

MONTANARO

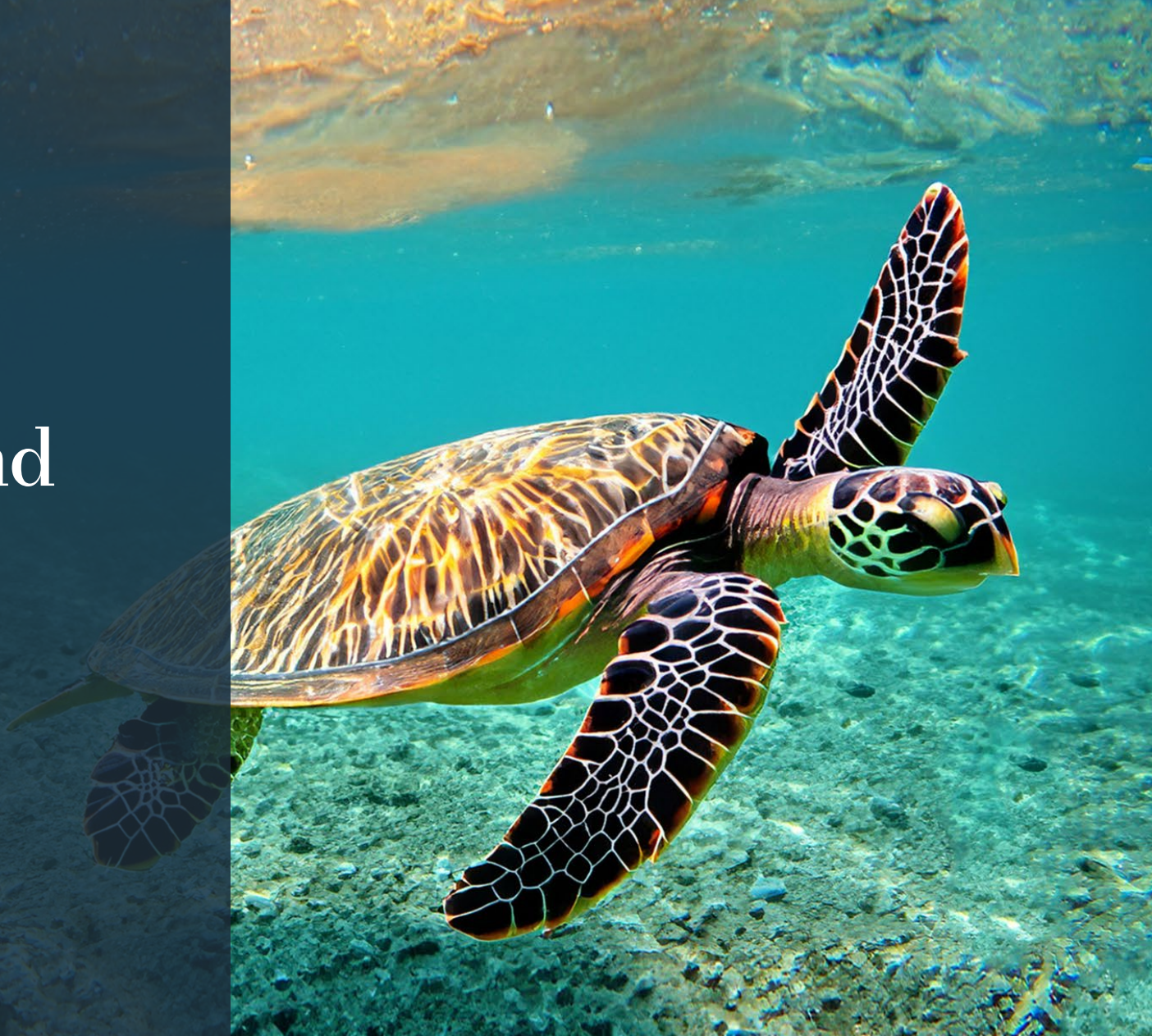
Better World Fund

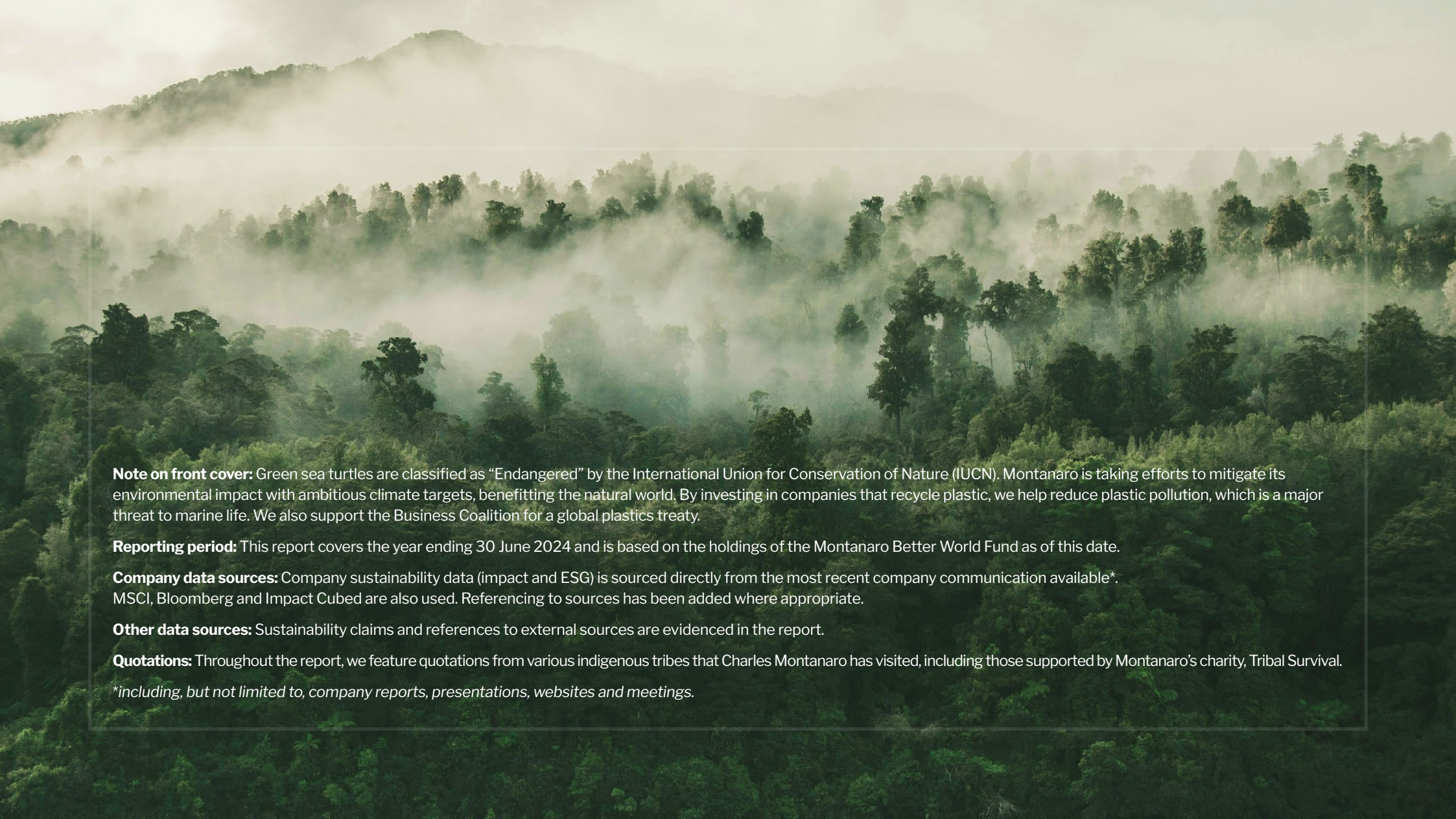
Impact Report 2024

Certified



Corporation





Note on front cover: Green sea turtles are classified as “Endangered” by the International Union for Conservation of Nature (IUCN). Montanaro is taking efforts to mitigate its environmental impact with ambitious climate targets, benefitting the natural world. By investing in companies that recycle plastic, we help reduce plastic pollution, which is a major threat to marine life. We also support the Business Coalition for a global plastics treaty.

Reporting period: This report covers the year ending 30 June 2024 and is based on the holdings of the Montanaro Better World Fund as of this date.

Company data sources: Company sustainability data (impact and ESG) is sourced directly from the most recent company communication available*. MSCI, Bloomberg and Impact Cubed are also used. Referencing to sources has been added where appropriate.

Other data sources: Sustainability claims and references to external sources are evidenced in the report.

Quotations: Throughout the report, we feature quotations from various indigenous tribes that Charles Montanaro has visited, including those supported by Montanaro’s charity, Tribal Survival.

**including, but not limited to, company reports, presentations, websites and meetings.*

Welcome

A very warm welcome to our seventh Impact Report.

Each year, we try to make the report more interesting and readable. Feedback is always appreciated. Trying to make the world a better place is a partnership with our investors. Thank you for your support.

The past couple of years have been challenging for impact investors. It is not easy when some of the best returns have come from energy and defence companies, areas we avoid. Predictably, there has been a backlash against ESG investing as our blog last October discussed¹.

The world is behind schedule in achieving the UN's 17 Sustainable Development Goals by 2030. Far from slowing down, we need to pick up the pace once again.

As an anthropologist, for the past two decades, I have spent time with remote indigenous communities. This photo shows a trek to the Korowai of West Papua in 2007. Who better to ask about climate change than those living the same traditional life for millennia? If ever you want a reason to invest for a Better World, look no further than these remarkable people whose answers we have included.

