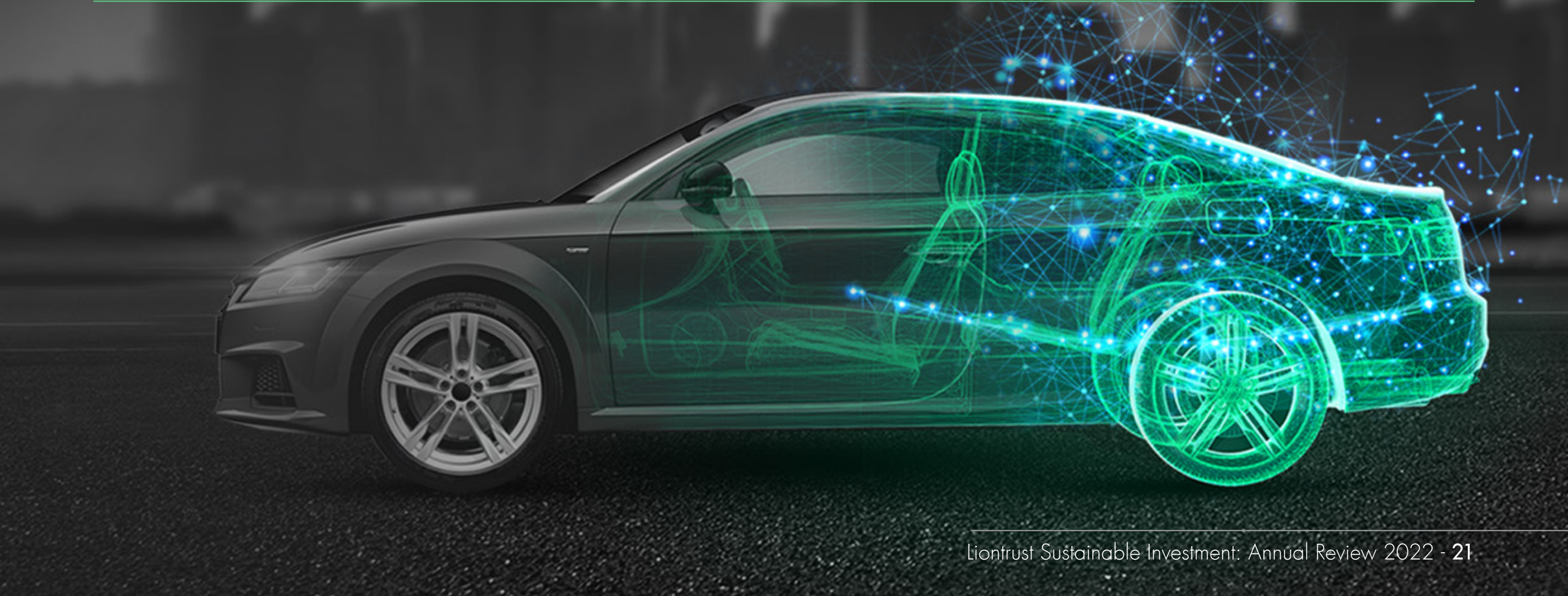
There is also no universally agreed linear measure of sustainability, and we believe drawing our own (often different) conclusions avoids taking third-party analysis at face value in what will inevitably become a commodity where the only barrier to use is what it costs.

Measuring sustainability 3: Alignment of the SF funds with the UN's Sustainable Development Goals

We understand that investors want additional information on impact and therefore also disclose how our Sustainable themes are aligned to the United Nations' Sustainable Development Goals (SDGs) at specific performance indicator level. Each of our themes is limited to one main SDG, although, in reality, there are overlaps and most companies are exposed to helping meet more than one goal.

Investment themes mapped to primary SDGs

Our Sustainable Investment theme	Sustainable Development Goal
Delivering healthier foods *Enabling healthier lifestyles* *Enabling innovation in healthcare* *Providing affordable healthcare* *Encouraging sustainable leisure*	3 Good health and well-being
Providing education	4 Quality education
Improving management of water	6 Clean water and sanitation
Improving the efficiency of energy use *Increasing electricity generation from renewable sources*	7 Affordable and clean energy
Increasing financial resilience *Insuring a sustainable economy* *Saving for the future*	8 Decent work and economic growth
Improving the resource efficiency of industrial and agricultural processes *Connecting people* *Enhancing digital security*	9 Industry, innovation and infrastructure
Building better cities *Making transportation more efficient or safer*	11 Sustainable cities and communities
Delivering a circular materials economy *Better monitoring of supply chains and quality control*	12 Responsible consumption and production
Leading ESG management	Multiple SDGs, depending on company operations



SF funds' exposure to primary SDGs

SDG: 3
Good health and well-being

SDG: 7
Affordable and clean energy

SDG: 8
Decent work and economic growth

SDG: 9
Industry, innovation and infrastructure

SDG: 11
Sustainable cities and communities

SDG: 12
Responsible growth and consumption

Source: Liontrust, average weight of SDGs as mapped to our themes for SF UK Growth, SF European Growth (ex UK), SF Global Growth and SF Corporate Bond funds as at 31.12.22 (unweighted simple average).

BETTER RESOURCE EFFICIENCY

This group of themes is all about finding companies whose products or services enable us to use finite resources more efficiently and includes smarter and less wasteful use of energy, materials, water, improving industrial processes as well as decarbonising energy.

Advanced Drainage Systems: In 2022, we took a position in Advanced Drainage Systems, a company that manufactures corrugated pipes and septic tanks that help keep waterways safe from pollution and prevent excessive stormwater runoff. While this is a clearly a positive activity, what we think is unique are their manufacturing processes; last year, they recycled over half a billion pounds of plastic to make these products, making them one of the largest plastic recyclers in the US. Because these pipes typically have a lifespan of up to 100 years and are fully recyclable at the end of their useful life, ADS is exposed to our theme of 'Delivering a circular materials economy'. The company scores a B2 on our matrix rating due to the positive benefit of their products and the way they are made. The company has excellent business fundamentals, driven by the fact that they have huge scale benefits due to being 5x larger than the nearest other player in the industry. This means they can price competitively while maintaining high returns on equity. There is significant operating leverage in the business and so we believe high single digit growth in revenues should translate to high levels of earnings growth.

PTC Inc is an industrial design technology business for niche industrial end markets. It effectively supports the digitalisation of the manufacturing industry. The premise of this business is that it enables resource efficiency in manufacture and use to be included in the design phase. This includes resources (energy, water, materials) saved, defects avoided due to their IOT technology and CAD and lifecycle design products. This business is associated with our Improving the resource efficiency of industrial and agricultural processes theme.

Befesa is involved in taking the hazardous dust by-products of metal sheltering and treating and recycling it to form metals which they sell. They specialise in recycled metal processors (ARC furnaces used to recycle steel) and are not exposed to primary (virgin) ore to metal processing (which we believe will eventually decline). Their business helps reduce the negative impacts and treat the hazardous waste from metal processing and recycle this back into use. The business is set to benefit from global tightening of regulations to encourage more recycling of metals (which requires about 80% less energy to produce than primary mined ores). The recent acquisition of Zinc smelting facilities in the US means they now plan to make 100% recycled green Zinc where it all comes from the waste products of recycled steel.

Vestas is a Danish wind turbine manufacturer and service provider which is one of the three main players outside of China. Wind power is a renewable and low-carbon source of energy and the company contributes to reducing emissions from the electricity grid by providing cost-competitive wind-derived electricity. Regulation to reduce emissions and increase renewable penetration (in this case wind) underpins our growth assumptions to the end of this decade and supports our valuation assumptions for this stock. We have not been invested in Vestas for many years due to concerns about profitability as the operating margin (a measure of profitability) has been declining in response to more competitive auctions for renewables and falling turbine costs (their operating margin has gone from above 15% in 2015 to zero at the end of 2022). What changed in 2021 and prompted us to invest in this company is that the turbine industry started to demonstrate some pricing power in response to inflation in their costs (they have been able to increase costs of the turbines they sell to reflect the inflation they have been experiencing in their materials and logistics). We believe the turbine industry will have to become more disciplined in pricing to survive and Vestas is best placed to capitalise on this.

