

# Columbia Threadneedle Sustainable Outcomes Global Equity Strategy

Annual Outcomes report 2020



**Fund Objective**

The fund aims to generate capital growth through investment in companies that are positively exposed to sustainable outcome themes through their products and services and display strong or improving environmental, social and governance (ESG) practices. The fund is actively managed and invests a minimum of 90% of its total net assets in the equity securities of companies globally, including through depositary receipts.

**Key Risks**

Past performance is not a guide to future returns and the fund may not achieve its investment objective. The value of investments can fall as well as rise and investors might not get back the sum originally invested. Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments. The fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment. The fund has a concentrated portfolio (holds a limited number of investments and/or has a restricted investment universe) and if one or more of these investments declines or is otherwise affected, it may have a pronounced effect on the fund's value. The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions. The fund may exhibit significant price volatility. The fund aims to invest in companies which deliver sustainable outcomes and in doing so adheres to a set of Sustainable Investment Guidelines. The Guidelines will affect the fund's exposure to certain sectors, which may impact the performance of the fund positively or negatively relative to a benchmark or other funds without such restrictions.

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# INTRODUCTION

## Delivering positive sustainable outcomes

In a world of societal and environmental change, we believe companies that invest and innovate for a more sustainable future not only support the planet and its inhabitants but also their own ability to generate strong financial returns. Investing sustainably is therefore key to creating a better future and to delivering investment returns. Since the Columbia Threadneedle Sustainable Outcomes Global Equity strategy's launch in 2018, our investment philosophy has been to capture these twin rewards of positive sustainable outcomes and capital growth, all underpinned by our tried and tested approach to active management: bottom-up research and deep engagement with companies.

Competitive advantage is at the heart of this approach. Our goal is to understand the source and durability of a company's competitive edge and the structure of the industry within which it operates. This gives us the confidence that it can maintain its market position and continue to deliver high returns and stable growth.

This mantra was upheld in 2020 with the strategy delivering an absolute performance of 28.1% vs the MSCI AC World Index with 16.8%: a strong absolute outperformance of 9.7%<sup>1</sup>.

We're pleased with this performance against the backdrop of an unprecedented global pandemic and a huge shift in our way of life. The largest area of thematic exposure in the strategy is to Health, Wellbeing and Food Security<sup>2</sup>. This pandemic has shown the importance of medical innovation and collaboration to promote good health in populations. Several investments in the portfolio have made

a strong, positive impact during the crisis, notably Illumina, which has powered scientists and researchers in over 10,000 labs and 115 countries via its technologies for tracking transmission, as well as therapy and vaccine development; and Centene, a managed care organisation providing health insurance solutions for Medicaid and Medicare recipients in the US. Largely due to pandemic-related job losses, more Americans required, and became eligible for, low-cost health insurance. Centene's total Medicaid enrolment increased to 12.5 million in the second quarter of 2020 compared to around 8.5 million in the second quarter of 2019.

While 2020 was a tragic and turbulent year, the core philosophy of the strategy remains unchanged: to invest in companies working to solve megatrends that aren't going away: climate change is still taking place, cities are still growing, and health and hygiene concerns remain. Infrastructure needs to be built sustainably and financial services provided for the underbanked.

By combining our established quality investment approach with a focus on positive sustainable outcomes, we are well positioned to benefit from the growth in global markets while doing good for society.