Charles Montanaro July 2024



¹ [The good ship: thoughts on the "ESG Backlash"](#), Montanaro Blog, 31 October 2023

We are a B Corporation, among the first Asset Managers to be certified in Europe

Certified



This company meets the
highest standards of social
and environmental impact

Corporation

Awards

2024

Best ESG Global Equity Fund

MAINSTREET PARTNERS

**Best Small & Mid-Cap Sustainable
Investment Boutique – UK**

WEALTH & FINANCE INTERNATIONAL

**ESG Integration Excellence
Award – UK**

WEALTH & FINANCE INTERNATIONAL

2023

ESG Company of the Year

INVESTORS' CHRONICLE & FINANCIAL TIMES

Best ESG Investment Fund: Impact

ESG INVESTING

2022

**Best Equity Global Small
& MidCap Fund**

LIPPER

**Highly Commended
Impact Fund**

INVESTMENT WEEK

2021

Best Impact Equity Fund

INVESTMENT WEEK

2020

**Highly Commended
Impact Fund**

INVESTMENT WEEK

2019

Best Impact Fund

INVESTMENT WEEK

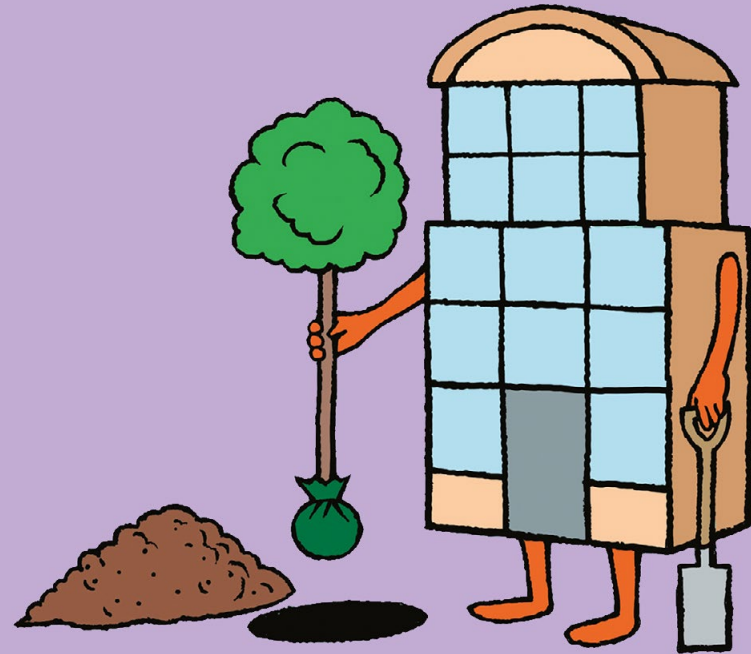
Best Impact Report

PENSIONS FOR PURPOSE

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Impact Investing



Impact through innovation

History is littered with examples of innovations that provided huge benefits, only for unintended consequences to outweigh the good they delivered.

Think of DDT used in World War Two to control malaria and typhus. Sprayed as a pesticide, it devastated wildlife.

Refrigerant chlorofluorocarbons were first celebrated for their non-toxic, non-flammable stability, but punctured holes in the ozone layer.

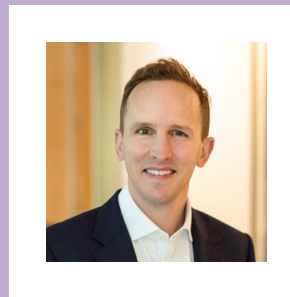
Opioids such as fentanyl effectively killed pain but proved to be 50 times more potent than heroin leading to an addiction epidemic.

Fossil fuels form part of this list: hydrocarbons, the power behind the industrial revolution and rising living standards, but the primary cause of 419.3 parts per million of carbon dioxide in our atmosphere.

The Better World Fund helps us re-evaluate today's world and shift capital from the stale "old" to the growing "new." Impact is a sub-set of Growth investing, our house style.

Humans are creatures of habit and parts of society will resist change. As Charles Darwin said, *"it is not the strongest of the species that survive, but the one most responsive to change."*

Or as Beyoncé sings on *American Requiem*, *"for things to stay the same, they have to change again."* From Darwin to Beyoncé. It is time to think differently.



A stylized, handwritten signature in white ink that reads "Ed Heaven".

Ed Heaven,
Head of Sustainable Investments



“Nowadays, there is rain when we expect sun and sun when there is normally rain. The weather is all mixed up.”

Chief Fenelun (Korowai, West Papua) 2004

Photo by Sebastião Salgado

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IMPACT INVESTING

FUND OVERVIEW

INVESTMENT PROCESS

COMPANIES IN ACTION

MEASURING IMPACT

ENGAGEMENT

CLIMATE ACTION

MONTANARO

Why invest in quoted SMidCap for impact?

Impact investing has its historical roots in private markets, but it is through public markets that it can become truly mainstream.

95% of the world's quoted companies are Small & MidCap

- most investors focus on the largest 600 companies

Smaller companies are fundamental to the sustainability transition

- many supply critical products and services needed for change

Many impact companies are found in Small & MidCap

- offering higher revenue alignment with impact targets such as the United Nation's Sustainable Development Goals (UN SDGs)

Smaller companies are innovative and disruptive

- at the forefront of innovation, addressing environmental or social challenges

We have direct access to the decision-makers who can make change happen

- we speak to Founders, CEOs and senior executives
- we can build meaningful share ownership



How we deliver change: Impact360°

Our impact assessment process – which we call Impact360° – ensures that we target impact consistently across specific areas of the economy.

Impact360° encompasses:

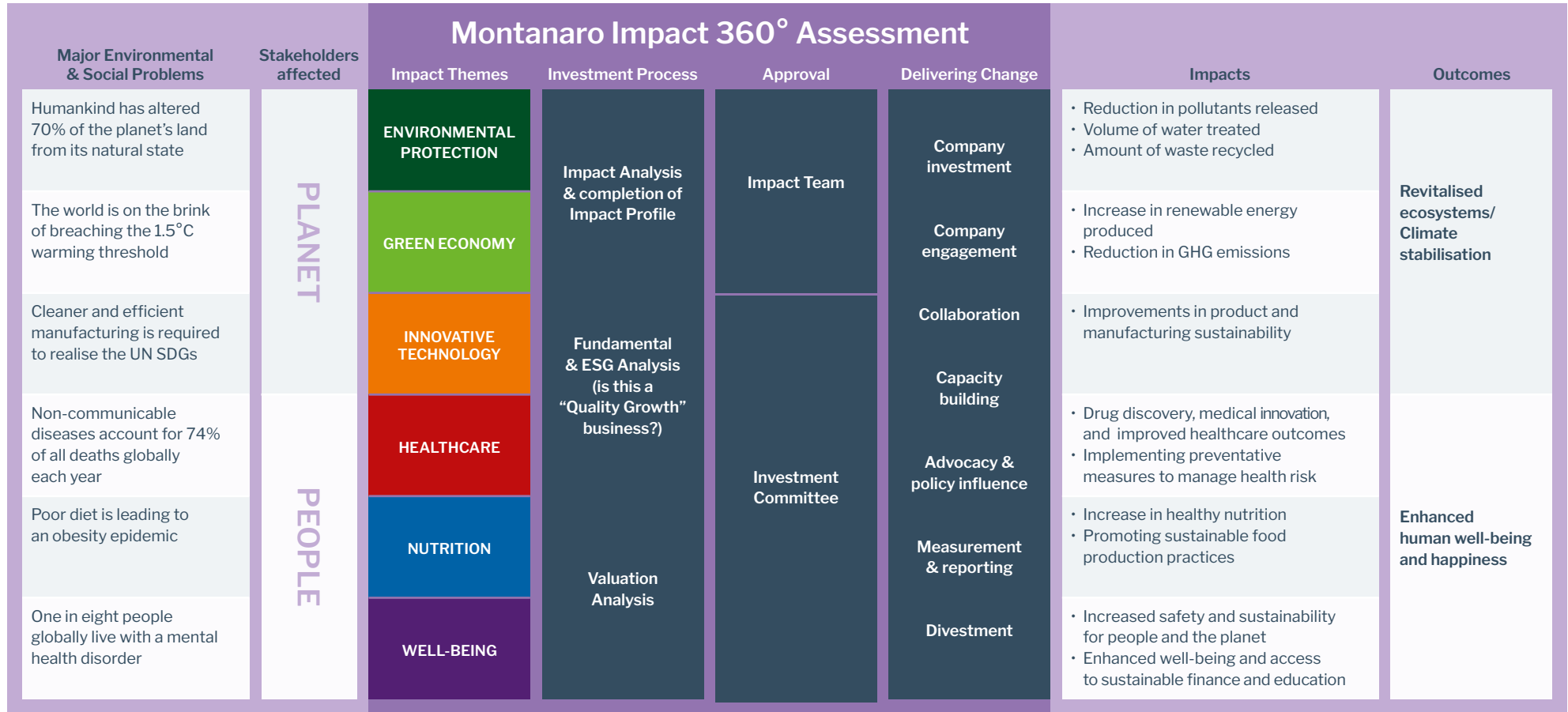
- Impact screening
- Initial company research
- Completion of Montanaro Impact Profile
- Completion of Montanaro ESG Checklist
- Approval / rejection by Impact Team
- Portfolio inclusion
- Impact measurement
- Ongoing monitoring
- Engagement
- Voting


These steps create a full circle “Better World” approach to achieving impactful and sustainable change.

The foundation of Impact360° is the Fund’s “Theory of Change”.



Theory of Change



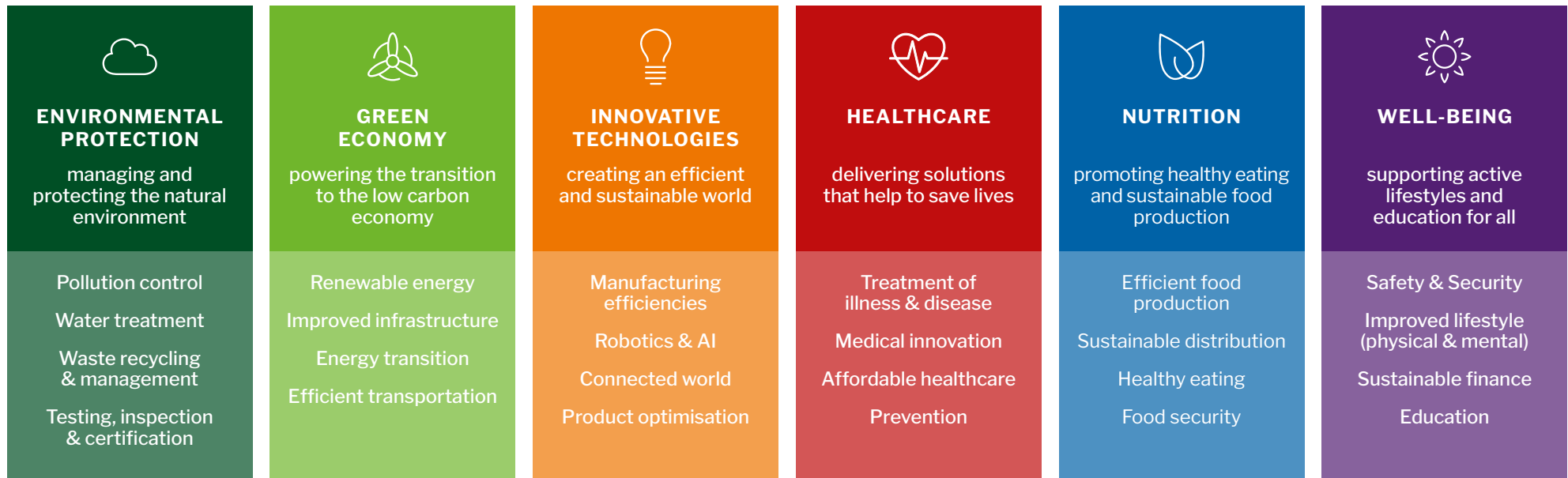


“Climate change has affected us very badly.
It no longer rains as it used to rain 20 years ago.
Our livestock that give us food to live are dying.
It is always hot and dry.”