Ørsted A/S engages in the provision of renewable energy solutions and is the world's largest developer and operator of offshore wind. Ørsted has firmly embraced the energy transition, transforming its business over the last decade to become the global leader in offshore wind. They have installed 9.9GW of renewable energy capacity, expanding their geographical footprint, generating enough energy to power the energy requirements of more than 15 million people, and helping to avoid 11.3m tonnes of carbon emissions. In 2021, energy generated from renewable sources accounted for 89% of Ørsted's total energy generation and this is set to expand as they continue to invest significantly in wind and solar generation projects. Ørsted is a major player in the global green energy transformation. This business is held in our SF bond funds.

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IMPROVED HEALTH

This group of investment themes is all about improving our lives through education, better diagnostics and treatment of disease and healthier lifestyles.

Intuitive Surgical Inc is committed to advancing patient care in surgery and other acute medical interventions. The company is focused on innovating to enable physicians and healthcare providers to improve the quality of and access to minimally invasive care. They do this through robotic assisted surgery which is much less invasive than traditional open surgery. For example, for prostrate surgery their innovative way of doing surgery results in a halving of hospital stay times, two thirds reduction in blood loss and more than a 10% saving in time taken to perform an operation. This is part of our innovation in healthcare theme which results in batter patient outcomes.

All of **Illumina**'s current revenues come from instruments, consumables and services that enable the genetic understanding of disease. We see huge positive opportunities to improve the way we treat disease coming out of better understanding how disease works and, where genetics plays a key role, there is the opportunity to make personalised medicine that is very effective and cures disease. The current disease treatment system is very generalised with many people taking drug treatments that won't necessarily be effective for them. While there are serious ethical concerns about how these genetic technologies are used, we think there are many interesting opportunities to invest in companies that help us understand how disease works so we can make more effective treatments eventually. This is linked to our Innovation in healthcare theme.

Basic-Fit NV is Europe's largest low-cost gym group with over 1000 sites across Benelux, France and Spain and over two million members. Basic Fit enables physical activity through the provision of exercise classes, weights and cardio equipment at less than half of the price of traditional gyms. The arrival of low-cost gyms has made gym membership affordable to a huge proportion of the population who can get health benefits from exercise. This company is exposed to our Enabling healthier lifestyles sustainable investment theme where we see companies that improve our health either by making exercise easier or improving the quality of the food we eat. This can have big positive impacts on our health and help reduce the incidence of obesity which is a global problem.

Learning Technologies Group is a software and consulting business operating in the professional education market. Its e-learning products operate via the Software-as-a-service model, serving a broad range of industries including the public sector, finance, media, and manufacturing. We saw during the Covid pandemic how important a role e-learning can play and that includes a professional setting to keep staff appropriately skilled and trained to fulfil their roles. This is part of our Providing education theme.

Places for People provides housing facilities. The company owns and manages over 209,000 properties in the UK from Inverness to Truro with an average discount to market rent of 40-50%. This is part of our Building better cities theme. The business provides good quality housing at very good value rents which enables significant savings on rent for occupants as compared to the broader market. This business is held in our SF bond and SF multi-asset funds.

GREATER SAFETY AND RESILIENCE

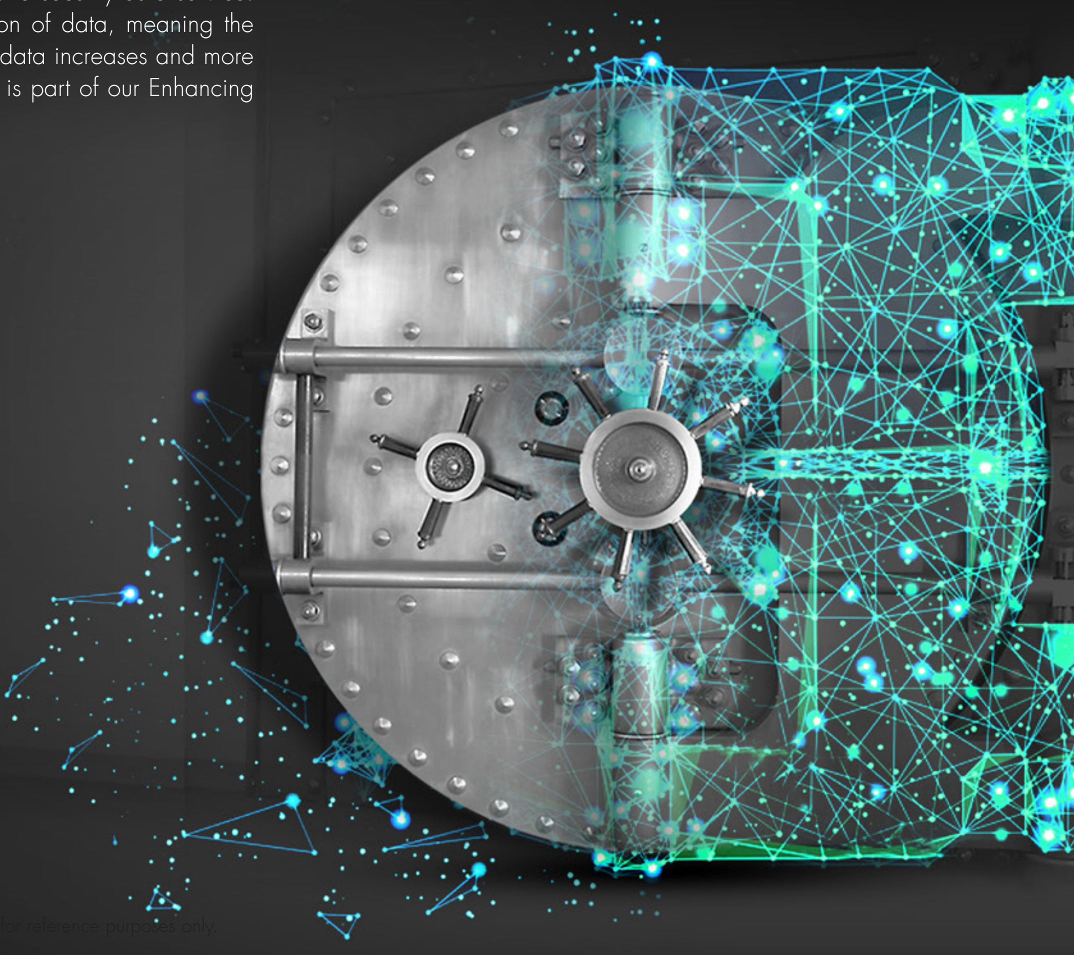
Businesses exposed to this group of themes help make the systems we rely on to go about our daily lives safer or more robust and resilient. This includes investment themes around cyber security, ensuring a sustainable economy, saving for the future or those financial services which have a focus on servicing smaller businesses.

Wise PLC is a money transfer business whose mission is to bring transparency and fairness into moving money around the world. This covers pricing of products and sharing the economies of scale. Their mission is to bring FX costs down to zero. A resilient financial system helps to support all in society. We look for businesses that dramatically improve access to financial services and reduce the costs for all. 1.7 billion people remain unbanked in the world. Traditionally foreign exchange has been very costly for individuals especially those remitting small amounts regularly. Wise offers a significantly better rate, lower fees, and very simple app-based approach. Offering better rates is not just about having more to spend on your holiday, for migrant labour the typical 6% charge to remit earnings has a very real impact on household spending. Wise can reduce this by 60% on average.

Palo Alto provides cyber security solutions for over 85,000 organisations. Its strategy is to build on the leading firewall product and move to subscription-based firewall and security as a service. This is increasingly based on consumption of data, meaning the market for security solutions will grow as data increases and more of this data is shifted into the cloud. This is part of our Enhancing digital security theme.

Swiss Re AG offers reinsurance, insurance, and insurance linked financial market products. The Company offers automobile, liability, accident, engineering, marine, aviation, life, and health insurance. Swiss Re also manages fixed-income and equity investments for itself and other insurance companies. Contributing to a sustainable economy through the reduction of risk and the mitigation of financial impact for the policy holder, thereby producing a safety net for people and business in times of catastrophe. Also contributing to a sustainable economy through the adoption of more responsible investment policies. We believe this business is proactive in understanding and managing climate risks. This is part of our Insuring a sustainable economy theme.