We invest in companies that don't just do things right, but do the right things

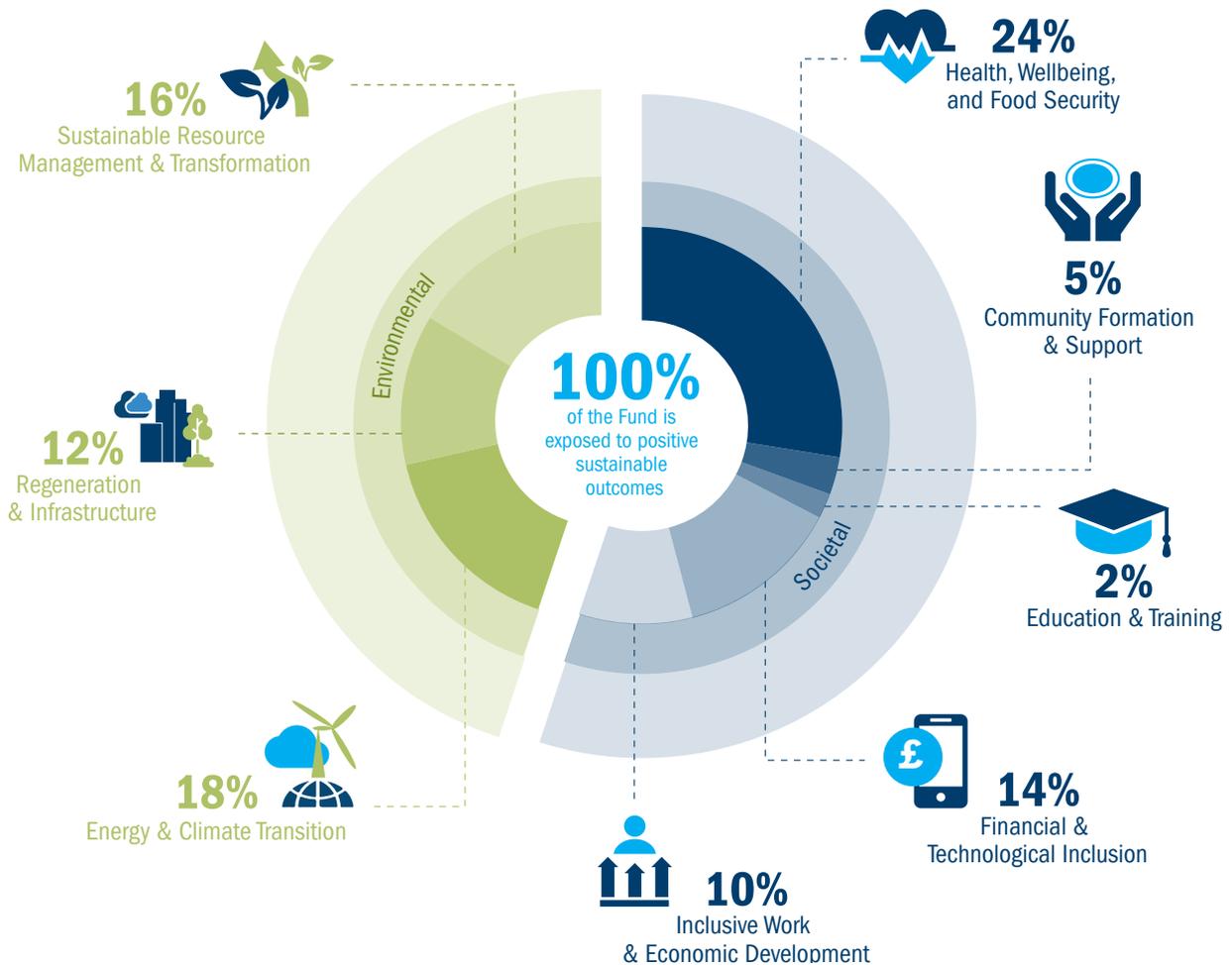
<sup>1</sup> Please refer to Performance and Positioning Summary (p. 16).

<sup>2</sup> Further information on how the strategy is invested can be found on p. 5 below. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# EXPOSURE TO THEMES

The Columbia Threadneedle Sustainable Outcomes Global Equity strategy invests in companies producing goods and services that have a positive outcome on the environment, society, and the world. Our approach draws on the UN Sustainable Development Goals (SDGs), a framework that aims to catalyse the delivery of key sustainable development needs globally. From the SDGs, we have identified a range of investable environmental and social

outcomes split across eight themes. We look to identify companies that are currently able or repositioning to deliver on these themes, with the aim of generating strong financial returns alongside supporting sustainable development. The strategy also seeks to capture future leaders and aims to move towards greater positive contribution over time through active engagement.



# DELIVERING POSITIVE OUTCOMES

Investing in companies producing goods and services that have a positive outcome on the environment, society and the world.

**104,234**

beds for the elderly provided



Provided free childcare for key workers in the US during the Covid-19 pandemic



**134,000** students reached through science, technology, engineering and mathematics (STEM) activities



Published over

**496,000**

scientific research articles in 2019

Provided nursery education for

**120,000** children globally

Companies in the portfolio run over

**60,000** MW

of renewable energy generating capacity



**495 M** gallons biodiesel and renewable diesel produced

**64,000**

individuals have completed training courses through the Digital Villages which are retrofitted shipping containers with workstations and computers in Africa



Over

**8 M**

participants reached through financial literacy programmes

Provided medical care, insulin and supplies to more than

**26,000** children



Reached **30 M** people with diabetes globally



Helped to open **171** Sustainable Vision Centres in Africa, China, India and the United States, providing access to vision care for over **35 M** people

**1.7M**



people subscribed to science-based wellness programmes that incentivise exercise and healthy eating

**53%** of members moved to a healthy blood pressure range after starting on a certain wellness-based insurance programme



Helped **37,000** small businesses to access over **\$1.2 Bn** of small business loans to help them through the pandemic

Enabled **115 M** daily active users to attend work and school from their living rooms



**60,000** hectares of land covered by biodiversity action plans

Provided design software for the construction industry to build net zero buildings, introduce circular economy concepts and reduce embodied carbon



Helped customers conserve **300 Bn** gallons of water, equivalent to the drinking water needs of **1 billion** people



Provided technologies that help control auto emissions, stopping more than **20 M** tonnes of pollutants in their tracks each year



More than **11 M** pairs of shoes and almost three million pieces of apparel made containing Parley Ocean Plastic

# OUR INVESTMENT PROCESS

Tried and tested global equity investment process enhanced with a focus on sustainable positive outcomes.