The Himba (north-western Namibia) 2023

Impact themes

To build a more sustainable economy, capital needs to be shifted from the “**old world**” – of fossil fuels, energy intensive manufacturing, struggling healthcare systems – to a “**new world**” – of companies whose products offer better outcomes for people and the planet. Our impact themes help us to identify companies that can deliver this new, better world.



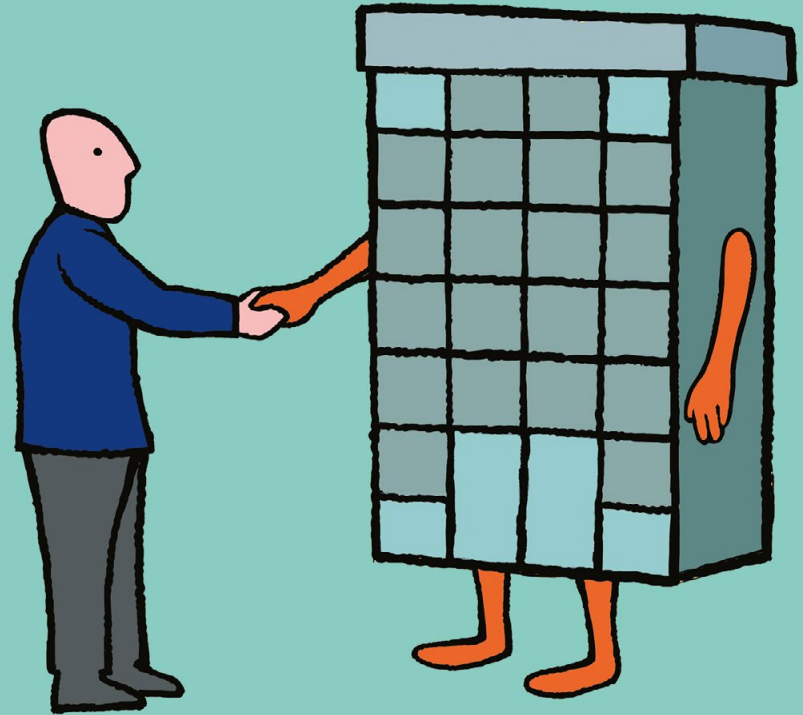
The UN SDGs

Our themes support the UN SDGs. With billions of dollars of capital required to meet these goals, the private sector has a key role to play. Over US \$5 trillion² of investment is required each year to meet the 2030 deadline.

 ENVIRONMENTAL PROTECTION	 GREEN ECONOMY	 INNOVATIVE TECHNOLOGIES	 HEALTHCARE	 NUTRITION	 WELL-BEING																											
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² UN Global Compact – UN Alliance for SDG Finance

Fund Overview



The Better World Fund

The Fund has a simple goal: to deliver attractive investment returns by investing sustainably in companies that are helping to solve some of the world's greatest challenges and to make the world a better place.

LAUNCHED

April 2018

Domicile: Ireland

Sustainability Objective:

The Fund will seek to invest in high quality companies whose products or services are deemed to make a positive impact on society or the environment and which emphasise sound environmental, social and governance (ESG) practices.

Note: MAM also manages the UK domiciled WS Montanaro Better World Fund, which was launched in January 2020.

RATINGS

Label ISR: sustainability rating awarded by the French Finance Ministry

Square Mile: AAA rating (3D Investing)

RSMR: Responsible rating

FundCalibre: Elite Radar

SFDR

Article 9

EXCLUSIONS

Tobacco

Alcohol

Weapons

Adult Entertainment

Gambling

High-interest Rate Lending

Fossil Fuels

Animal Testing (ex-healthcare / regulatory requirement)

Performance review

In 2023, the Fund delivered a return of 7% (in GBP).

Performance can be divided into three distinct periods:

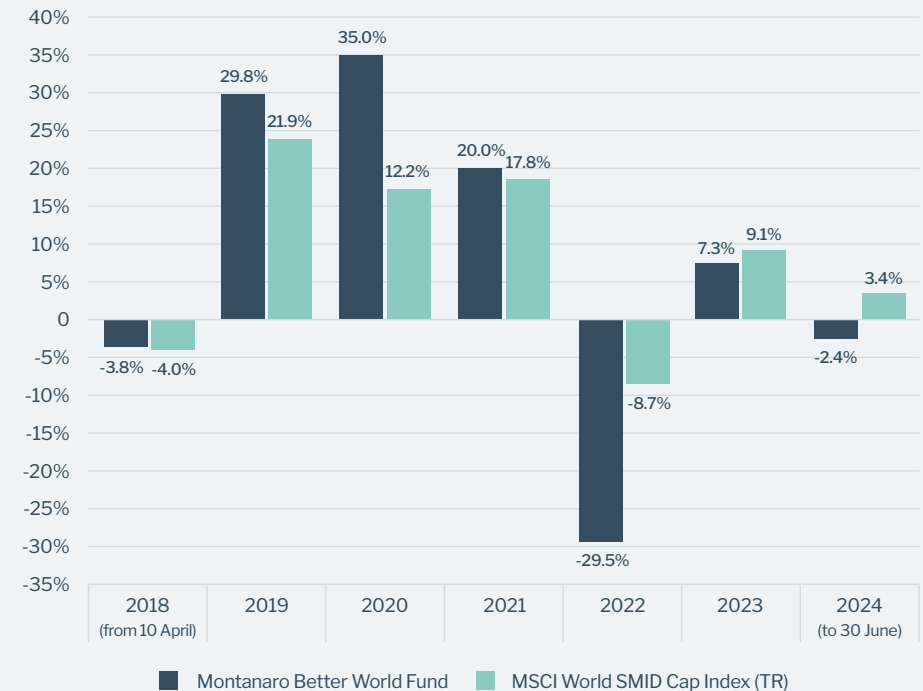
- steady outperformance during H1 with a particularly strong first quarter as cyclical stocks recovered;
- a more challenging period from June to October due to interest rate concerns and weakness in the Renewables and Healthcare sectors;
- a strong recovery in November and December as investors looked forward to lower interest rates.

2024 and Outlook

It has continued to be a tough environment for SMidCap and impact. As of 30 June 2024, Global SMidCap is on track for a record seventh consecutive year of underperformance, while the Renewables sector has remained under pressure: the MSCI Global Environment (ACWI) index was down 14% during the first half of the year (in GBP).

At such times, opportunities arise. Valuations are more attractive; our Analysts have identified several new ideas for the portfolio; and the long-term tailwinds for sustainability remain strong.

Montanaro Better World Fund - Annual Returns (GBP share class)



Source: Internal (Calculations), BNY Mellon (NAVs). Note: Returns for the Better World Fund are net of Fees. Based on the GBP Share class of the Irish-domiciled Better World Fund. The MSCI World SMID Cap became the official benchmark as of April 2020. Prior to this, it is shown for comparison purposes only. The WS Better World Fund is similar but not identical to the Irish domiciled Montanaro Better World Fund.

Investment Philosophy & Process

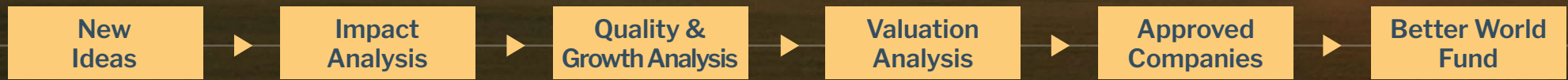


What is a Better World Fund company?

- 1 Providing products & services that make a positive impact
- 2 A business model we can understand
- 3 Profitable growth
- 4 Focused business operating in growth markets
- 5 Market leader
- 6 High returns on capital with strong balance sheet / cashflow
- 7 Outstanding management
- 8 Exemplary standards of ESG and a willingness to engage



Investment process

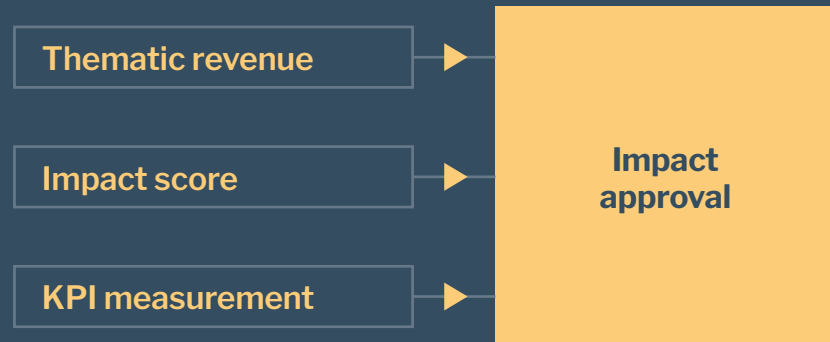


Impact of products & services

Every company we consider for investment is evaluated using **Impact360°**, our bespoke impact assessment process. An **Impact Profile** is completed to score impact and stocks are approved or rejected for impact by our **Impact Team**.

The Montanaro Impact Profile considers:

- Positive impact (Products & Services)
- Differentiation
- Investor contribution
- Intentionality
- Impact risk
- Revenue alignment to our six themes (at least 50%)
- Key performance indicators (KPIs)



Key performance indicators (KPIs)

We aim to identify KPIs that appropriately measure the impact a company makes on the environment or society.

We use the **IRIS+ System** to help identify KPIs, a database developed by the GIIIN Investors' Council to improve the transparency and credibility in how investors measure the social and environmental performance of their portfolios.