TrustPilot is an independent review platform that connects consumers and businesses. It was founded in Denmark in 2007 to address the 'trust gap' on the internet. Having independent reviews of a product and service you are thinking of using makes the online marketplace more transparent and easier to use. They take a neutral stance towards reviews – businesses cannot pay to have reviews delayed or removed and everyone has to follow the same rules.



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Measuring sustainability 4: The climate change crisis

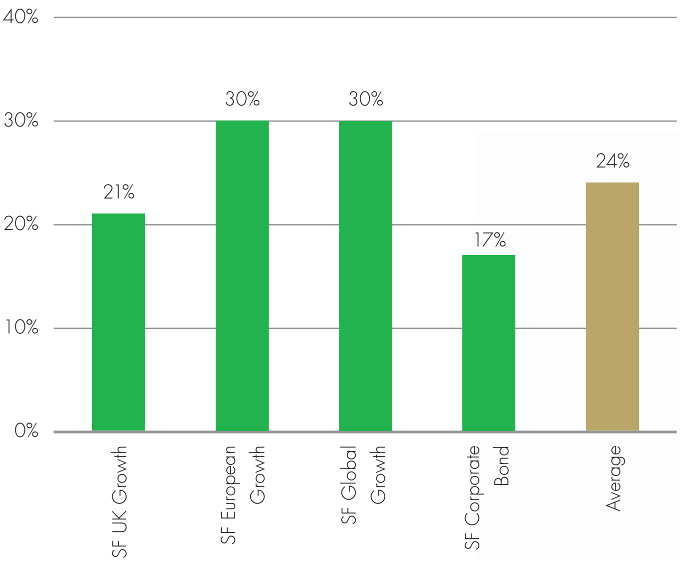
The science is telling us we need to accelerate the pace of decarbonisation, as current progress and ambition both fall considerably short of meeting internationally agreed goals to limit average global temperature rises to less than two degrees centigrade, and ideally less than 1.5, in line with the Paris Accord.

We have been thinking about how climate change will affect our economy and how we can best position our investments for this since our SF funds launched 21 years ago. We believe the market continues to underestimate both the rate of change needed to decarbonise and the magnitude of the positive impact on companies helping this transition, as well as the structural decline in businesses continuing with carbon-intensive products and services where there are lower-carbon alternatives.

How does this affect our investment decisions?

First, we want to invest in companies helping to reduce emissions as they will experience significant growth. Of our 20 sustainable themes, all those associated with increasing resource efficiency will benefit from, and contribute to, the shift towards an ultra-low carbon economy. As well as using more renewables to generate electricity, equally important is reducing the amount of energy we waste, increasing recycling, improving how we manage water, making industrial processes more efficient, ongoing transport shifts and the way we heat and cool buildings. On average, the SF funds have 26% invested in companies exposed to these better resource efficiency themes.

SF funds' exposure to better resource efficiency themes



Source: Liontrust/Factsheet, as at 31.12.22

Second, we want to ensure the companies we own understand the magnitude of the energy transition and are managing their businesses in a proactive way that protects them from inevitably tightening regulations. We launched our 1.5 Degree Transition Challenge in early 2020 to engage with companies in our SF funds, encouraging them to increase their ambition to decarbonise and capture the benefits of doing so in an increasingly carbon constrained world.

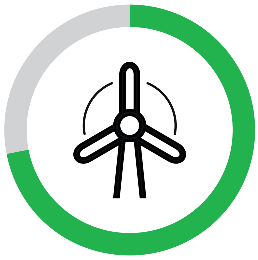
Finally, there are some industries, no matter how proactively managed, on the wrong side of this transition and these will experience secular decline in demand for their carbon-intensive products or services. We choose to avoid areas such as fossil fuel extraction and production, internal combustion engine car manufacturers, airlines and energy-intensive businesses that are not positioning themselves for a lower carbon world.

Our 1.5 Degrees Transition Challenge

We are asking companies:

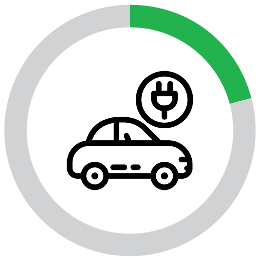
- To be more ambitious in emissions reduction targets to make their pace of decarbonisation consistent with what the science is telling us: requiring a 50% reduction in absolute emissions this decade.
- To show front-loaded timely targets for this: for example, a 50% reduction in direct emissions by 2030 based on a suitable baseline and a 25% decrease by 2025.
- To concentrate on reducing absolute emissions before considering offsetting at any large scale. We believe offsetting can be a distraction, and there are not enough legitimate carbon offsets of the scale required.
- To understand the largest sources of indirect (scope 3) emissions for their business and identify opportunities to reduce these aggressively.

Active mitigation of carbon exposure – SF funds' average



72%

less carbon emitted than comparator indices



21%

of the portfolios invested in companies offering cleantech solutions

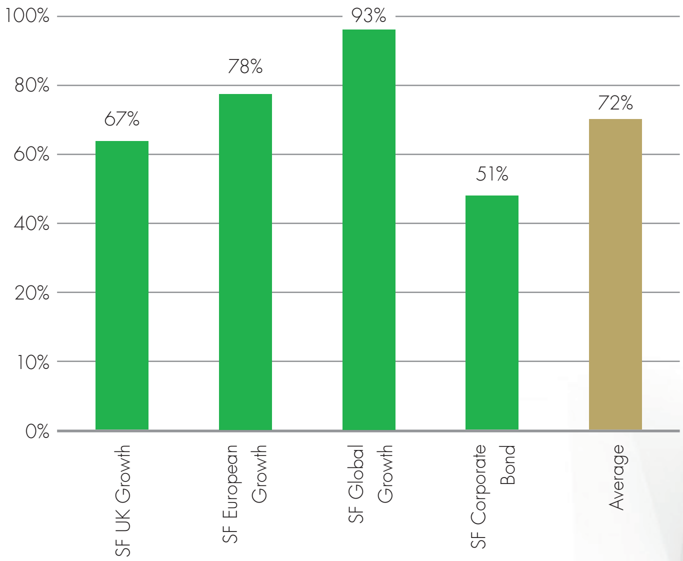
0%

invested in fossil fuel extraction

Source: MSCI Carbon Analytics Report, December 2022; average across SF UK Growth, SF European Growth, SF Global Growth and SF Corporate Bond Funds. For carbon emissions coverage data, see the chart below:

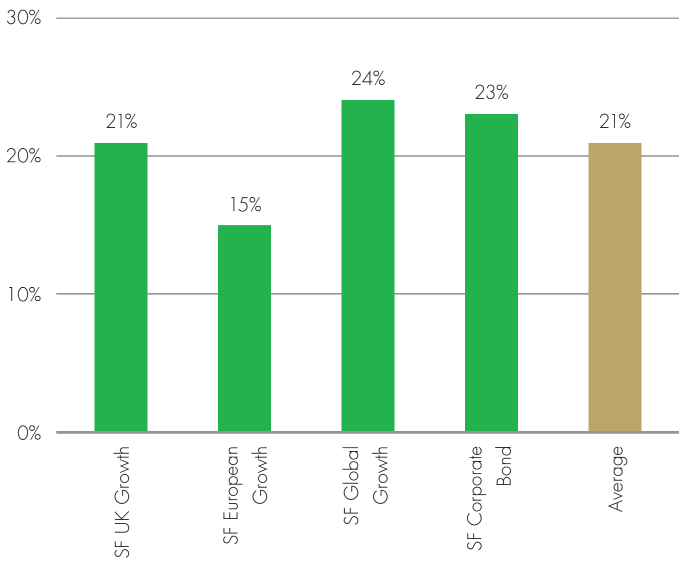
We have been disclosing the portfolio carbon emissions for our single strategy funds since 2012, which is carried out independently using MSCI Carbon Analytics. On average, the SF funds emit 72% less carbon dioxide than the markets in which they invest, have 21% exposure to companies whose products help to reduce emissions, and hold 0% in companies exposed to the extraction and production of fossil fuels (such as coal miner and oil and natural gas exploration and production.