**Identify positive contributors and exclude companies with inherently negative outcomes**

**Portfolio**  
~50 companies



Positive sustainable outcomes



Better ESG risk management practices



Companies with a smaller carbon footprint



## STEWARDSHIP IN ACTION

Columbia Threadneedle Investments views an integrated, joined-up approach to stewardship as an essential part of its responsible approach to investment. We believe in being active and responsible stewards of the capital entrusted to us by our clients. The ultimate goal of our stewardship approach is to enhance our understanding of (and to the extent appropriate our mitigation of) our exposure to risks and opportunities that may bear on our ability to deliver sustainable long-term value creation for clients.

We engage with a wide range of representatives from companies including members of the board, senior management, company secretaries, human resources and investor relations representatives.

There are many companies with which we have ongoing engagements, as well as a number

that we speak to on a more ad hoc basis, as concerns or issues arise.

Our engagement approach is designed to protect the interests of all our clients, focusing and prioritising on material and/or contentious issues affecting those companies in which we have significant holdings. This involves collaboration between portfolio managers, analysts and the Responsible Investment team who work together to monitor and engage with the companies in which we invest.

As an extension of our engagement work, proxy voting is undertaken as required, informed by prior engagement and current ESG research. We vote actively at company meetings, applying our principles on a pragmatic basis. We view this as one of the most effective ways of signalling approval (or otherwise) of a company's governance, management, board and strategy.

# CASE STUDIES



First purchased  
**November 2020**



Total return to date  
**+20%**



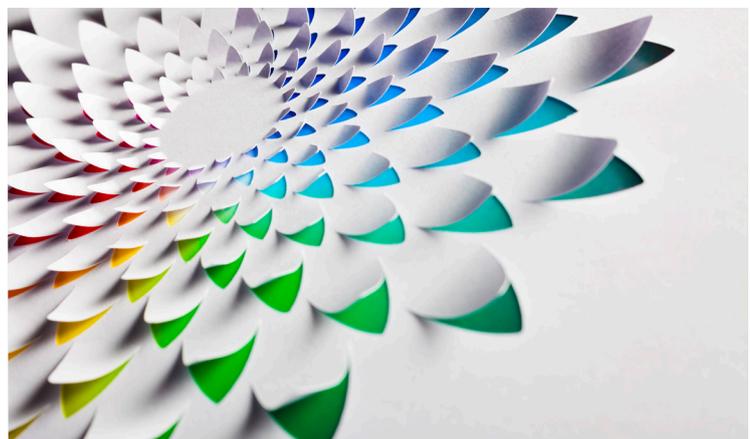
Energy and Climate Transition  
**Leader**

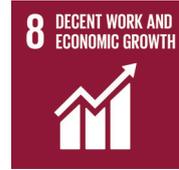
REG is North America's largest producer of advanced biofuels, with 12 biorefineries that produce both biodiesel and renewable diesel. The company refines waste by-products such as rendered animal fats, inedible corn oil, used cooking oil and virgin vegetable oils into biodiesel or renewable diesel.

Biodiesel from used cooking oil reduces lifecycle greenhouse gas emissions by up to 86% and reduces particulate matter by up to 47%. Social environmental concerns as well as government incentives for renewable, clean energies are increasing demand for REG's biofuels.

In 2000 biodiesel became the only alternative fuel in the USA to have successfully completed the EPA-required health-effects testing under the Clean Air Act, which spurred the development of the industry. More recently, Biden's win is a clear positive for the renewable fuel industry in North America. In the future decarbonisation efforts in both marine and aviation industries are likely to open new end markets for REG's sustainable fuels.

REG is making real and immediate carbon reductions to meet increasing demand





**intuit.**



First purchased  
**March 2020**



Total return to date  
**+64%**



Inclusive Work and Economic Development  
**Advanced Contributor**

Intuit is a software company that provides applications and services that help businesses with financial, accounting and tax administration. The company generates more than half of its revenue helping small businesses and self-employed people.

Intuit aims to help small businesses grow and prosper and as a result collectively increase the survival rate of all small businesses on its platform by 10% because “When our communities thrive, we all thrive - and together we prosper”.

Intuit has helped to make over \$1.2 billion of approved small business loans available to small businesses and self-employed people over the course of the pandemic.