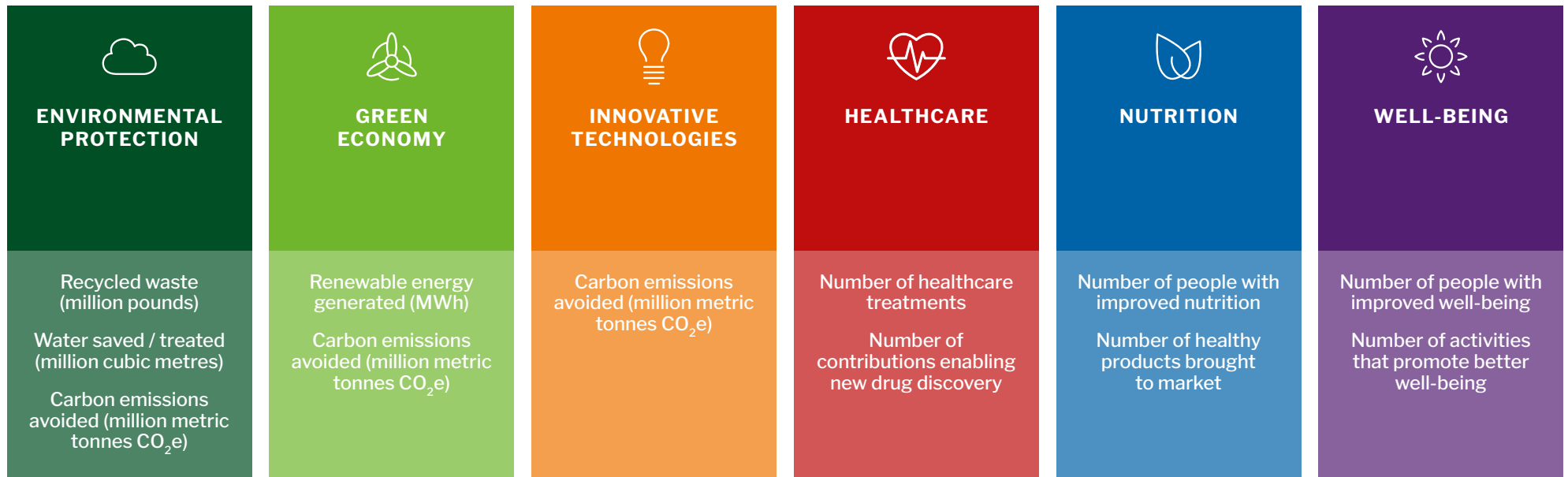
Where IRIS+ KPIs are not suitable, we **engage directly with companies** to determine the most relevant impact KPIs that best represent the business and the outcome it is seeking to achieve.

Impact measurement is challenging. Every company is different. Measuring the impact of a “tangible” infrastructure asset such as a wind turbine (the amount of clean energy produced) is easier compared with an “intangible” service company, such as a software business that develops educational platforms.



Theme KPIs

We target impact by investing to solve problems identified by our themes. We convert company specific KPIs into unified theme KPIs to gauge the impact of the Fund as a whole.



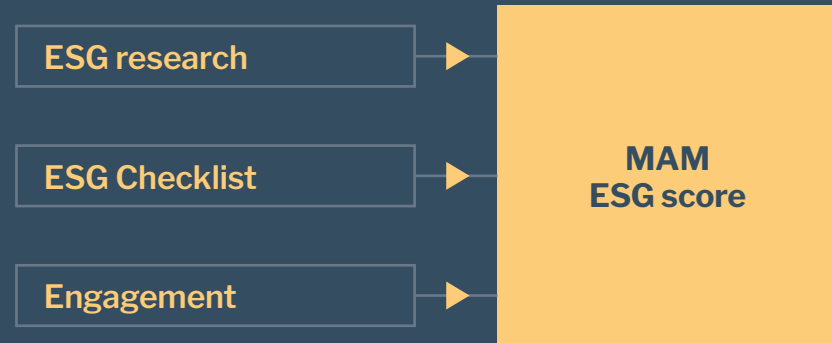


Impact delivers growth... ESG demonstrates quality

ESG footprint

ESG forms a key part of how we assess the Quality of a business. Analysts complete the Montanaro ESG Checklist, which combines our own research with public data to assess a company's ESG calibre, risks and opportunities.

- **Environment:** Climate targets; Carbon emissions; Water; Waste; and Biodiversity
- **Social:** Diversity; Labour practices; Policies; Tax; and Supply chain
- **Governance:** Board composition; Insider ownership; Executive remuneration; Committees; Stakeholders; Ethics; ESG culture and Controversies



Investing in Quality

Every company we invest in must meet the “Montanaro Quality” threshold. This helps us to avoid the trap of investing in “concept stocks” that sound impactful but have little hope of delivering an attractive return to investors.

Our due diligence process includes:

- **Quality Checklist:** our “pre-flight” checklist, designed to assess the quality of a company
- **Financial model:** a proprietary model to understand the business drivers
- **Meetings:** meet with management and site visits
- **Valuation analysis:** valuing future cashflows

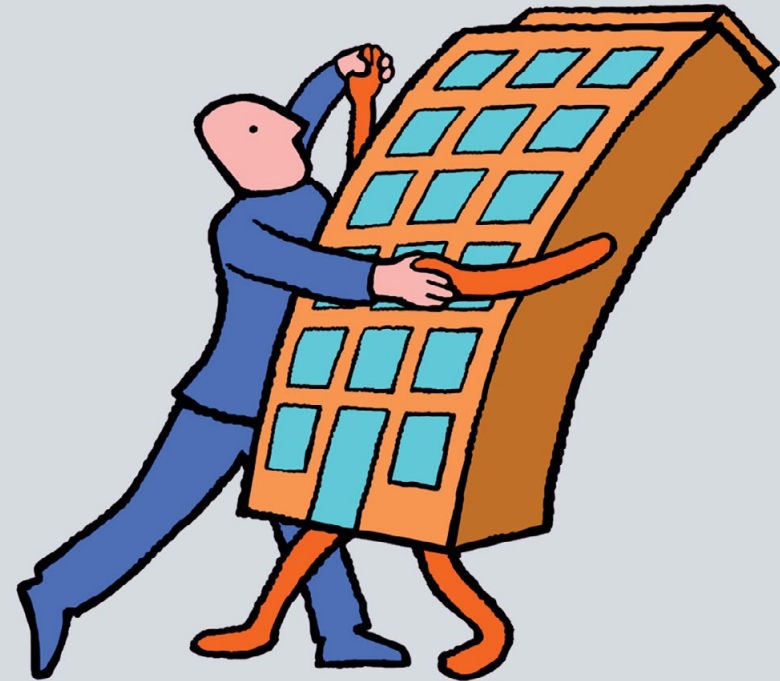
Fundamental analysis

Quality Checklist

Modelling & valuation

Approved for investment

Companies in Action



Environmental Protection: company in action

COMPANY

Advanced Drainage Systems (ADS)

COUNTRY LISTING

US

DESCRIPTION

ADS is a leading manufacturer of innovative products and services that deliver solutions to the most persistent and challenging water problems. ADS is also one of the largest plastic recycling companies in North America.

PROBLEM

Climate change exacerbates water scarcity and increases the frequency of extreme weather events. Sustainable solutions that fit into circular economic principles are needed to make cities more liveable.

SOLUTION

ADS manages stormwater flow, redirecting water away from homes and critical infrastructure. The company's products also purify and improve water quality, prior to the water's return to lakes and streams.

UN SDG

Goal 6: Clean Water & Sanitation.

KPI

Plastic recycled during pipe manufacturing process.

DATA

540 million pounds of plastic recycled in 2023³.

³Advanced Drainage Systems. (2023) *Sustainability Report 2023*. Available at: <https://assets.adspipe.com/m/2039e6314feebf2c/original/Sustainability-Report-2023.pdf>

A close-up photograph of a person's hands holding a large quantity of small, multi-colored plastic granules. The granules are in various colors including blue, orange, yellow, green, and grey. The hands are positioned in the center-right of the frame, with the fingers slightly curled. The background is a vast field of the same colorful plastic granules, creating a textured, multi-colored surface. The lighting is bright, highlighting the individual pieces of plastic.

Over half a billion pounds of plastic recycled annually by Advanced Drainage Systems

Green Economy: company in action

COMPANY

Belimo

COUNTRY LISTING

Switzerland

DESCRIPTION

Belimo's heating, ventilation and air-conditioning (HVAC) solutions improve energy efficiency and create healthier indoor air. Its actuators measure and control air and water flow.

PROBLEM

Companies must reduce the environmental impact of their buildings and factories to decarbonise the global economy.

SOLUTION

Belimo's products help customers reduce energy consumption and operating costs; avoid energy losses; and meet environmental targets.⁴

UN SDG

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

KPI

Energy savings (CO₂e) from HVAC systems using Belimo products.

DATA

7.7 million metric tonnes CO₂e avoided in 2023⁵.

⁴Belimo (2024) *Sustainability*. Available at: https://www.belimo.com/se/en_GB/about/belimo/sustainability

⁵Belimo (2023) *Sustainability at Belimo*. Available at: <https://report.belimo.com/ar23/en/sustainability-at-belimo>. Belimo - Annual Report 2023

A photograph of an industrial facility, likely a power plant or refinery, showing a long, perspective view of a metal walkway. On the walkway, there is a series of large, vertical industrial units. Each unit has a large, curved, silver-colored pipe at the top. Below the pipes, there are orange-colored control boxes or electrical enclosures. The background shows a clear blue sky with some light clouds.

7.7 million metric tonnes CO₂e avoided
using Belimo's products in 2023

Innovative Technology: company in action

COMPANY

Ansys

COUNTRY LISTING

US

DESCRIPTION

Ansys develops engineering simulation software to enhance the design process across various industries.

PROBLEM

New methods are needed to make product creation more efficient, enabling faster innovation and stimulating sustainable economic development.

SOLUTION

Ansys' software helps customers bring new products to market faster and at a lower cost, with improved quality, safety and energy efficiency. It facilitates the design of products for applications such as direct air capture, renewable energy and improved sustainability of aircrafts.

UN SDG

Goal 8: Decent Work & Economic Growth.