Average carbon emissions **reduction** in SF funds compared to mainstream benchmarks



Source: MSCI Carbon Analytics/Liontrust, 31.12.22. tCO2e/$m invested (uses direct emissions, scope 1+2) from investee companies, cash and government bonds are excluded. For SF UK Growth, carbon emissions data available for 76.2% of the fund and 100% of the MSCI UK Index benchmark. For SF European Growth, carbon emissions data available for 88.3% of the fund and 99.8% of the MSSCI Europe ex-UK Index benchmark. For SF Global Growth, carbon emissions data available for 94.5% of the fund and 99.8% of the MSCI World Index benchmark. For SF Corporate Bond, carbon emissions data available for 86.4% of the fund and 95.8% of the iBoxx Sterling Corporates Index benchmark. All figures as at 31.12.22.

Average exposure of SF funds to companies offering cleantech solutions



Source: MSCI Carbon Analytics/Liontrust, 31.12.22.

In addition to funds emitting less carbon, there are important positive attributes of low-carbon portfolios. Current climate change policies, even if enacted, do not go far enough to limit the global average temperature rise agreed in the Paris Accord. We believe there will be an inevitable global tightening of regulations to limit the amount of greenhouse gas being emitted, and in the event of a tax on carbon, companies that can pass this on to customers will not face a negative impact on margins (and profitability). In contrast, companies unable to pass these costs on to clients will have to bear it themselves. The very low carbon emissions coming from businesses in the SF funds mean these portfolios will have more resilient margins as carbon-related regulations tighten.

Fund-specific data on emissions are included in our SF funds' sustainability and impact reports, which are updated every six months and available at liontrust.co.uk.

ENGAGEMENT

Our approach to engagement and voting

Engagement is integral to how our Sustainable Investment team ensures it invests in high-quality companies. Engaging gives us greater insight and helps to identify such leading companies but is also used as a lever to encourage better practices, challenging and encouraging them to proactively manage their business for the benefit of long-term shareholder value.

We meet companies face to face but also correspond through emails, calls and letters. Depending on the specific issue, our interaction with a company might include senior management, sustainability teams or experts within the organisation. We also engage collaboratively with other investors on initiatives that are aligned with the Liontrust Sustainable Investment team's engagement priorities and where we believe we are more likely to succeed collectively. In some instances, we lend our support to collaborative initiatives that can include targeting companies not held in our funds.

The team also conducts considered annual voting for companies held in the SF funds and we are very active owners. Our voting policy is publicly available and our voting decisions and rationale are also disclosed.

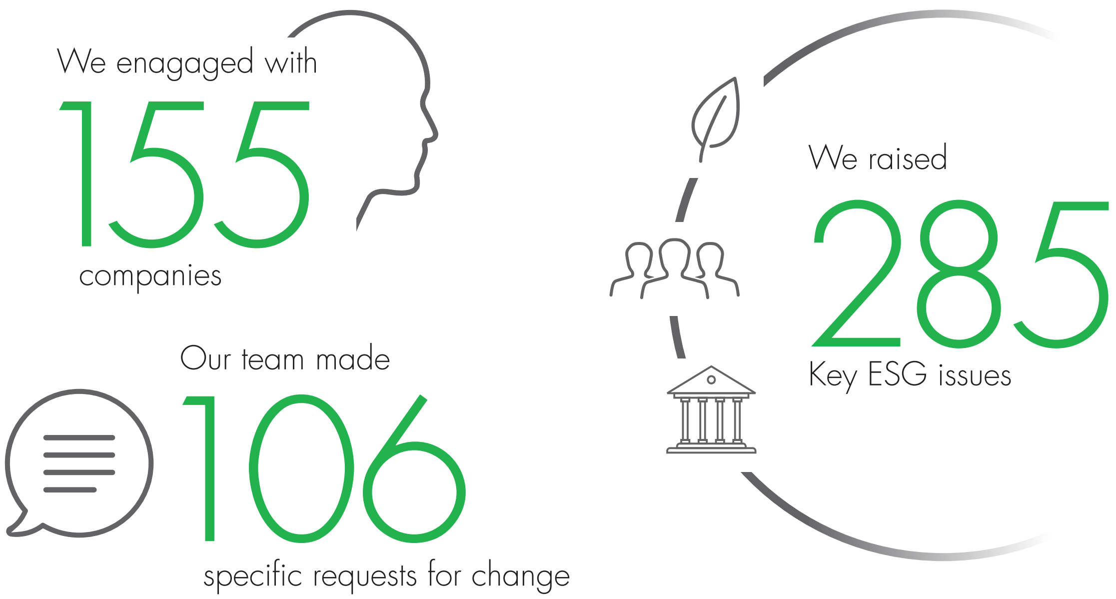
We record our engagement with companies, monitor our success and report on our activities to clients. In 2022, we engaged with 155 companies and raised 285 ESG issues; about two-thirds were related to proactive initiatives and the remaining third to reactive issues.

Our team made 106 specific requests for change, and we have so far identified that 40% of these have been either actioned or committed to by companies. We will be following up on outstanding requests that have not yet been actioned over the course of 2023.

2022 Annual Engagement Summary Table

Total number of ESG issues raised (E, S, G)	**282**	**with 155 companies**
Environmental	60	
Social	121	
Governance issues	75	
Corporate Governance	29	
ESG issues raised - Priority initiatives	180	63%
ESG issues raised - Reactive engagement	105	37%

# Strategy/financial issues raised	198 issues raised with 135 companies	
# Total E, S, G + S/F raised	483 issues raised with 228 companies	



2022 progress and next steps

At the end of 2022, we prioritised five proactive engagement initiatives in collaboration with our Advisory Committee for the year ahead. The following details some of the highlights across these areas. In our experience, continued engagement over a longer time period is more likely to achieve better outcomes than over a yearly reporting cycle, so these build on work we started in previous years.

2022 Initiative	Description	We said we would:	In 2022:	In 2023, we will:
Preventing irreversible damage from the climate crisis	To encourage companies to adopt strategies to reduce absolute carbon emissions at a rate consistent with limiting global warming to 1.5 degrees. We want to ensure companies can change in a timely, just and profitable way and have robust strategies and targets in place to achieve this.	• Continue to speak to investee companies about decarbonisation strategies • Monitor performance on near-term absolute emissions reduction targets • Increase the number of investee companies that are aligned with the Paris Accord • Challenge banks on financing the transition	• We met with 16 companies for detailed discussions on their decarbonisation strategies and monitoring of nearer-term reduction targets. This brings the total number of engagements on climate change to 93 since we began this initiative in early 2020. The companies we have engaged with account for approximately 59% of the direct emissions in the equity funds (as at Dec-2022) • Of the companies in our portfolios, 41% (89 out of 218 entities held as at the end of December 2022) have or plan to commit to decarbonise their business in line with a science-based target. • We met with three banks to discuss how they are financing the transition – HSBC, Nationwide and Paragon Banking.	• Continue to speak to investee companies about decarbonisation strategies and monitoring performance on near-term absolute emissions reduction targets, ensuring that we have engaged with the remaining companies that contribute towards 80% of fund emissions and asking for split gas accounting for methane where appropriate. • As part of the Net Zero Asset Manager Initiative (NZAMI), we have committed to reduce the direct emissions (scope 1 and 2) of all SF funds to emit 25% less by 2025 and 50% less by 2030 as compared to the fund benchmarks as at the end of 2019. This means monitoring our funds and disclosing data and our progress on NZAMI. • Increase the number of investee companies that are aligned with the Paris Accord

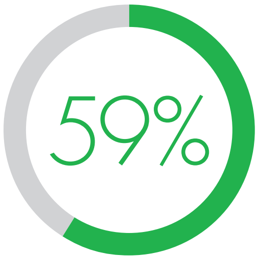
For details on our work on the 1.5 degree Transition Challenge, see p40. The headline numbers are summarised below.

