Ninety One

Investing for a world of change

Investing in companies that are tackling climate change

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The fast view

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- Recent rules proposed by the Department of Labor provide a more supportive environment for fiduciaries to factor in ESG risks and opportunities on behalf of plan participants.
- With plan participants' interest in ESG on the rise, fiduciaries are challenged to identify managers with appropriate ESG expertise and investment processes.
- Ninety One has been evolving its approach to sustainability and ESG integration for over a decade. In 2018, we launched the Global Environment strategy to offer the opportunity to invest in companies enabling the transition to a lower-carbon economy.
- Global Environment invests in companies that contribute to global 'decarbonization' – i.e., their products and services help to reduce harmful emissions. Every holding contributes quantifiable 'carbon avoided'.[1]

1. Carbon avoided is the carbon emissions avoided by using a product that has less carbon emissions than the status quo thereby contributing to decarbonization.

A more supportive environment for ESG investing

Recent rules proposed by the Department of Labor (DOL) reflect a shift towards endorsement of ESG (environmental, social & governance) investing, providing a more supportive environment for fiduciaries to factor in ESG risks and opportunities on behalf of plan participants, and suggesting that considering these elements can lead to better long-term risk-adjusted returns. The proposal goes so far as directing the federal government to “treat climate change as a threat to workers’ retirement savings.”

Despite this more supportive regulatory backdrop and growing interest from plan participants in ESG investments, particularly those that actively address climate change, challenges remain for plan fiduciaries.

1 The first is educating plan participants on the return potential of ESG investment strategies. While the perception has long been that ESG factors are a drag on performance, academic research suggests this hasn’t been the case. Studies analyzing the relationship between ESG and financial performance found a positive relationship between climate change/low carbon and financial performance as well as a positive correlation between better financial performance and managing for physical and transition risk related to climate change.[2]

2 The concern that ESG investment decisions carry greater fiduciary obligations, and therefore greater potential liability than other fiduciary activities, is another hurdle. The proposed rules address this, explaining the intent "is to establish that material climate change and other ESG factors are no different than other 'traditional' material risk-return factors, and to remove any prejudice to the contrary".[3]

3 Plan fiduciaries are then challenged to identify managers with the expertise to achieve returns while actively engaging with portfolio companies to ensure they are in fact contributing to sustainability goals in a meaningful way.

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2. 'ESG and financial performance', Whelan et al., NYU Stern and Rockefeller Asset Management, 2021.
3. 'Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights', Employee Benefits Security Administration proposed rule, October 2021. Available at www.federalregister.gov.

Why invest in Global Environment

Ninety One has been evolving its approach to sustainability and ESG integration for over a decade. In 2018, we launched the Global Environment strategy to offer the opportunity to invest in companies enabling the transition to a lower-carbon economy.

We believe that decarbonization will be a powerful growth tailwind for select businesses, giving them the potential to grow market share, revenues, and profits. That may benefit their stock prices over the long term, though of course investors need to be prepared for short-term volatility and the usual cyclicality of certain areas of the market.

In our view, we believe the shift towards a decarbonized future is accelerating and will create compelling investment opportunities for decades to come, offering investors the potential to:

Generate returns from the transition to a more sustainable economy.

Make a positive impact by investing in businesses tackling climate change.

An investment in Global Environment may also diversify traditional portfolios:

The strategy has little overlap with major equity indices.

It may provide a hedge against climate risk in other parts of investors' portfolios.

An opportunity for investors, businesses... and the planet

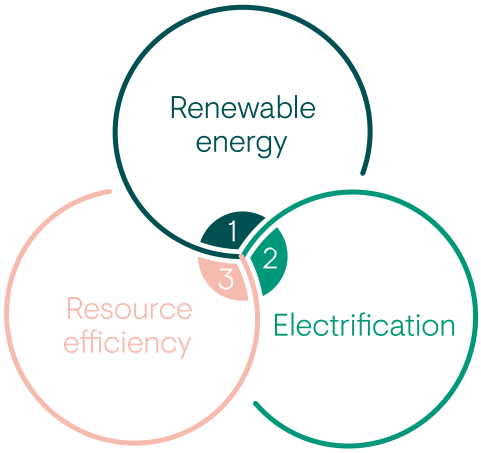
Time is running out to cut carbon emissions and avoid devastating climate change. Huge changes are required to decarbonize the economy – including to the world's energy, transport, industrial, and agricultural systems.

These changes are now happening, at an accelerating pace:

- Governments representing about two-thirds of global GDP are committed to net zero[4].
- Clean technologies are becoming ever more cost competitive.
- Consumer preferences are shifting to greener products and services.

We believe the flow of capital into sustainable decarbonization represents a powerful structural growth driver among companies in three key areas:

Three pathways to a low-carbon economy



For example, the Global Environment portfolio includes companies that:

- Make wind-turbine blades and solar glass.
- Manufacture essential components for electric cars.
- Provide software and technologies to make manufacturing and crop-growing more efficient.
- Create products that save electricity and help integrate renewables into the grid.
- Produce 'greener' chemicals that enable energy efficiencies in industry and food production.

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4. Oxford Net Zero and Energy & Climate Intelligence Unit, March 2021.

How Global Environment seeks to capture the decarbonization opportunity for investors

We have identified a large, diverse group of companies that are enabling these decarbonization pathways. They span developed and developing countries, and industries including technology, energy, chemicals, manufacturing, automotive, and more.