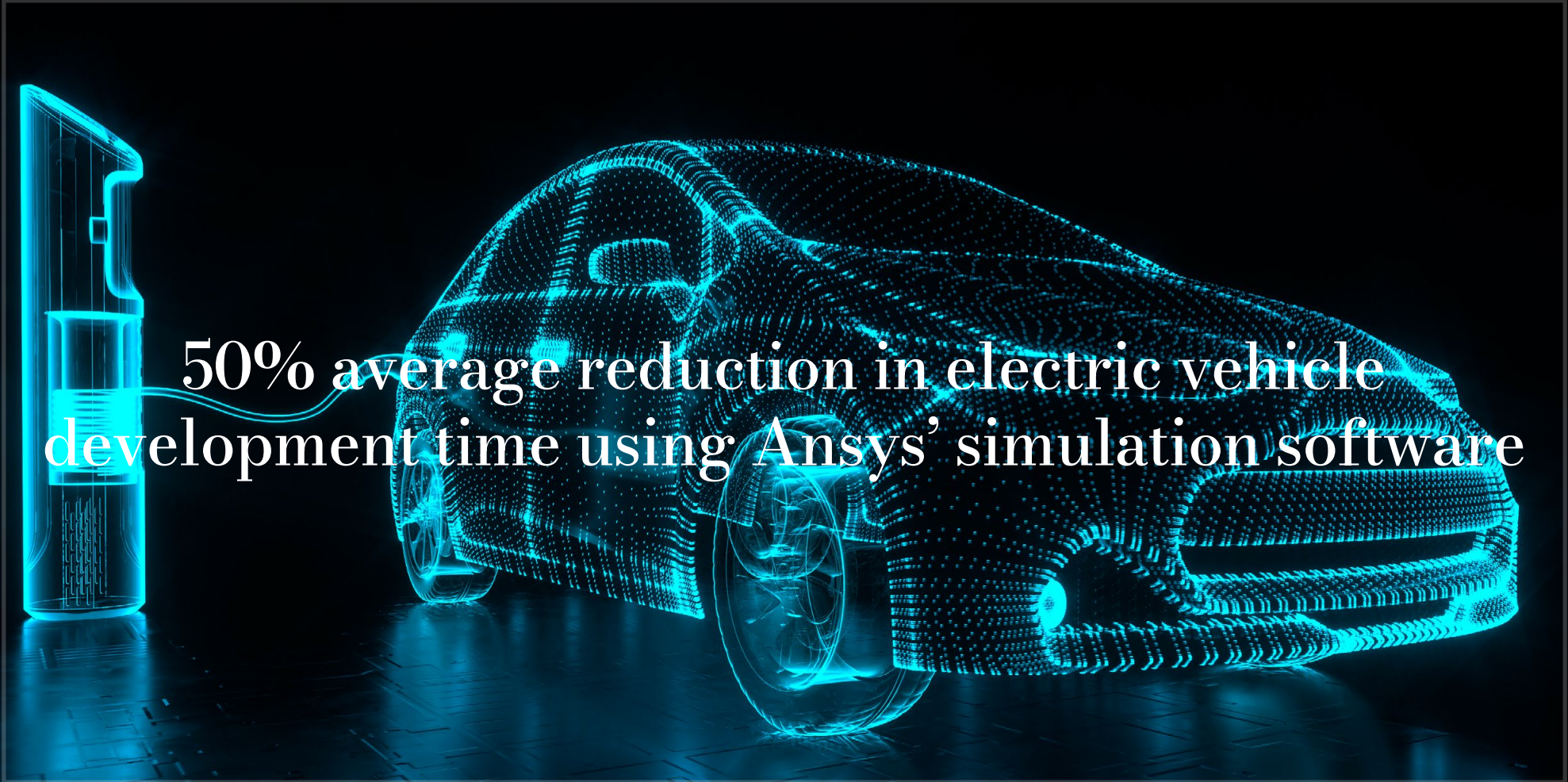
KPI

Percentage reduction in product development cycle time due to simulation software.

DATA

50% average reduction in overall electric vehicle development time in 2021⁶.

⁶Ansys (2021) Ansys Environmental Sustainability in Focus – Simulation Product Handprint: Electric Vehicles. Available at: <https://investors.ansys.com/static-files/f12cecf6-0bce-463b-be9d-9df962db7e61>



50% average reduction in electric vehicle development time using Ansys' simulation software

Healthcare: company in action

COMPANY

TransMedics

COUNTRY LISTING

US

DESCRIPTION

TransMedics has a single product, the “Organ Care System,” which maintains organs in a human-like environment in preparation for organ transplant surgery.

PROBLEM

Over 100,000 people are waiting for organ transplants in the US. Most donated organs are not used due to the limitations of the “cold storage” method, where organs are stored on ice during transport⁷.

SOLUTION

TransMedics’ technology is better than “cold storage” as it allows organ assessment at the donor site and keeps the organ alive longer during transport⁷.

UN SDG

Goal 3: Good Health & Well-being.

KPI

Number of organ transplants annually in the US, enabled by TransMedics.

DATA

2,300 organ transplants (13% of the US market) in 2023⁸.

⁷TransMedics Group, Inc. (2024) *Organ Care System: Investor Presentation*. Available at: <https://investors.transmedics.com/static-files/faeccbc9-22cf-4968-811e-e2bcd12d8d5>

⁸TransMedics Group, Inc. (2024) Q4 2023 Earnings Call



2,300 organ transplants enabled by
TransMedics in 2023

Nutrition: company in action

COMPANY

BioGaia

COUNTRY LISTING

Sweden

DESCRIPTION

BioGaia is a healthcare company that develops, markets and sells probiotic products that have documented health benefits.

PROBLEM

Poor digestive health and infant colic, characterised by excessive crying in otherwise healthy babies, can be helped by using probiotics that restore and maintain gut microbiome balance.

SOLUTION

BioGaia's scientific studies show that its probiotics alleviate digestive disorders; reduce colic symptoms in infants; and improve gut health and immune function. Its commitment to R&D has produced clinically documented and well tolerated probiotics, which enhance health and well-being.

UN SDG

Goal 3: Good Health & Well-being.

KPI

Doses of BioGaia's products sold per year.

DATA

678 million doses in 2023⁹ (each daily dose of any of Biogaia's products contains a minimum of 100 million live bacteria¹⁰)

⁹BioGaia (2023) *Annual and Sustainability Report 2023*. Available at: <https://www.biogaiaigroup.com/wp-content/uploads/2024/05/biogaia-annual-and-sustainability-report-2023.pdf>

¹⁰BioGaia, 2024. BioGaia Probiotics. Available at: <https://www.biogaia.com/>



One daily dose of any of BioGaia's products contains a minimum of 100 million live bacteria



Well-being: company in action

COMPANY

COUNTRY LISTING

DESCRIPTION

PROBLEM

SOLUTION

UN SDG

KPI

DATA

Technogym

Italy

Technogym provides gym equipment for home and commercial use.

One in four adults does not meet the recommended physical activity levels, increasing their risk of death by 20% to 30%. Treating preventable non-communicable diseases is costly.

50 million people train with Technogym equipment daily. Regular physical activity prevents and manages illnesses such as heart disease, stroke, diabetes, hypertension and cancer. It also supports healthy body weight, mental health and overall well-being

Goal 3: Good Health and Well-being.

Global users of Technogym's products.

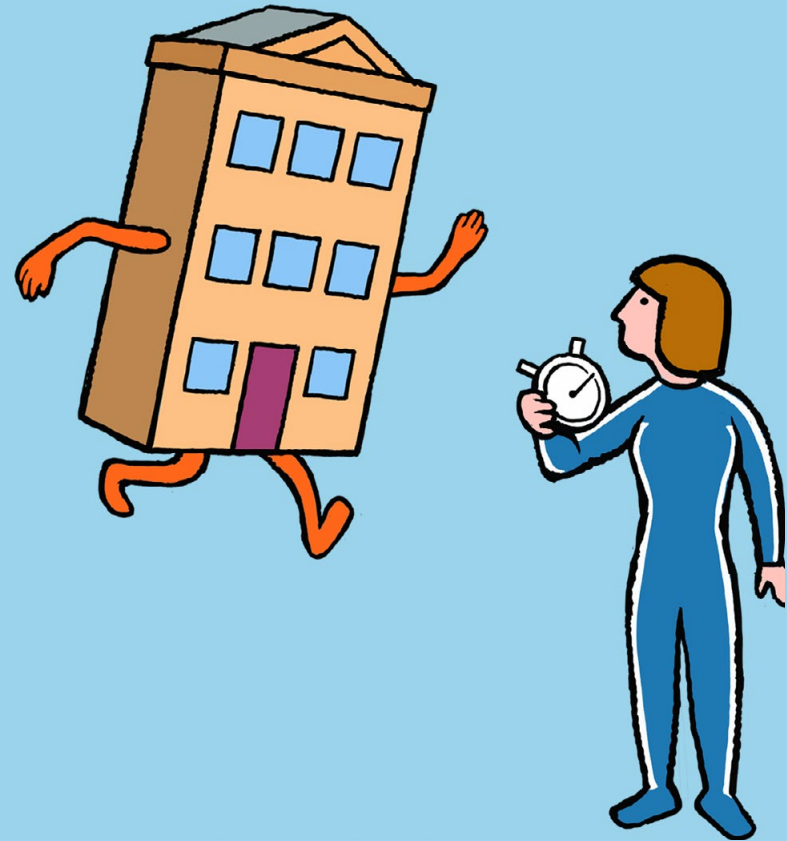
Over 55 million people use Technogym equipment every day and 25 million people are registered with the Technogym Ecosystem (e.g. the Technogym app) in 2023¹¹.

¹¹Technogym (2023) Consolidated Non-Financial Statement. Available at: <https://corporate.technogym.com/-/media/Files/T/Technogym-Corporate/sustainability/sustainability-reporting/4-eng-dnf-2023-en-web-0.pdf>

A woman in athletic wear is running on a black Technogym treadmill. The treadmill has yellow accents and the Technogym logo. The background is dark with a glowing yellow wireframe structure that resembles a stylized human figure or a complex mesh. The floor has a grid pattern of yellow lines. The overall scene is futuristic and high-tech.

