RATHBONES

RATHBONE GREENBANK GLOBAL SUSTAINABILITY FUND

ANNUAL REVIEW 2024

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FUND MANAGER'S COMMENTARY

It was a turbulent 12 months for markets – particularly bond markets – as investors tried to second guess the path of interest rates. A rapid rise in the yield of benchmark government bonds in the first six months of the period, driven by a reacceleration in US inflation, sent stock markets tumbling – our fund dropped 6%. However, yields fell sharply as inflation started to moderate again and hopes grew that the US Federal Reserve (Fed) would soon cut interest rates.

Meanwhile US economic growth hummed along without sign of recession and companies delivered reasonable earnings. This helped boost stocks and led to a turnaround in the second half of the period. By the end, the market (and our fund) had risen by double-digits, despite bond yields creeping higher as the period closed.

These bond yields affect equity markets in two ways. The first and most direct is that this yield is the benchmark used to value all other investments. If you can get 3.4% on a safe government bond, then you will expect a higher return on a stock that comes with the risk of losing some or all of your money. So if the benchmark 'risk-free' return increases to 5%, the returns you'll want from that stock will need to be higher still. Because companies can't magic up more future profits, the stock's price will fall and cause the expected return – the company's forecast profits divided by the share price – to increase to a level that investors are comfortable with.

The second effect of changes in government bond yields is that they are also the bedrock for all longer-term interest rates in the economy. When a household or company wants a loan, a bank will take the long-term bond yield and then add a percentage on top to account for the risk of default and to make a profit. Higher bond yields means that borrowing is harder to come by for households and businesses, which tends to bode ill for spending and investment. When spending and investment dip, economies slow down and recession beckons, threatening company profits. We've thought for a while that higher interest rates would start to drag on a red-hot US economy. It wouldn't happen overnight, but slowly and steadily higher rates would start to restrain households and businesses. Greater borrowing costs would create some tough choices about spending or reducing debt and put a line through many projects that companies would have piled money into during the years of near-zero rates. This wouldn't inevitably end in recession, but we felt there was a decent risk that that would be the terminus.

This is why we've added to more defensive stocks and industries over the past nine months or so. Last year we built up our holdings of healthcare stocks to the point where we hold almost twice as much as the FTSE World Index's weighting. People don't tend to mess around when it comes to their health, so we think these businesses should be relatively resilient in any downturn. But regardless of that, because of long-term health trends we think they should also deliver strong growth over the coming years as their revenues grow. They've done well for us so far. Another, more recent increase in our industry weightings is in consumer staples stocks – those sorts of products that tend to remain in the shopping trolley regardless of the economic weather. Many of these stocks seem underappreciated to us, and their valuations lower than we would expect, so we've been buying them. We're also holding much less in consumer discretionary stocks (the luxuries and things that people can do without) than the index, given our concerns that tighter financial circumstances may start to squeeze spending on non-essentials sometime down the line.

DAVID HARRISON
Lead Fund Manager
Rathbone Greenbank Global Sustainability Fund

Performance table – S-class to 30 April 2024					
	1 year	2 years	3 years	5 years	Since Launch
Rathbone Greenbank Sustainability Fund	14.28%	10.92%	0.38%	47.88%	51.78%
Quartile	3	3	4	3	3
IA Global Sector	14.34%	14.82%	15.54%	53.04%	58.74%
FTSE World Index	19.07%	22.93%	30.41%	72.84%	82.15%

Source: FE fundinfo. Data as at 30 April 2024. Launch date 16 July 2018. The fund was renamed from the Rathbone Global Sustainability Fund on 14 June 2021.

Past performance should not be seen as an indication of future performance.

OUR TEAM

INVESTMENT TEAM

DAVID HARRISON
Lead Fund Manager

David is lead fund manager of the Rathbone Greenbank Global Sustainability Fund. He joined Rathbones in June 2014 after 14 years working in equity analysis and fund management, including time at Hermes and Goldman Sachs. David is a Chartered Financial Analyst (CFA) charterholder and holds the Investment Management Certificate. He graduated with a BSc (Hons) in Economics and Politics from the University of Southampton.

SIYUAN LIN
Global Equity Analyst

Siyuan is a global equity analyst for Rathbones Asset Management who also works on sustainable investment ideas for the Rathbone Greenbank Global Sustainability Fund. Siyuan joined Rathbones in April 2013, having worked as a research analyst for three years in Martin Currie's emerging markets team. She speaks three languages and is a Chartered Financial Analyst (CFA) charterholder. Siyuan also holds the Investment Management Certificate.