Our decarbonization universe:

1,200+ companies

US$12 trillion market cap combined

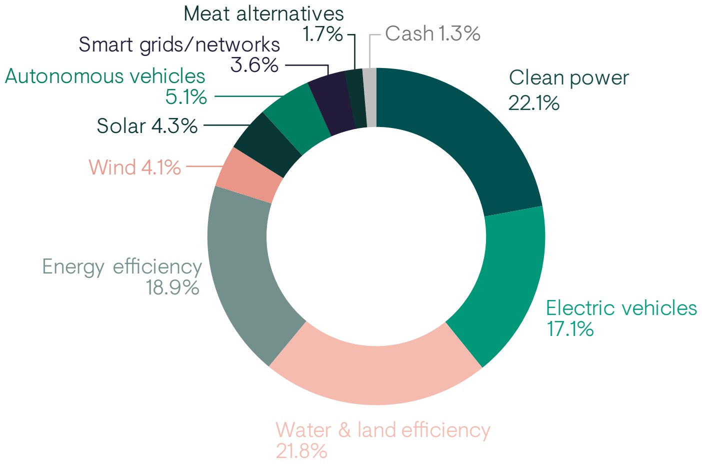
From this universe, we build a high-conviction strategy, with currently 25 holdings.

We focus on companies with structural growth potential, sustainable returns, and competitive advantages.

We analyze the impact of every company we invest in, and provide transparent reporting of 'carbon avoided' by their products and services, and trends in emissions.

We seek to hold every company to high ESG standards, and engage closely with management teams to encourage positive change.

Figure 1. A diverse strategy exploiting multiple opportunities...



Source: Ninety One; portfolio as at 31 October 2021.

Figure 2: ...with measurable impact

Footprint (tCO2e for US$1m invested)

Scope 1 & 2
139
(181)*

Carbon avoided
1,436
(2,107)*

Scope 3
491
(480)*

Net carbon avoided
806
(1,446)*

Source: Global Environment Annual Impact Report, October 2021, which uses carbon data relating to FY2018 and FY2019 company reporting.

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ESG-related data is still at an early stage with considerable variation in estimates and disclosure across companies. Double counting is inherent in all aggregate carbon data.
*Equivalent figures from 2019's Impact Report are shown in brackets.
The portfolio may change significantly over a short period of time. Based on a pooled vehicle within the strategy and not available at the composite level.
For further information on investment process, please see Important information section.
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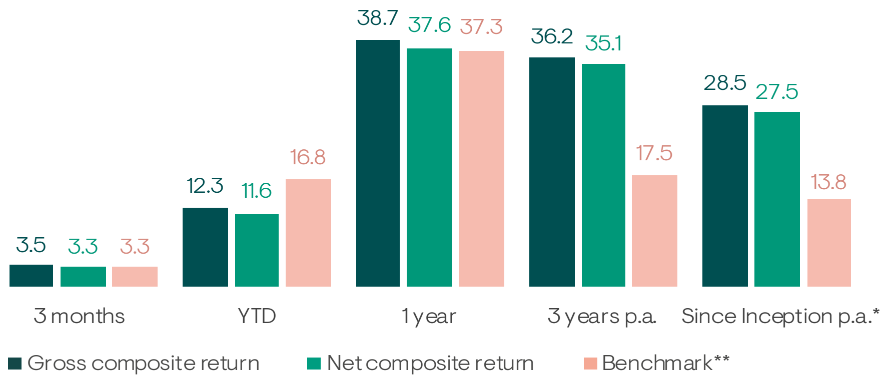
Tried and tested track record

Figure 3: Global Environment Strategy composite annualized performance (%, USD)



	3 months	YTD	1 year	3 years p.a.	Since Inception p.a.*
Gross composite return	3.5	12.3	38.7	36.2	28.5
Net composite return	3.3	11.6	37.6	35.1	27.5
Benchmark**	3.3	16.8	37.3	17.5	13.8

Past performance is not a reliable indicator of future results, losses may be made.
Source: Ninety One as at 31 October 2021. Gross performance (returns will be reduced by management fees and other expenses incurred). Net performance (net of highest institutional segregated portfolio management fee), income is reinvested in USD.
*Composite inception date: 01 September 2018 returns of less than one year are not annualized.
** Benchmark: MSCI AC World Index NDR.
For further information on indices please see the Important Information section.

General risks. The value of investments, and any income generated from them, can fall as well as rise. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks. **Geographic / Sector:** Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may mean that the resulting value may decrease whilst portfolios more broadly invested might grow. **Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Derivatives:** The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Concentrated portfolio:** The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. **Commodity-related investment:** Commodity prices can be extremely volatile and losses may be made. **Emerging market (inc. China):** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. **Sustainable Strategies:** Sustainable, impact or other sustainability-focused portfolios consider specific factors related to their strategies in assessing and selecting investments. As a result, they will exclude certain industries and companies that do not meet their criteria. This may result in their portfolios being substantially different from broader benchmarks or investment universes, which could in turn result in relative investment performance deviating significantly from the performance of the broader market.

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Additional information on our investment strategies can be provided on request.

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Indices are shown for illustrative purposes only, are unmanaged and do not take into account market conditions or the costs associated with investing. Further, the manager's strategy may deploy investment techniques and instruments not used to generate Index performance. For this reason, the performance of the manager and the Indices are not directly comparable.

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There is no assurance that the persons referenced herein will continue to be involved with investing for this Fund, or that other persons not identified herein will become involved with investing assets for the Manager or assets of the Fund at any time without notice. References to specific and periodic team meetings are not guaranteed to be held or fully attended due to reasonable priority driven circumstances and holidays.

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