Over 55 million people use
Technogym equipment every day

Measuring Impact



Our three steps to measuring impact

1
Thematic
revenue

2
Impact
score

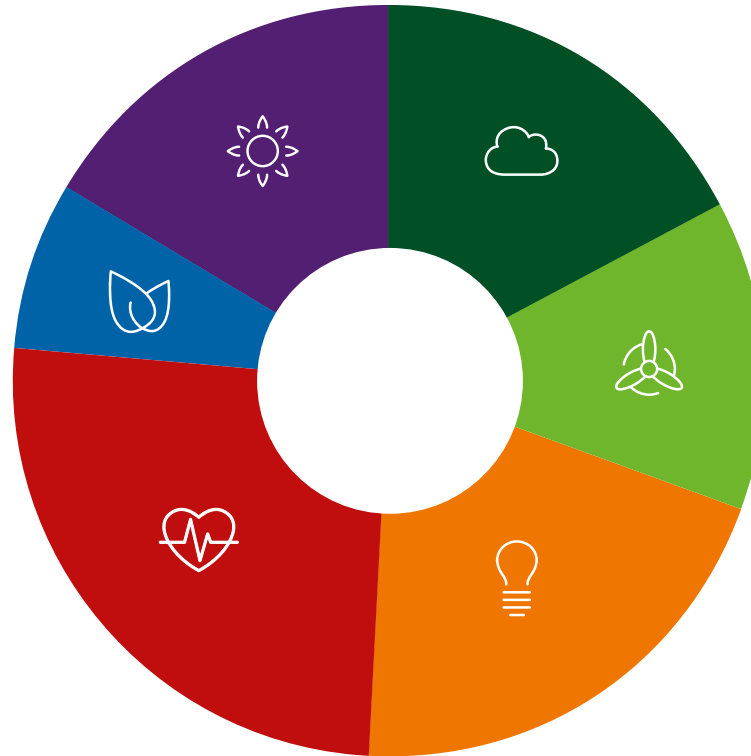
3
KPI
measurement

Thematic revenue: a balance of people & planet

People









Planet



Note: as of 30 June 2024. Figures may not add up to 100% due to rounding.

Fund KPI measurement

During the past year, the Better World Fund's companies have delivered the following impacts, as measured by theme KPI(s).

 ENVIRONMENTAL PROTECTION		 INNOVATIVE TECHNOLOGIES		 NUTRITION	
Recycled waste	1 billion pounds of recycling	Carbon emissions avoided	22 million metric tonnes of CO ₂ e	People with improved nutrition	1.1 billion
Water saved/ treated	2.4 billion cubic metres of water			Healthy products brought to market	678 million doses
Carbon emissions avoided	17 million metric tonnes of CO ₂ e				
 GREEN ECONOMY		 HEALTHCARE		 WELL-BEING	
Renewable energy generated	1.2 megawatts	Enabling new drug discovery	5,300 contributions	People with improved well-being	378,000
Carbon emissions avoided	57 million metric tonnes of CO ₂ e	Healthcare treatments	202 million	Activities that promote better well-being	7 million

KPI detail of data included:

- Enabling new drug discovery: number of clinical trials; new products launched; and scientific papers published citing an investee company's product
- Healthcare treatments: number of procedures; diagnostic tests; and drugs
- Healthy products brought to market: doses of supplements sold
- People with improved well-being: number of people with: access to education; jobs saved; improved safety; care received; physical activity; and better mental well-being
- Activities that promote better well-being: number of environmental tests; educational tests; sustainable reports generated; and companies covered for climate data

Our impact champions

Xylem

Input

Advances **Environmental Protection** via water resource management.

Activity

Xylem provides products for water conservation.

Output

Impact score 39*.

Outcome

From 2019 to 2022, Xylem saved 1.9 billion m³ of water, aiming for 3.5 billion by 2025.¹²

Impact

Reduction in water wasted (measured in cubic metres) contributing to UN SDG 6.

¹²Xylem Sustainability Report (2022)

Azbil

Input

Facilitating the transition to a **Green Economy**.

Activity

Azbil's products help to support sustainability in the Built Environment.

Output

Impact score 32.

Outcome

In 2022, Azbil potentially avoided 2.76 million tonnes of CO₂e through solutions implemented at customer sites.¹³

Impact

Emissions avoided (measured in metric tonnes of CO₂e), contributing to UN SDGs 11 and 13.

¹³Azbil Sustainability Report (2023)

Spirax Sarco

Input

Developing **Innovative Technologies** that aid manufacturing efficiencies.

Activity

Spirax-Sarco improves efficiency across a range of industries.

Output

Impact score 33.

Outcome

Spirax-Sarco products reduced global customer emissions by 16.6 million tonnes of CO₂e in 2023.¹⁴

Impact

Emissions avoided (measured in metric tonnes of CO₂e) contributing to UN SDGs 13 and 9.

¹⁴Spirax Sarco Website (2023)

Tecan

Input

Providing **Healthcare** solutions by developing treatments for disease.

Activity

Tecan specialises in laboratory instruments and medical technology.

Output

Impact score 36.

Outcome

Tecan manufactures the robotic parts for Intuitive Surgical's da Vinci robotic systems, which performed over 2.2 million procedures in 2023.¹⁵

Impact

Improving healthcare diagnostics, contributing to UN SDG 3.

¹⁵Intuitive Surgical Investor Presentation (2024)

BioGaia

Input

Helping to improve **Nutrition** and health with probiotics.

Activity

BioGaia develops, markets and sells probiotic products delivering health benefits.

Output

Impact score 31.

Outcome

Diarrhea remains a leading cause of death for children globally. A meta-analysis found that BioGaia's L. reuteri DSM 17938 strain reduced children's diarrhoea duration, leading to fewer hospitalisations.¹⁶

Impact

Improved health outcomes, contributing to UN SDG 3.

¹⁶National Library of Medicine paper (2019)

Halma

Input

Investing in companies that benefit the **Well-being** of society through improved safety.

Activity

Halma is a global group of life-saving technology companies.

Output

Impact score 33.

Outcome

Over 250,000 people are protected every day by one of Halma's gas sensor products; over 5 million water quality tests are carried out annually.¹⁷

Impact

Improving safety and environmental monitoring, supporting UN SDGs 3, 6 and 11.

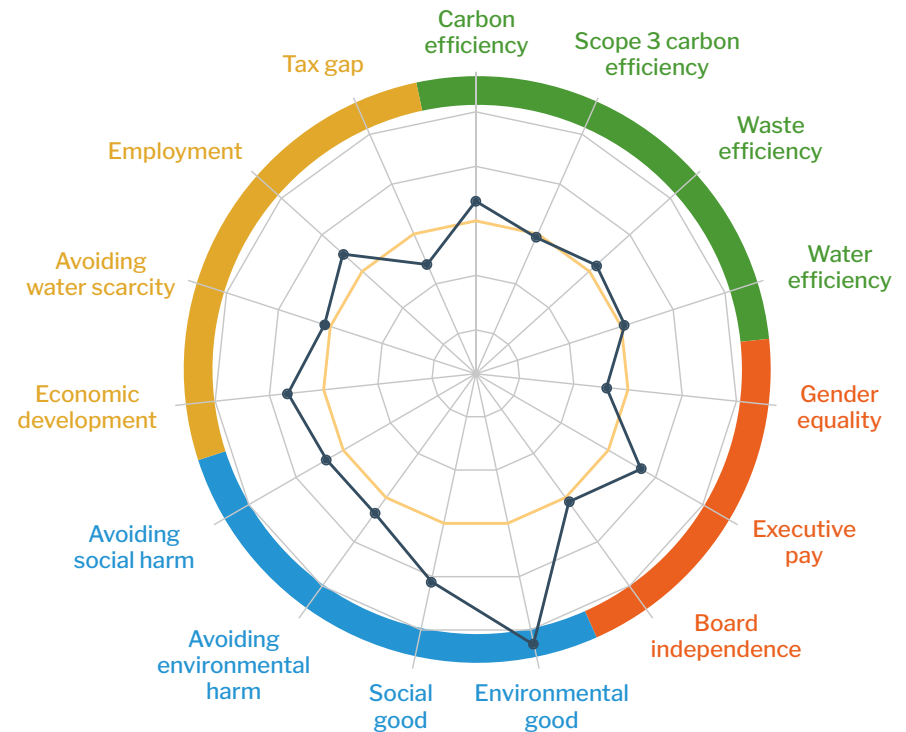
¹⁷Halma Annual Report (2023)

*The impact score is out of 50 (pass mark 25)

Independent sustainability assessment

Impact Cubed assesses the Fund against 14 sustainability metrics relative to a Global Developed SMidCap benchmark. The areas that received the highest scores are “Environmental Good” and “Social Good”, reflecting the strong impact focus of the Fund.

Impact Cubed normalises operational and revenue sustainability data for comparison with the benchmark.



UN SDG alignment

Impact Cubed assesses the Fund's alignment with the UN SDGs. They consider a company's revenues (products and services) to determine how well they are aligned with the goals.

If the Fund falls outside the Global Developed SMidCap benchmark (the red dotted circle in the middle of the spider chart) it is outperforming.

According to Impact Cubed, the Better World Fund is strongly aligned with the objectives of the UN SDGs.



Identifying Impact and ESG leaders

Our Investment Team has developed an “Impact Score” for each company, allowing us to better assess the spectrum of impact across the Fund.

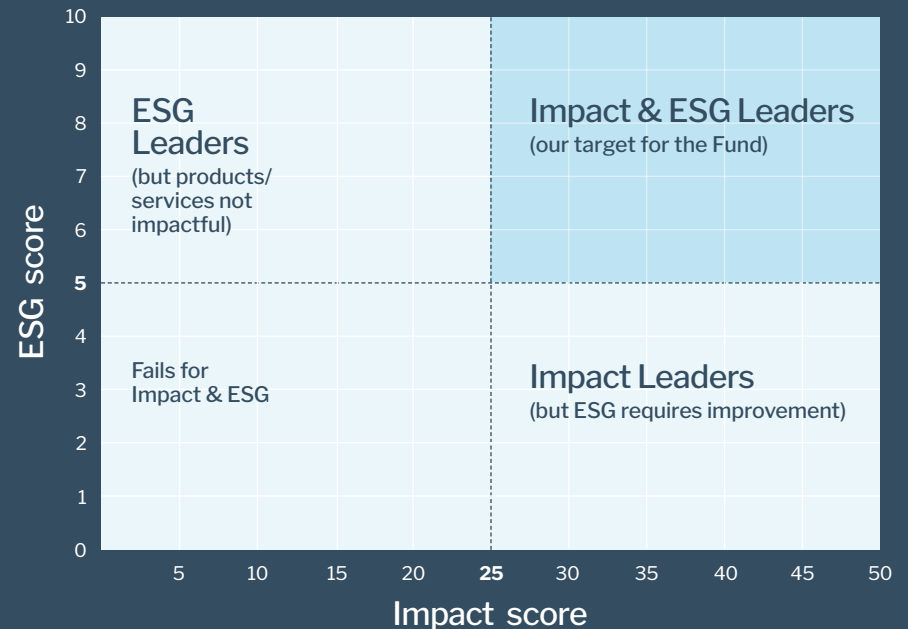
Companies are scored for impact based on our defined criteria. A company must have an impact score of at least 25 in order to pass.