NEIL SMITH
Sustainable Investment Analyst

Neil Smith is a sustainable investment analyst, he works closely with David and the team to provide in-depth investment analysis with a focus on sustainable investment. He graduated from Plymouth University with a BSc in Law and Politics. Neil has over fourteen years' experience working for Rathbone Asset Management. He holds the Investment Management Certificate.

MICHAEL CUMBERLIDGE
Equity Investigate Specialist

Michael is the equity investment specialist working across the four Rathbone equity strategies. He joined Rathbone in October 2016 and brings 13 years of financial services experience. Michael holds the: IMC, IMD, CFA: ESG Investing, CISI Sustainable and Responsible investment certificate and the Cambridge institute of sustainable leadership: Sustainable Finance certificate.

ESSENTIAL INFRASTRUCTURE FOR A SUSTAINABLE FUTURE

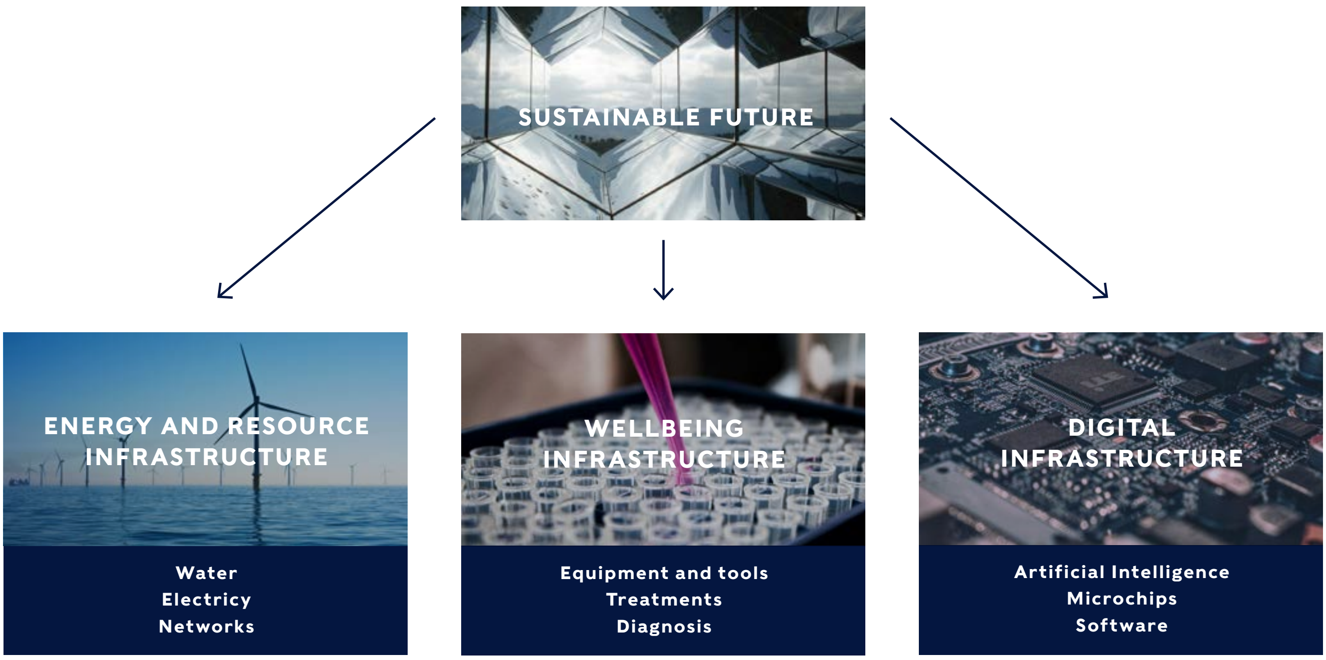
WE BELIEVE THE SUSTAINABLE GROWTH IN VARIOUS ASPECTS OF THE MODERN WORLD IS SUPPORTED BY THREE UNDERLYING PILLARS:

The world faces a growing challenge from the existential crisis of climate change, as society continues to grow, so does our consumption. That is why we believe that investing sustainably gives investors the opportunity to benefit from structural change to a more efficient, cleaner, and healthier future for all.

Investing sustainably has historically been a challenging endeavour as access to accurate data has not been readily available. As companies and regulators alike recognise the need to adjust the way we think about the planet, reporting on sustainability has improved significantly.