Since beginning this initiative in early 2020 we have:

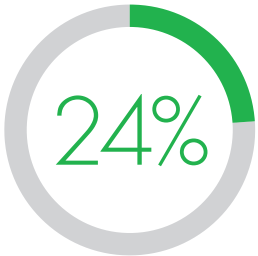
Contacted **93** companies overall

Met with **72** of these for detailed discussions about decarbonisation targets

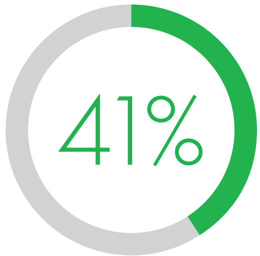
In 2022: we met with 16 of these for detailed discussions about decarbonisation targets



Of these **11 companies** are responsible for **59%** of emissions



24% committed to 1.5 or 2 degrees by 2030



41% are involved in the Science Based Target Initiative (SBTi) or have committed to be

Case study: American Tower

American Tower is an owner and operator of wireless communications towers worldwide with a high proportion of its towers in emerging markets where it provides access to communications and is exposed to our sustainable investment theme of Connecting People.

We contacted and discussed the company's climate ambitions with an objective to push the company to adopt absolute emissions reduction targets, aligned with science-based targets and limiting global warming to 1.5 degrees, consistent with the Paris Agreement.

We challenged the company on its climate crisis strategy and explained that it is one of the bigger emitters across the portfolios it is held in. American Tower had just announced a climate strategy and goals which have indeed been set and certified by the Science Based Targets initiative (SBTi), however, this is currently set to a 2-degree limit, so while there has been progress, we expressed the need for targets to be 1.5 degree-aligned and for nearer-term targets to be set to better monitor progress.

American Tower hopes to align with 1.5 degrees within the decade and on nearer-term targets, and has a renewable target for 2025, but highlighted the challenge in operating in emerging markets and specific limitations; moving from diesel generators to solar in African markets is a clear priority.

We also talked about its assessment of physical climate risks and the scenarios used. American Tower used two IPCC scenarios and looked at the impact of climate-related natural disasters. About 1% of its Towers portfolio could be exposed in the future and we discussed the costs of this.

We are reassured of the company's approach on climate risks and ambition on emissions reductions targets. It was important to meet with the sustainability team at the company's recent acquisition of CoreSite, a major US data centre player, and understand its standalone climate strategy and how it might be integrated over time. In 2023, we will continue to push for more ambition when it comes to a timeframe for setting targets that are aligned with 1.5 degrees.

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2022 Initiative	Description	We said we would:	In 2022:	In 2023, we will:
Preserving and restoring nature	To engage with investee companies to encourage better information and reporting of natural capital impacts from their activities, products and services, as well as policies and programmes that preserve and restore nature and promote biodiversity. We will also engage to understand better companies' dependencies on natural capital and how this might impact financial returns.	• Create a new focus on preserving and restoring nature. • Encourage investee companies to report on natural capital impacts from their activities, products and services, and gauge the level of preparedness for increased reporting, such as the Taskforce for Nature-related Financial Disclosures (TNFD). • Encourage investee companies to adopt policies and programmes that preserve and restore nature and promote biodiversity. • Explore new tools to better understand companies' dependencies on natural capital and how this might impact financial returns. • Explore collaborative engagement, such as the Biodiversity Pledge.	• Met with six water companies on their biodiversity action plans and the controversy relating to combined sewer overflows. • Assessed external research providers' data and tools. • We asked American Tower about its thoughts on TNFD. In addition, we asked a further three companies about their approach to assessing their impact and dependencies on nature. They were Ringkjoebing Landbobank, Helios Towers and GlaxoSmithKline. • We were not able to sign up to the Biodiversity Pledge as a team in 2022, but we are looking to do this in 2023.	• Explore and decide on collaborative initiatives related to nature and biodiversity • Use external tools and data to better assess nature-related risks within our portfolios • Select high-impact companies to target, including water companies • Look to sign up to the Biodiversity Pledge at the wider Liontrust level

Case study: Water companies

The water industry has faced increasing public scrutiny over the frequency and duration of combined sewer overflows, which has been highlighted by programmes such as Panorama and in reports by environmental charities such as Surfers Against Sewage.

We engaged with Anglian Water, Severn Trent, Thames Water and United Utilities Group, Welsh Water and Yorkshire Water, held across our SF Managed funds and SF Corporate Bond funds to gain a further understanding of how these companies are tackling the issue of combined sewer overflows (CSOs). We also sought the views of our Advisory Committee members on the environmental performance of the UK's water sector, particularly in relation to combined sewer overflows.

Case study: Ringkjoebing Landbobank

Ringkjoebing Landbobank is one of the best-run banks in the industry, serving individuals and SMEs. Customer satisfaction rates are best in class and loan losses are non-existent. They focus on profitable and niche areas such as renewable infrastructure lending or dental practices and offer a full-service banking model. The company is highly exposed to our sustainable investment theme of increasing financial resilience.

When we met the CEO and chief of staff, we asked if the company had assessed nature-related risks in its business, and loan book. We were informed that currently the business is assessing some agricultural loans to Danish customers for land in Eastern European countries. Historically there have been periodic years of poor harvests of crops such as corn, so scenario analysis is being conducted to determine the level of any changes to credit risks that occur because of changes in frequency of weather events. More broadly, it will be looking at the nature-related risks of their agricultural portfolio with a similar approach.

2022 Initiative	Description	We said we would:	In 2022:	In 2023, we will:
Increasing corporate diversity	We believe companies that are more diverse are better able to prosper over the long term, so we are engaging to encourage greater diversity. We are looking at gender and ethnic balance at a board level, senior positions and within the workforce, as well as at efforts to increase transparency and reduce pay gaps.	• Step up pressure by voting against a wider set of companies where there is a lack of ethnic diversity. • Look at gender and ethnic pay gap data for investee companies and engage on action plans to address imbalances. • Find and encourage best practice examples of wider D&I policies and practices, such as LGBQT+ and neurodiversity.	• We did not successfully incorporate analysis of gender or ethnic pay gaps into our sustainability assessment of companies routinely as planned. • We were able to support this re-election of the chair of the Nomination Committee for five companies that we were unable to support last year due to a lack of board gender diversity. These were American Tower, Helios Towers, IQVIA, Knorr- Bremse and L&G. • We voted against the re-election of the chair of the Nomination Committee at the AGMs of two companies that did not have at least one ethnic director and abstained on the same vote at the AGMs of three companies.	• Look for data gaps within the set of investee companies that participated in the Workforce Disclosure Initiative within our Worker Wellbeing proactive engagement initiative. • Continue to engage with and/or use voting rights to encourage greater board diversity where it is lacking.