We also assess the percentage of revenue aligned to our impact themes and will only invest in companies with at least 50% of revenue alignment.

Using our bespoke ESG Checklists, we analyse companies across numerous metrics and calculate a score out of 10. Companies must have a score of at least 5 in order to pass.

We look for leaders in both ESG and Impact.

We invest in Impact & ESG leaders



Impact & ESG scores

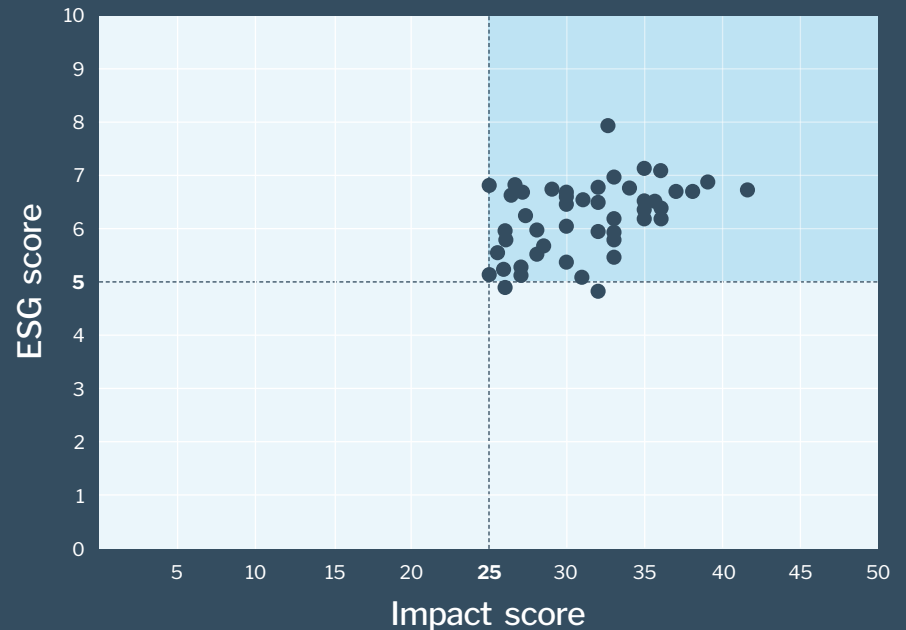
We invest in Impact & ESG Leaders.

This chart compares the ESG scores of the companies in the Better World Fund with their impact scores derived from our own internal analysis.

Each dot represents an investment in the Fund.

We only invest in companies that meet strict impact and ESG criteria although we will invest in companies in need of improvement if they are willing to engage with us.

ESG scores versus Impact scores



“It has been getting warmer over the past thirty years.
The sea would freeze from October until June.
Now it is January until May. There are fewer seals
now as they seek colder waters”.

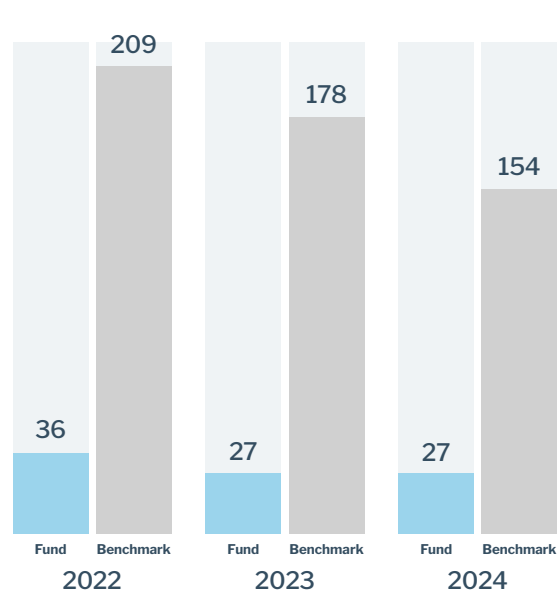
Ammassalimmiut of Kulusuk (East Greenland) 2017



Environmental metrics

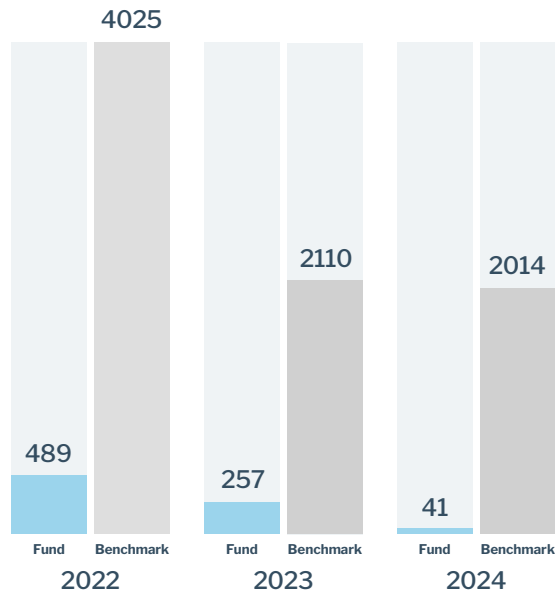
Carbon intensity

Scope 1+2 Intensity (t/US\$ million sales)



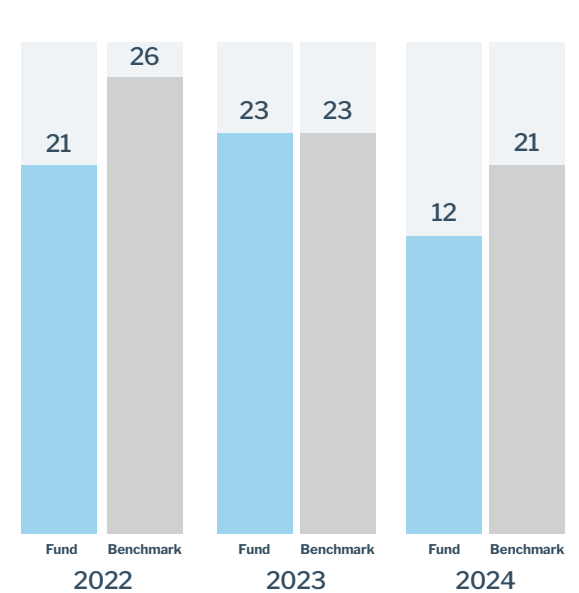
Water intensity

(cubic metres per US\$ 1M revenue)



Waste intensity

(tonnes of waste generated per US\$ 1M revenue)

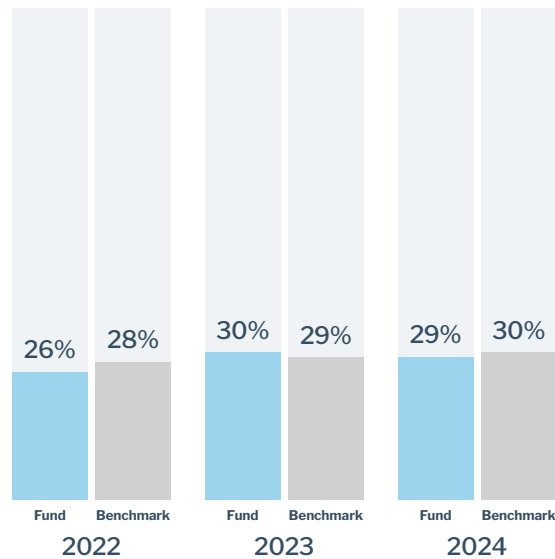


Data source: Bloomberg & MSCI

Social and governance metrics

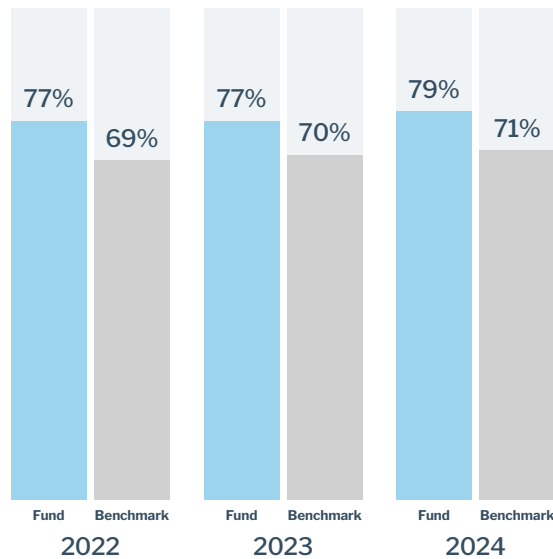
Gender equality

(women on boards and in top management)



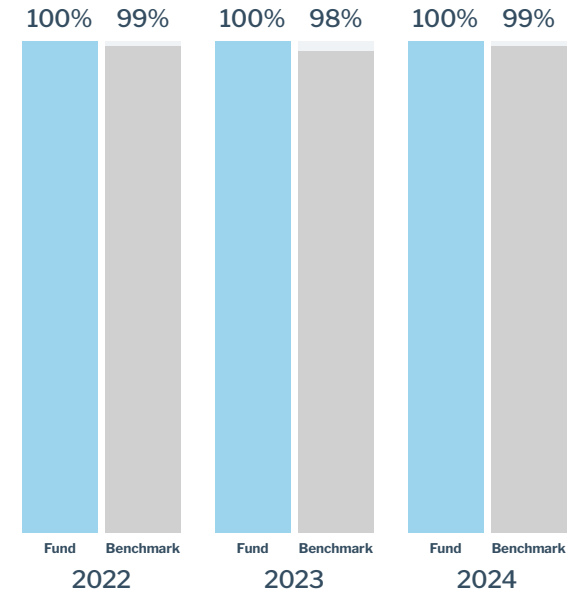
Board independence

(percentage of independent board members)