It is our belief that investors should not have to sacrifice on their personal values to invest in global equities. Through our approach we seek out and invest in high quality, growth companies supporting and adapting to a more sustainable future.

Our approach divides key sustainability themes into three core pillars: energy and resource infrastructure, wellbeing infrastructure and digital infrastructure. This allows us to provide a succinct and accurate breakdown of how the fund is invested across these three pillars.



ENERGY AND RESOURCE INFRASTRUCTURE

Each day many of us take for granted how much of the earths resources we use. Whether that be the electricity we use to fire up the kettle, the energy for our train to work or the frankly astonishing amount of water we use in our every day life.

Our approach often looks at how we can facilitate the transition to a cleaner and more efficient society. Investing directly in renewable energy companies carries its own risks, with their growth often stifled by the lack of grid connection. We prefer to avoid companies carrying a risk of a binary outcome. Instead, we look for companies which are well diversified and often service an entire sector. We like to call this a picks & shovels approach; this could be industrial businesses reducing waste in our energy system through automation or water companies improving efficiency in the manufacturing processes.

Schneider Electric

Schneider electric is a global leader in energy management and industrial automation across multiple industries. Key end markets include commercial buildings and electricity grid infrastructure, where Schneider has few global peers. The business has undergone a transformation in the past 5 years, with a clearer focus on investing in higher growth and higher margin verticals. This has been underpinned by strong investment in digital assets. Software will play a critical role in both the smooth operation of smart grid infrastructure development and how we store and monitor energy resources in a lower carbon world. The breadth of Schneider's portfolio is important because it encourages long-term and 'sticky' relationships with customers, underpinning stable profits. The company is likely to play a central role in the global energy transition, which is still at a relatively early stage and offers compelling long-term investment opportunities. We also like the clear sustainability goals in the business and how they help customers with their own decarbonisation goals.

WELLBEING INFRASTRUCTURE

Global demographics have dramatically changed, as recently as 1960 the average life expectancy was 52.5 years of age, it is now 84. As populations get older the strains on society increase as people want to live longer and fuller lives.

Companies linked to this pillar are supporting the ambition of longer and healthier lives. This could be everyday products like toothpaste through to life saving oncology treatments. Healthcare, in all its guises is in growing demand the world over. It is no longer enough for us to live to 80, we live in an age where we want to make the most of our latter years.

One of the fastest growing threats to our health is obesity. Obesity is linked to a broad range of life-threatening diseases including cardio-respiratory and cancer. From GLP-1 drugs to glucose monitoring, we find and invest in companies capable of reducing the impacts of obesity on our health.

Over the past few decades, diabetes has been on the rise due to range of factors such as increasing rates of obesity, poor dietary habits, and aging populations. Diabetes care is still out of reach for many patients, but we believe US company Dexcom can change this with their continuous glucose monitoring (CGM) system allows patients to track their glucose levels in real time. This is done via a sensor placed on the skin which transmits data to the patient's preferred device and is a major step forward from traditional methods which involved taking blood at various intervals throughout the day. A major advantage of the CGM system is its ability to send alerts and alarms for either low or high glucose levels which allows the patient to take immediate corrective action. We believe that the company's strong market position and continuous innovation in the diabetes management sector give it a very attractive growth profile for many years to come. Their next generation CGM systems offer enhanced accuracy, ease of use and integration with other diabetes management tools and should drive consumer adoption and loyalty.

DIGITAL INFRASTRUCTURE

Digital and infrastructure almost feels like a counterintuitive term when we have a smart phone in our pocket. We thoughtlessly flick through our apps accessing real time data from all over the world seemingly without any infrastructure. With the growth of cloud computing, we are removed from the web software and hardware supporting our lives.

For those of us lucky enough to buy a car you are sitting in a piece of digital brilliance. There are thousands of microchips acting as a digital brain to keep us safe (and entertained) on our daily travels. Each of these chips works their way through an ecosystem of companies before the finished product slots into our GPS.

The digital landscape continues to grow and evolve as companies find new ways to increase efficiencies and enhance our productivity through technology.