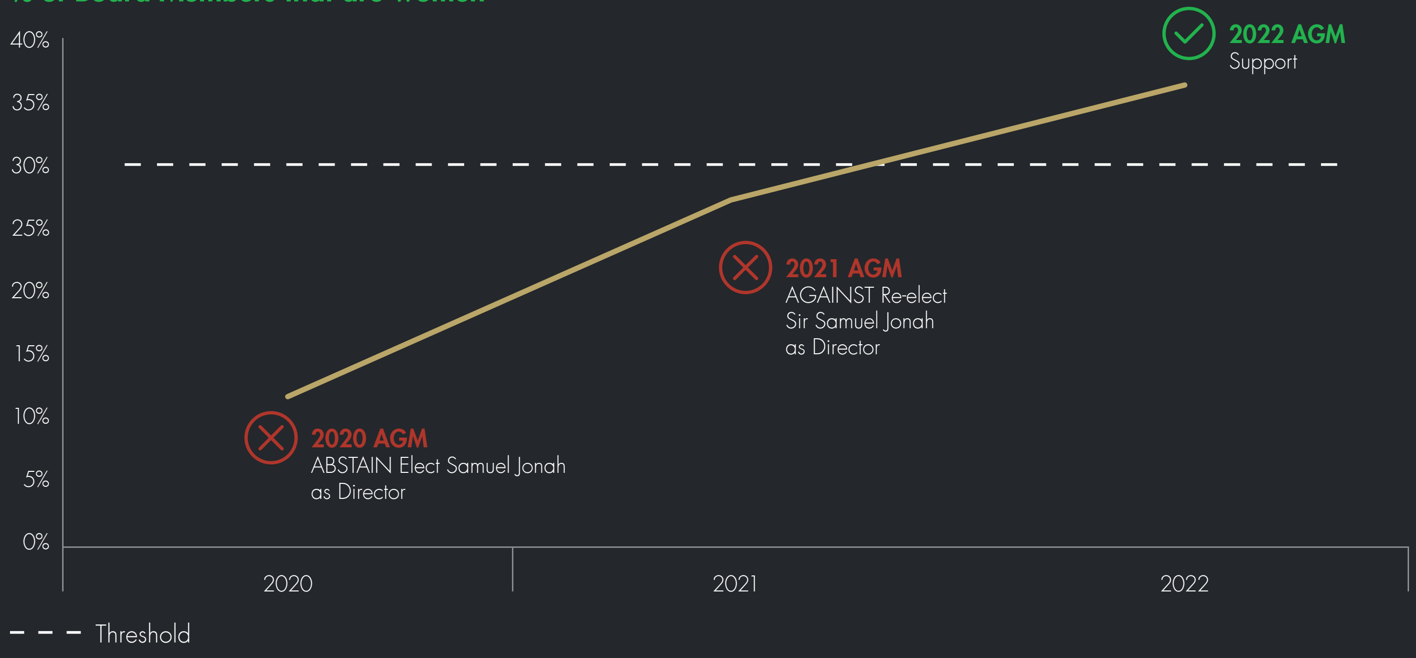
In 2021, we increased our voting threshold from 30% to 33% for female boards and continued to see good progress on increased representation. Following on from this, in 2022, we voted against the chair of the Nomination Committee due to a lack of gender diversity on the board of nine companies and withheld support on re-election for a further one company. This means we voted against or withheld support on 8% of a total of 133 votable meetings due to a lack of gender diversity. We voted against the same resolution due to a lack of ethnic diversity on the board of five companies over the year. Overall, we have now targeted 41 companies where board gender diversity was lacking between 2016 to 2022. Of these, we have seen some good progress; 28 companies now have over 33% female representation on the board, going from an average of just 20% females on the board prior to us voting on this issue, to 41% after continued voting.

A further eight companies improved from an average of 20% to 27% female representation and five companies have not yet made progress. We note that over this time there has been continued scrutiny of boards lacking diversity and other investors pushing for change but see this as meaningful in terms of the level of oversight and reduction in the risk of 'group think' within investee companies' boards.

Board gender diversity	Number of companies	Average % of women on Board (before we introduced our voting policy)	Average % of women on Board (after 2022 AGM)
Improved and now have over 33% female representation	28 (70%)	20%	41%
Improved but still under 33% female representation on Board	8 (20%)	20%	27%
Did not improve	5 (13%)	25%	25%

Case study: Helios Towers

% of Board Members that are women



Date of AGM	% of Board Member that are women	How we voted	
Apr-20	12%	Abstain	2020 AGM ABSTAIN Elect Samuel Jonah as Director
Apr-21	27%	Against	2021 AGM AGAINST Re-elect Sir Samuel Jonah as Director
Apr-22	36%	For	

2022 Initiative	Description	We said we would:	In 2022:	In 2023, we will:
Ensuring worker wellbeing	How companies manage and look after their workforce through direct operations and workers further down their supply chains can directly affect corporate reputation and overall business performance. We will engage to encourage companies to offer decent work and pay living wages and to ensure they mitigate risks, protect workers' rights and maximise the opportunities to support employees. We will also encourage companies to use their influence to drive forward best practice further down their supply chains. Engagement will cover companies' response to and management of the pandemic, including workforce adaptation, Covid-19 safety, redundancies and supply chain impacts.	• Request investee companies complete the WDI 2022 Survey. Increase the proportion of investee companies participating in the 2022 survey. • For companies that responded in 2021, encourage further disclosure in areas where it was lacking. • Use 2021 WDI data to engage with investee companies where there are specific opportunities, such as where are there gaps in reporting relative to peers, performance weaknesses or areas of concern.	As part of Liontrust's commitment as a signatory to the WDI, the Sustainable Investment team contacted 83 holdings in the funds to request they respond to the WDI's 2021 survey. Of these, 34 have now completed the 2022 Survey (vs. last year 32 in 2021), and we saw some improvement in disclosure.	• Request investee companies complete the WDI 2023 Survey. Increase the proportion of investee companies participating. • For companies that responded in 2022, encourage further disclosure in areas where it was lacking. • Use 2022 WDI data to engage with investee companies where there are specific opportunities, such as where are there gaps in reporting relative to peers, performance weaknesses or areas of concern. • Discuss how companies are helping workers though the current cost of living crisis.

Case study: The Workforce Disclosure Initiative (WDI)

ShareAction»

The Workforce Disclosure Initiative was set up by ShareAction, funded by the UK's Department for International Development. Over 100 investors and $12 trillion in AUM are asking companies to provide more information on labour practices to identify badly managed workforces that are vulnerable to shocks.

Overall, 34 investee companies participated in the 2022 survey, equating to 16% (out of 218 entities held as at the end of December 2022), and 33 of these received a special mention for their transparent disclosure in 2022.

We believe that how companies manage human capital in their direct operations, as well as workers further down their supply chains, can affect long-term success. Our team will engage to encourage companies to offer decent work and ensure they protect workers' rights and maximise opportunities to support employees. We will also encourage companies to use their influence to drive forward best practice further down their supply chains.

2022 Initiative	Description	We said we would:	In 2022:	In 2023, we will:
Encouraging the transition to sustainable investment	To date, savings and investments have typically been geared towards traditional investments that don't necessarily incorporate ESG. However, as demand for sustainable and ESG-integrated investments grows, and regulations to better classify what constitutes 'sustainable' investment follow suit, companies should play their part to promote it to further accelerate the transition needed for a more sustainable economy. We will focus on determining which companies are leading the way and which need to do more.	• Encourage wider adoption of ESG/ Sustainable funds on financial platforms. • Continue to push for comprehensive responsible investment policies for insurance holdings.	• We spoke to three investee companies that are involved with financial platforms on wider adoption of ESG/Sustainable funds. • We met with four investee companies on their responsible investment policies.	• Encourage further adoption of sustainable funds on financial platforms. • Continue to push for comprehensive responsible investment policies for insurance holdings. • Engage with insurance holdings on their underwriting policies and practices for controversial areas of the economy and how these are likely to evolve.

Case study: AJ Bell

The company acknowledged that sustainable investment is a growing area of interest, and they are continuing to provide education on the topic for clients. Their responsible fund has done well but is not a significant part of their assets. One interesting statistic was that over half of the people that bought the fund when it launched had been customers for less than 12 months. This supports our hypothesis that sustainable investing is becoming increasingly important to the younger generation.

Case study: Legal & General

We contacted Legal & General to gain a clearer understanding of their exposure to Russian government debt. L&G noted that they manage many index funds against a range of different index providers to meet a wide variety of different client demands. A number of these are ESG indices however, this does not mean that L&G would use the same ESG rating for every security similar to the index provider, but in an index fund they have a responsibility to minimise any difference in performance from the underlying index they are tracking. The company also noted they are deeply saddened by the situation in Ukraine.

Controversies

Over the two decades we have been managing the SF funds, a key lesson we have learned is that 'sustainable' should not be taken to mean perfect. Investing involves making predictions about the future, which is extremely difficult. We therefore have to expect occasions – albeit rare – when the future does not turn out as predicted and our companies become embroiled in a controversy that challenges our initial assessment of their sustainability. We do not claim to have perfect foresight, nor that the companies held in our funds are flawless. What we do aim for is to find the best examples of sustainable companies to own for the long term, and how we process and react to controversies is an important aspect of this.