Companies like Intuit  
are **powering**  
**prosperity** around  
the world



First purchased  
**December 2018**



Total return to date  
**+87%**



Sustainable Resource Management & Transformation  
**Leader**

Mercari is a Japanese e-Commerce company that enables consumers to sell and buy second-hand goods. By connecting consumers, Mercari has been able to encourage re-use and reduce waste. This is important for optimising resources and for building a circular economy.

Mercari hosted a second-hand only fashion show to promote its circular-economy aligned business model and has also developed a cashless payment system that will assist sole traders and small businesses operating on the platform. The company has also developed a re-useable eco-pack, which has seen a 70% rate of uptake amongst users<sup>2</sup>.

Japan's used goods market was worth Y2tn in 2017 - up from around Y500bn in 2013 - and an estimated two-thirds of that increase is due to Mercari.

Mercari is working to create a **circular economy** where the earth's finite resources are used more efficiently



Source: Columbia Threadneedle Investments as at 31 December 2020. The mention of any specific shares or bonds should not be taken as a recommendation to deal. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.  
<sup>2</sup> [https://speakerdeck.com/mercari\\_inc/2020-sustainability-report-en?slide=8](https://speakerdeck.com/mercari_inc/2020-sustainability-report-en?slide=8)



## Performance and positioning summary

Calendar year	Gross-of-fees return (%)	Net-of-fees return (%)	Index return (%)	Composite 3-yr st dev (%)	Index 3-yr st dev (%)	Internal dispersion (%)	Number of portfolios	Total composite assets (m)	Total firm assets (bn)
2020	28.12	27.30	16.82	N.A.	N.A.	N.A.	≤ 5	1.5	149.8
2019	33.17	32.32	27.30	N.A.	N.A.	N.A.	≤ 5	1.2	140.5

Note: Inception date: 31/12/2018.

1. Columbia Threadneedle Investments EMEA APAC 'the Firm' claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Columbia Threadneedle Investments EMEA APAC has been independently verified by Ernst & Young LLP for the periods 1st January 2000 to 31st December 2018. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
2. The 'Firm' is defined as all portfolios managed by Columbia Threadneedle Investments EMEA APAC (prior to 1 January 2021, the firm was known as Threadneedle Asset Management) which includes Threadneedle Asset Management Limited, (TAML), Threadneedle International Limited, (TINTL), Threadneedle Investments Singapore (Pte.) Limited, (TIS), and Threadneedle Management Luxembourg S.A. (TMLSA), excluding directly invested property portfolios. The firm definition was expanded in 2015 to include portfolios managed by then newly established affiliates of Threadneedle Asset Management in Singapore. TAML & TINTL are authorised and regulated in the UK by the Financial Conduct Authority (FCA). TINTL is also registered as an investment adviser with the U.S. Securities and Exchange Commission and as a Commodities Trading Advisor with the U.S. Commodity Futures Trading Commission. TIS is regulated in Singapore by the Monetary Authority of Singapore. TMLSA is authorised and regulated in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). On 1 July 2020, Threadneedle Asset Management Malaysia Sdn. Bhd (TAMM) was removed from the firm. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. Beginning 30 March 2015, the Columbia and Threadneedle group of companies, which includes multiple separate and distinct GIPS-compliant firms, began using the global offering brand Columbia Threadneedle Investments.
3. A concentrated global equity strategy with a focus on high quality companies that seeks to deliver both positive sustainable outcomes, in accordance with the UN Sustainable Development Goals (SDGs), and superior financial returns. The composite was created November 30, 2018.
4. The portfolio returns used in composites are calculated using daily authorised global close valuations with cash flows at start of the day. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Gross of fee returns are presented before management and custodian fees but after the deduction of trading expenses. Returns are gross of withholding tax. Net of fee returns are calculated by deducting the representative fee from the monthly gross return. Policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as the list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and the list of broad distribution pooled funds are available upon request.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are six or more portfolios throughout the entire reporting period. The Standard Deviation will not be presented unless there is 36 months of monthly return data available.
6. The three year annualised ex-post standard deviation measures the variability of the gross-of-fees composite and benchmark returns over the preceding 36 month period.
7. The following fee schedule represents the current representative fee schedule for institutional clients seeking investment management services in the designated strategy: 0.65% per annum. Gross of fee performance information does not reflect the deduction of management fees. The following statement demonstrates, with a hypothetical example, the compound effect fees have on investment return: If a portfolio's annual rate of return is 10% for 5 years and the annual management fee is 65 basis points, the gross total 5-year return would be 61.1% and the 5-year return net of fees would be 55.9%.
8. The MSCI AC World Index is designed to provide a broad measure of equity-market performance throughout the world and is comprised of stocks from 23 developed countries and 24 emerging markets. Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.
9. Past performance is no guarantee of future results and there is the possibility of loss of value. There can be no assurance that an investment objective will be met or that return expectations will be achieved. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.

To find out more visit  
[columbiathreadneedle.com](http://columbiathreadneedle.com)



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