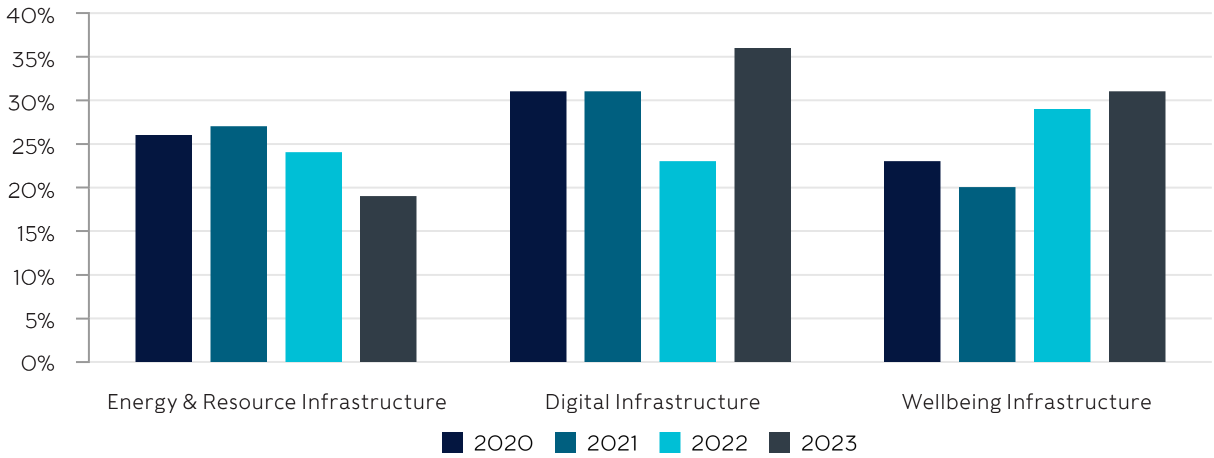
ASML

The building blocks of the digital landscape are faster, stronger, and cheaper microchips, and ASML is the key enabler of this technology infrastructure. ASML is the leader in lithography equipment, which are used to make microchips by making patterns on the silicon wafer with light. It has a monopoly in the most advanced equipment and enables microchips to be smaller, cheaper, more energy-efficient and more powerful in fields such as healthcare, mobility, and entertainment. Currently, the most advanced chips can only be made using these machines. From the latest smartphone with the smallest (yet most power) chip, to generative AI datacentres with thousands of GPU processers, they all need to start from EUV machines. It is not only the most cutting-edge chips, ASML's machines are also used in other applications, such as the sensors used in cars for enhanced safety. We believe ASML will continue to benefit from the digital revolution. Demand for microchips is expected to be strong across multiple industries with ASML's technology being a key enabler.

ADAPTING THROUGH THE CYCLE

THE ALLOCATION TO EACH PILLAR IS AN OUTCOME OF OUR BOTTOM-UP APPROACH.

Fund snapshot by year end

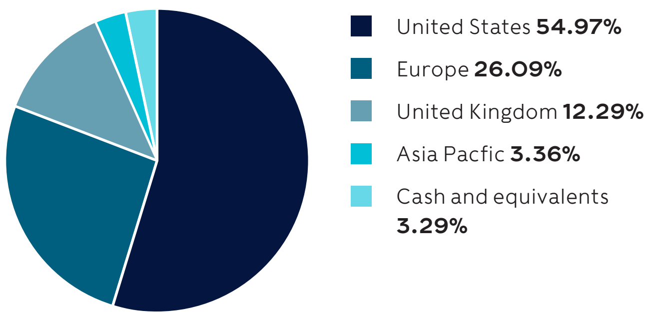


Source: Rathbones as at 31 December 2023
Totals may not add up to 100%. This may be due to cash, stocks aligning to multiple pillars or non-alignment.

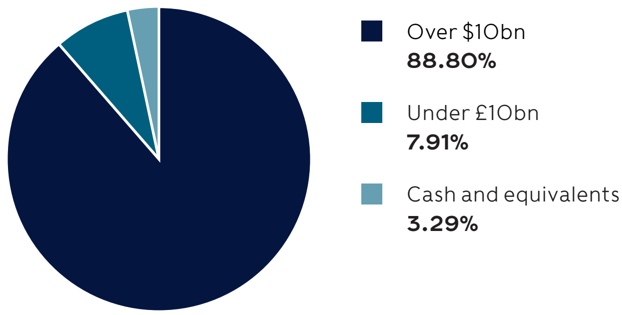
GEOGRAPHICAL AND SECTOR BREAKDOWNS

BELOW SHOWS THE GEOGRAPHICAL AND CAPITALISATION SPLIT OF THE FUND.

Geographical split (%)



Capitalisation split (%)



Source: Rathbones as at 30 April 2024. Please note that due to rounding totals may not always be exactly 100.00%.