Over 2022, MSCI highlighted 101 'controversies', with two of these considered 'very severe' and nine of these considered 'severe'. Of the two 'very severe' controversies, we were already aware of one of the issues as it had already been flagged . None of the 'severe' controversies led to the team reviewing our sustainability rating as we were either aware of the issue or, after examination, deemed it immaterial to our assessment.

As soon as we are aware of any controversy, the next stage is to analyse the situation in detail, investigating to ascertain the involvement of the company in question, the seriousness of allegations made and how the business is responding. This gives us the context with which we can engage and we will then look to speak to senior management or non-executive directors as well as other interested parties such as nongovernmental organisations (NGOs) or industry experts. With this information, we are in a position to establish the impact of the controversy on our investment thesis (remembering that this includes the sustainability rating). The three possibilities are:

1. That the business no longer satisfies our criteria for a sustainable investment, so we exit the position.
2. The risk and quality of the investment is affected so we feel a smaller portfolio position is appropriate and therefore reduce our exposure. This would be reflected in a downgrading of our sustainability matrix rating.
3. The issue is being addressed by management sufficiently so that we can continue to hold our portfolio weighting while engaging with the company to ensure the situation is resolved.

Case study: Home REIT

Home REIT PLC | Board & Committees, Other Corporate Governance issue, Audit & Oversight, Other Social issue

Home REIT's shares were initially temporarily suspended from trading in London after the company failed to publish its annual financial report for the year that ended August 31, 2022. In December 2022, the company reported that its auditor was undertaking "enhanced audit procedures" after Viceroy Research questioned its financial status.

We have been engaging with the Board and other significant shareholders to determine the best way forward and will continue to do so following the suspension of shares in Q1-2023. Through this engagement, we are looking to achieve a resolution that meets two objectives. First, we are seeking to protect shareholder value. Second, we want to ensure that good quality housing continues to be provided to vulnerable people. We still believe that this could be a very effective way of allocating capital to alleviate a major social issue in a way that leads to better outcomes for vulnerable people and reduces costs for government and local authorities. It is not appropriate for us to comment on any of the propositions at this stage, but we do believe there are ways in which a much better outcome can be achieved in time.

Case study: PUMA

Issue/Reason for engagement: The company has faced an allegation that its products contain traces of cotton from Xinjiang, a region associated with human rights abuses.

We had already engaged with the company through the Better Cotton Initiative, and contacted the company's investor relations team as soon as we became aware of the allegations of Xingjian cotton being traced in some of the group's garments. The company immediately launched a full investigation into the issue and began independent lab testing. Initial engagement with the company demonstrated that the allegation was taken into significant consideration. Within Liontrust this issue was escalated to the Advisory Committee members. We once again met with the company, this time escalating the level of engagement, discussing the issue with the CEO. The independent lab results yielded mixed results, which could not disprove that the fibre came from the Xinjiang region. While this is disappointing, we were pleased to see Puma addressing this issue head on, as other companies involved in the same controversy have not begun the same independent testing. We also raised this issue with our Advisory Committee members and it was agreed that we should continue to monitor the company's ability to understand their exposure through testing.

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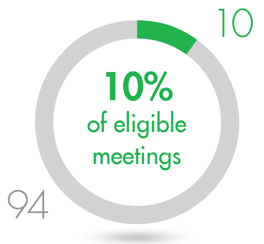
Voting summary 2022

In 2022, we voted at 100% (133 out of 133) of eligible meetings and against management or abstained on proposals on least one vote in 58% (77 out of 133).

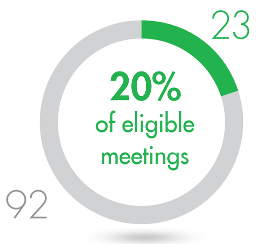
The following graphic shows (in green) the number and percentage of eligible meetings where we voted against or abstained on these particular issues.

Re-election of chair
(104 total votes)



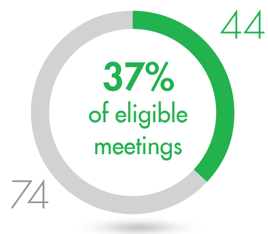
The re-election of the Chair of the Nomination Committee

Remuneration
(115 total votes)



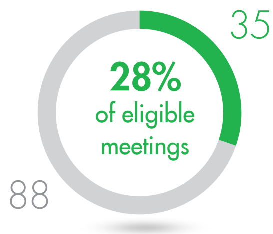
The approval of the company's remuneration report/compensation

Re-election of directors
(118 total votes)



The re-election of one or more company directors*

Ratification of auditors
(123 total votes)



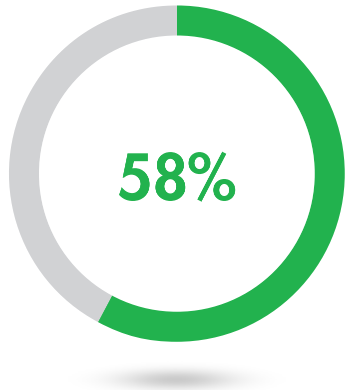
The ratification of auditors/ authorisation for the Board to fix remuneration of external auditors

Source: Liontrust, December 2022. *Due to lengthy terms of office, bundled director elections or lack of independence.

In 2022, there were five companies we voted against/abstained due to the lack of ethnic minority directors on the board. These are Crest Nicholson, Genuit Group, Molten Ventures, Paragon Banking and The Renewables Infrastructure Group.

2022 voting summary	
Number of votable meetings	133
Number of meetings voted	133
Number of meetings with at least 1 vote Against, Withhold or Abstain	77

In 2022, we voted at 100% (133 out of 133) of eligible meetings and against management or abstained on proposals on least one vote in 58% (77 out of 133).



Number of meetings with at least 1 vote Against, Withhold or Abstain

Shareholder resolutions

As long-term, active and responsible investors we encourage companies to report on social and environmental issues that are pertinent to their businesses. Rather than support all social and environmental resolutions, each shareholder proposal is considered on a case-by-case basis.

During the period, for positions held by the Sustainable Investment team:

- There were two companies held in the funds that had management resolutions that related to environmental proposals; one to approve a Climate Transition Plan and the other to approve a Climate Strategy. The team supported both of these resolutions.
- One company had a shareholder proposal for all the funds management by the team that related to Lobbying payments, which the team supported.

Case study: Engaging on remuneration – Cellnex Telecom S.A.

At the company's 2022 AGM, we voted against the remuneration policy. We felt this was warranted because the board introduced a booster element under the 2022-2024 Long Term Incentive Plan (LTIP), and the triggers for the booster did not appear to be sufficiently aligned with potential shareholder experience. In addition, the size of the boosted long-term incentive awards for the CEO stood well above the market standards.

We gave Cellnex our feedback after the remuneration policy was not approved by shareholders. We asked what prompted the change in policy, why it was approved so quickly and what the process was. We raised our concerns and highlighted the importance of its board's ability to remain strong and independent and not vulnerable to senior management influence.

We discussed and welcomed the various improvements the company is making. These include exceptional one-off awards no longer being allowed, improvements in non-exec board fees, contract terms (CEO non-compete indemnity), exec annual bonus and a capped pay out of overachievement as % of salary.

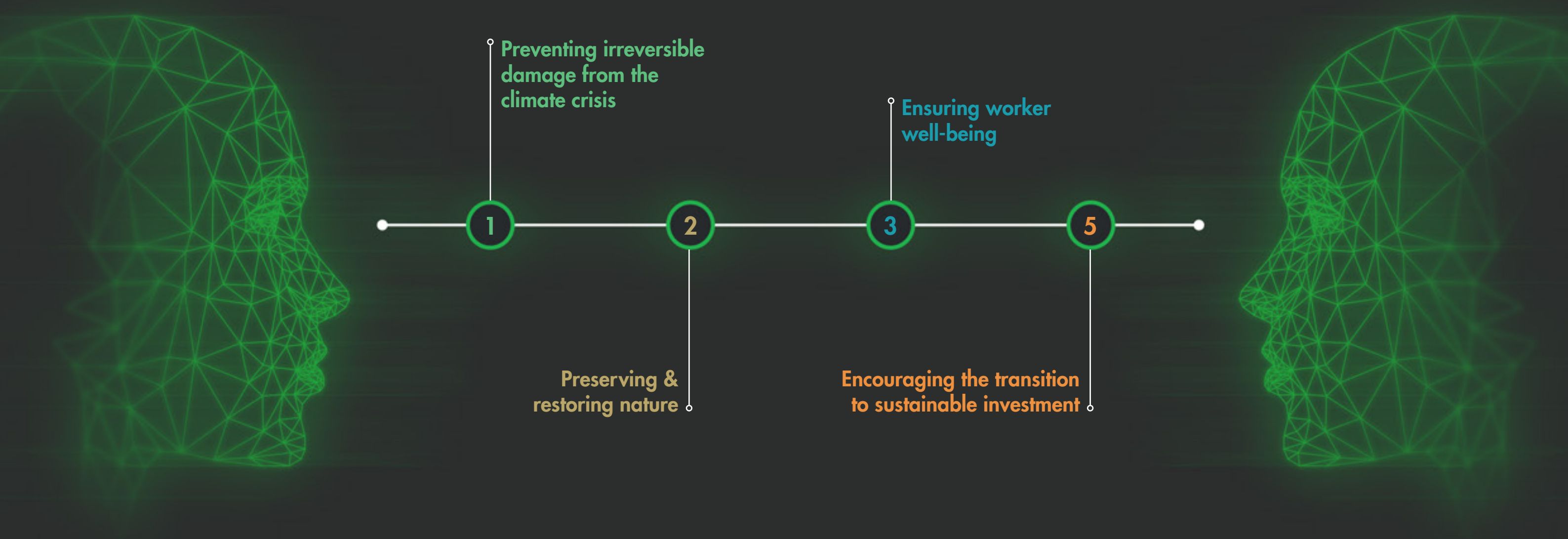
The LTIP now includes four performance areas: ESG (20%), recurring FCF per share (20%), total shareholder return (30%) and market comparable TSR (30%). We communicated our thoughts on how sufficiently stretching these now looked with a lower share price, and discussed the peer group for the last metric.

Cellnex is trying to make pay for better performance more widespread for 225 employees across the company (around 10% of staff). We discussed the rationale for needing to better incentivise this group of staff, which included getting on the front foot when it came to an increase in competition for talent.

2023 proactive engagement intiatives

We prioritise proactive engagement initiatives, in collaboration with our Advisory Committee, at the beginning of each year. We assess how our holdings are positioned on these issues and, where appropriate, define target companies with whom we will engage.

The main change from last year is that we will move our efforts and objectives within Improving corporate diversity into our Ensuring worker wellbeing proactive engagement initiative.



As well as continuing our efforts to increase corporate disclosure of ESG impacts, impact metrics, mitigation efforts and performance, our team will now focus on delivering improvements through the following four proactive initiatives:

Preventing irreversible damage from the climate crisis

According to the Intergovernmental Panel on Climate Change (IPCC)'s AR6 report published in March, the world is highly likely to surpass the target of keeping global temperature rises at 1.5C as early as the 2030s. Furthermore, a widespread lack of progress on implementing greenhouse gas (GHG) reduction policies means even meeting a 2C limit looks much harder now.

The IPCC report makes it clear that deep and immediate reduction in GHG emissions is required across all sectors; the report also emphasises the need to invest in adaptation to counter the impacts of climate change.

There is a rapidly narrowing window of opportunity to enable climate resilient development and the report makes it clear that finance, technology and cooperation are critical enablers for accelerated climate action.

We recognise the urgent need to reduce carbon emissions across the economy to limit the negative impacts stemming from the climate change emergency. The message could not be starker, nor more urgent in its call for action.

Objective: To encourage companies to adopt strategies to reduce absolute carbon emissions at a rate consistent with limiting global warming to 1.5 degrees. We want to ensure companies can change in a timely, just and profitable way and have robust strategies and targets in place to achieve this.

In 2023 we will:

- Continue to speak to investee companies about decarbonisation strategies and monitoring performance on near-term absolute emissions reduction targets, ensuring that we have engaged with the remaining companies that contribute towards 80% of fund emissions and asking for split gas accounting for methane where appropriate.
- Reduce the direct emissions (scope 1 and 2) of all SF funds to emit 25% less by 2025 and 50% less by 2030 as compared to the fund benchmarks as at the end of 2019, as part of our Net Zero Asset Manager Initiative (NZAMI) commitment
- Monitor and disclose data and progress on NZAMI
- Increase the number of investee companies that are aligned with the Paris Accord
- Continue to challenge banks on financing the transition

Preserving and restoring nature

'More than half of the world's economic output – $44 trillion of economic value generation – is moderately or highly dependent on nature. Nature loss therefore represents significant risk to corporate and financial stability.' – Taskforce for Nature-related Financial Disclosures (TNFD)

Objective: We will engage with investee companies to encourage better information and reporting of natural capital impacts from their activities, products and services, as well as policies and programmes that preserve and restore nature and promote biodiversity. We will also engage to understand better companies' dependencies on natural capital and how this might impact financial returns.

In 2023 we will:

- Explore and decide on collaborative initiatives related to nature and biodiversity
- Use external tools and data to better assess nature-related risks within our portfolios
- Select high-impact companies to target, including water companies
- Look to sign up to the Biodiversity Pledge

Ensuring worker well-being

How companies manage and look after their workforce through direct operations, and workers further down their supply chains, can directly affect overall business performance and corporate reputation.

Objective: We will engage to encourage companies to offer decent work and pay living wages and to ensure they mitigate risks, protect workers' rights and maximise the opportunities to support employees. We will also encourage companies to use their influence to drive forward best practice further down their supply chains. When it comes to encourage greater corporate diversity, we look at gender and ethnic balance at a board level, senior positions and within the workforce, as well as looking at efforts to increase transparency and reduce pay gaps.

In 2023 we will:

- Look for data gaps and promote best practice on workforce disclosure
- Encourage a target list of investee companies to disclose data for the 2023 Workforce Disclosure Initiative (WDI)
- Continue to engage and/or use voting rights to encourage greater board diversity where it is lacking.

Encouraging the transition to sustainable investment

To date, savings and investments have typically been geared towards traditional investments that do not necessarily incorporate ESG. However, as demand for sustainable and ESG-integrated investments grows, and regulations to better classify what constitutes 'sustainable' investment follow suit, companies should play their part to promote it to further accelerate the transition needed for a more sustainable economy. Insurance companies have large investment portfolios and as such their responsible investment policies can have a large impact on the world from an environmental and social perspective. So too can their responsible underwriting practices, especially for more controversial areas of the economy.

Objective: We will focus on determining which companies are leading the way and which need to do more.

In 2023 we will:

- Encourage further adoption of sustainable funds on financial platforms
- Continue to push for comprehensive responsible investment policies for insurance holdings
- Engage with insurance holdings on their underwriting policies and practices for controversial areas of the economy and how these are likely to evolve.

Final thought

In these annual reports we try to capture the work we have done through the year in identifying investments in companies which are helping to improve the state of our world. We believe that by reinvesting profits in innovation and scaling businesses can not only compound investment returns but also accelerate the widespread adoption of solutions to the challenges facing society and our environment. The last year has seen no let up in our more than two decades search for the best of these.

In addition, we have highlighted how we work as active owners with these companies to push for adoption of best practice in the management whether environmental, social or governance. It is satisfying to see how what was once very rare (be it diverse Boards, or decarbonisation plans) is now commonplace.

Thank you for your interest and support of our work. I hope it has helped to demonstrate our stretching ambition for 2023 and beyond.

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Liontrust is a signatory of:

PRI Principles for Responsible Investment

The United Nations Principles for Responsible Investment (UN PRI) is a global initiative for international investors to implement the six principles. The objectives are to understand the implications of sustainability for investors and support signatories to incorporate these principles into their investment decision making and ownership practices. As a PRI Signatory, Liontrust Investment Partners LLP commits to completing the PRI Reporting Framework on an annual basis. For more information about UN PRI and the six principles, please visit unpri.org

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