PORTFOLIO CONSTRUCTION

THE BELOW IS A BREAKDOWN FOR THE COMPANIES WE HOLD IN THE FUND BY GEOGRAPHICAL LOCATION AND INDUSTRY.

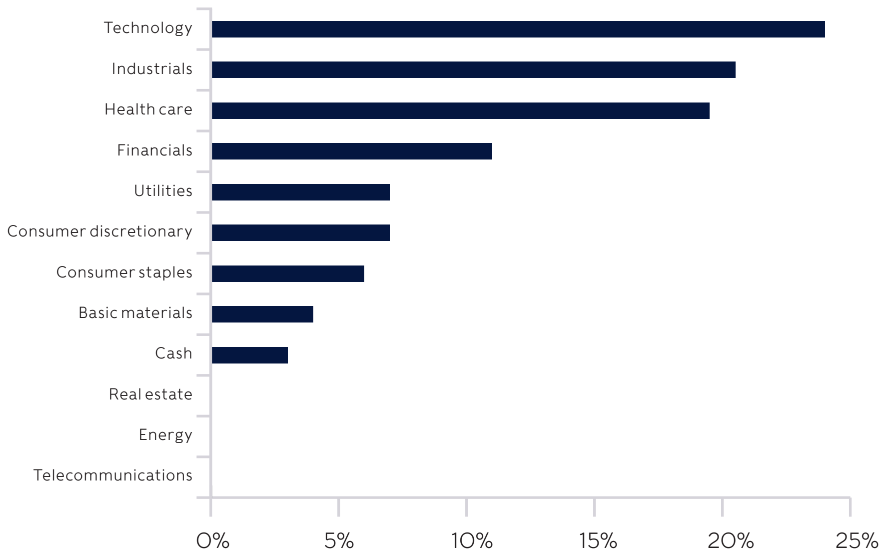
	United States	Europe	United Kingdom	Asia Pacific
BASIC MATERIALS	Linde			
CONSUMER DISCRETIONARY	Aptiv	L'Oreal	RELX	
CONSUMER STAPLES	Colgate-Palmolive		Unilever	
ENERGY				
FINANCIALS	Mastercard Visa	Adyen	Legal & General	AIA
HEALTH CARE	Abbott Laboratories Bio-Techne Dexcom Eli Lilly Idexx Laboratories Merck & Co Thermo Fisher Scientific	Eurofins Scientific Lonza Sartorius Stedim Biotech	AstraZeneca	
INDUSTRIALS	Advance Drainage Systems Badger Meter Littelfuse Quanta Services Trex Xylem	Assa Abloy Atlas Copco DSV Panalpina Jungheinrich Schneider Electric SIG Combibloc	Halma	
REAL ESTATE				
TECHNOLOGY	Adobe Ansys Cadence Design Systems NvidiaMicrosoftShopi			
UTILITIES	Waste Management	EDP Renovaveis E.ON		

Source: Rathbones as at 30 April 2024.

HOLDINGS AND SECTOR POSITIONING

THE BELOW SHOWS THE TOP 10 HOLDINGS AND INDUSTRY BREAKDOWN.

TOP 10 HOLDINGS	
Microsoft	4.38%
Linde	3.63%
Nvidia	3.57%
Cadence Design Systems	3.31%
Unilever	3.23%
RELX	3.18%
Mastercard	3.15%
Waste Management	3.09%
Merck & Co	2.90%
ASML	2.88%



Source: Huguenots and Eikon Datastream as at 30 April 2024.

ADDITIONAL INFORMATION

ANY VIEWS AND OPINIONS ARE THOSE OF THE INVESTMENT MANAGERS, AND COVERAGE OF ANY ASSETS HELD MUST BE TAKEN IN CONTEXT OF THE CONSTITUTION OF THE FUND AND IN NO WAY REFLECT AN INVESTMENT RECOMMENDATION.

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We are covered by the Financial Services Compensation Scheme. The FSCS can pay compensation to investors if a bank is unable to meet its financial obligations. For further information (including the amounts covered and the eligibility to claim) please refer to the FSCS website fscs.org.uk or call 020 7892 7300 or 0800 6781100 Unless otherwise stated, the information in this document was valid as at 30 November 2023. Not all the services and investments described are regulated by the Financial Conduct Authority (FCA). Rathbones Group Plc. is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

Head office: 30 Gresham Street, London EC2V 7QN.

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Call
020 7399 0399

Visit
rathbonesam.com

Email
ram@rathbones.com

@RathbonesPlc

@RathbonesGroup

Rathbones Asset Management

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