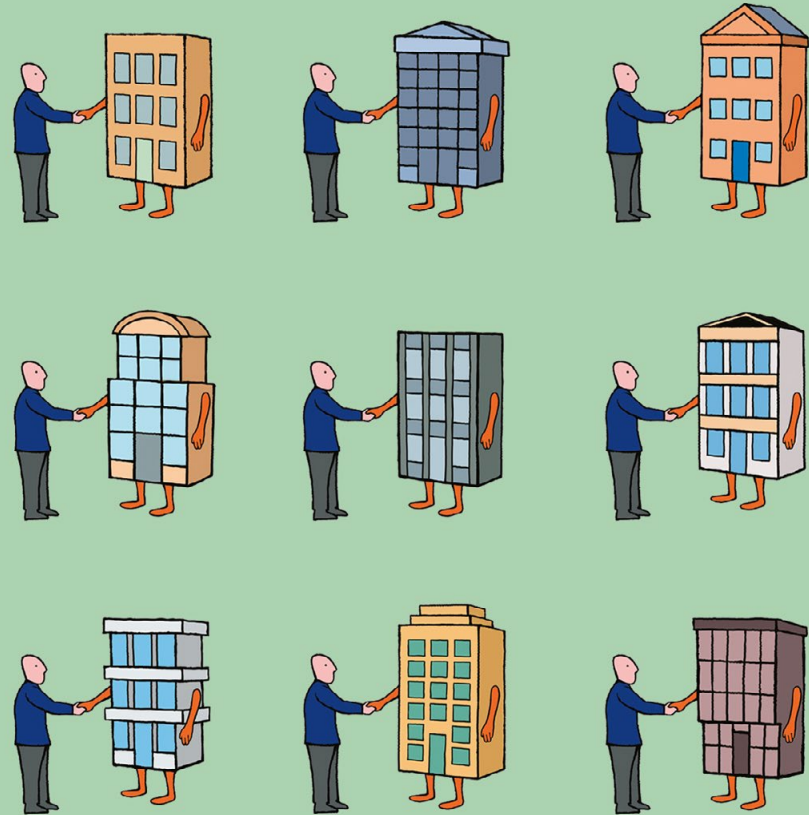
Business ethics

(percentage of companies with an anti-bribery policy)



The MSCI World Smallcap index has been adopted as the benchmark for ESG metrics to ensure consistency and relevance. This index provides an appropriate comparison for our portfolio because it focuses on companies of similar size. Specific benchmark figures for Waste Intensity, % Women in Management, Anti-Bribery Ethics Policy and % Independent Directors refer only to Europe. The figures reported are as of 30th June each year

Engagement



Why we engage

Engagement offers us an important way of delivering positive impact and enabling change. It is how we, as investors, can actively add to the impact made by the products and services of our companies. This is known as “investor contribution”.

Our aim is to improve areas of weakness in a company’s impact or ESG profile. We also engage to support capital investment, and research and development that enhances impact.

We engage where it matters, speaking to CEOs and Board members who hold positions of authority and make the key decisions. We seek a broad range of opinions to help us reach our conclusions and will also speak to other stakeholders.

Engagements may be company specific or they may relate to a systemic issue such as climate change.



Case studies: Balchem and Yaskawa

Balchem Corporation

Background: Balchem Corporation, known for its specialty performance ingredients, is making great strides in sustainability, particularly in water usage.

Engagement: During a site visit to Balchem's facility in Italy, discussions focused on a significant water sustainability project. The company plans to install a EUR 1.1 million closed cooling water circuit at the Marano Ticino plant, aiming to reduce water intake by 80%. This initiative is part of a broader goal to significantly reduce water consumption by 2030.

Impact and future plans: The implementation of this water-saving project represents a crucial step towards reducing Balchem's environmental impact and enhancing its sustainability credentials. Future engagements will monitor the progress of this and related projects.

Yaskawa Electric Corporation

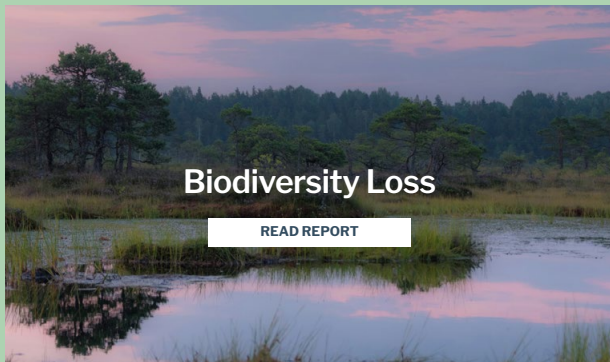
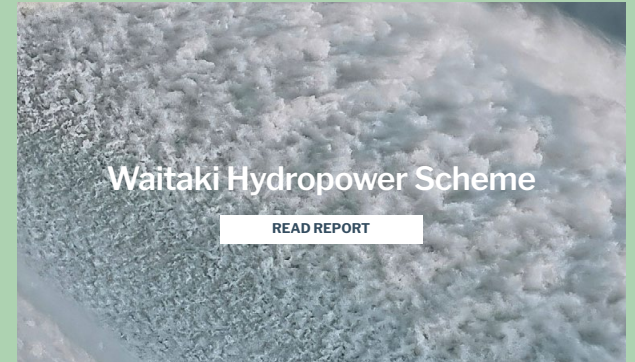
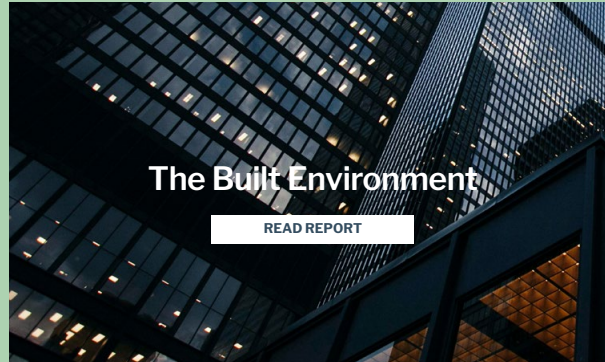
Background: Yaskawa Electric Corporation, a Japanese leader in electrical equipment, is committed to sustainability across its sectors.

Engagement: During a conference call, Yaskawa addressed carbon reduction progress. Management clarified that the MSCI data was inaccurate, noting a decrease in carbon intensity since 2018 and a SBTi-approved target to reduce GHG emissions by 51% by 2030.

Impact and future plans: Yaskawa's strategy includes adopting CO₂ free electricity, enhancing energy efficiency, and introducing an internal carbon price. They also help customers reduce their carbon footprint, aiming to cut client emissions by 100 times by 2025. We will continue to monitor their sustainability targets.

Deep Dive Reports

Our Investment Team conducts Deep Dive Reports into sustainable topics that affects many of the companies in which we invest.



Collaborations

We participate in collaborative engagements with like-minded peers on issues that matter to our companies and stakeholders.

We led engagements on behalf of CDP in the 2023 Non-Disclosure Campaign to improve corporate environmental transparency.

We joined the ShareAction-led LIPH Air Quality Campaign to enhance air quality monitoring and improve reporting standards across industries.

We are a member of the TNFD Forum and participate in research activities that support the Taskforce and its working groups.

We support the Business Coalition, convened by the Ellen MacArthur Foundation and WWF, to support the development of a UN treaty to end plastic pollution.



Stewardship: using your vote

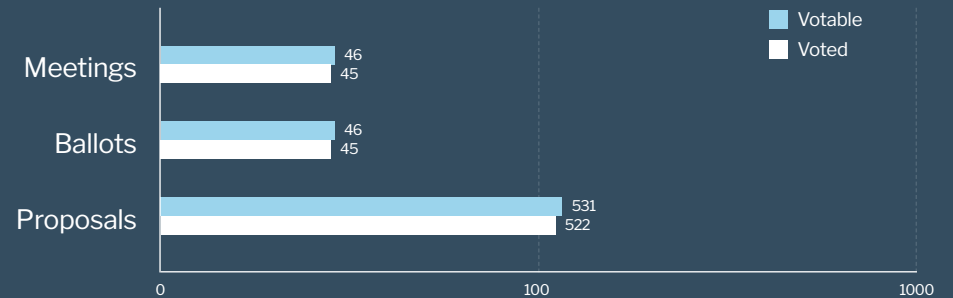
We voted at 45 meetings between the end of June 2023 and the end of June 2024.

This equates to 98% of the votable meetings over the twelve month period. The only meeting where we did not vote was the Japanese pharmaceutical company, Shionogi. This is because we had exited our position prior to the AGM.

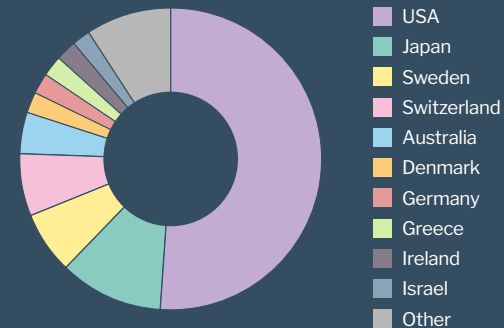
Voting was 97% aligned with management recommendations, a testament to the quality of our companies.

Votes against management related mostly to remuneration. Several votes against management involved the election or re-election of board members addressing board composition or individual director performance.

Voting statistics

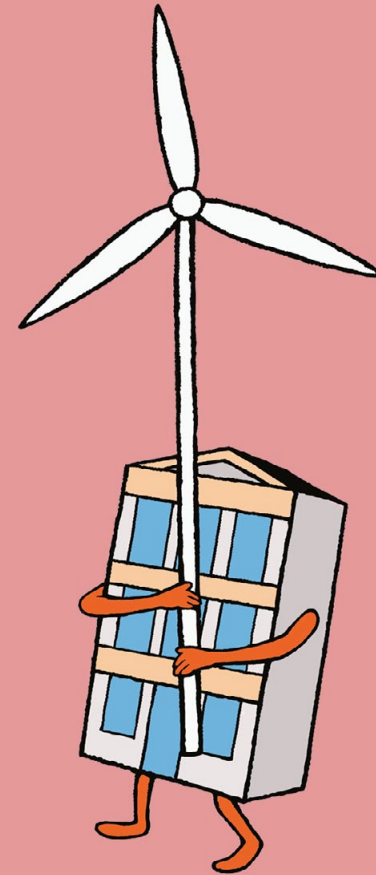


Meeting voted by market



Source: ISS

Climate Action



Our three ambitious climate goals

1

Remove historical carbon emissions by 2030

By 2030, MAM will have removed from the environment all the carbon it has emitted since its founding in 1991.

This target includes our operational Scope 1 and 2 emissions plus our Scope 3 emissions associated with business travel.

2

Carbon negative by 2030

We have partnered with Klimate* as we aim to remove more carbon from the atmosphere than our business produces by 2030.

We will select innovative carbon removal projects such as direct air capture; deep storage bio-oil; and restorative tree-planting.

3

Reduce portfolio emissions by 100% by 2050

Achieve net zero financed emissions by 2050 with a 50% reduction by 2030 relative to the 2019 base level.

We are aiming for 100% of our portfolio companies to have set science based targets by 2040.

*Klimate is a Danish Carbon Removal Platform

Progress towards a net zero portfolio

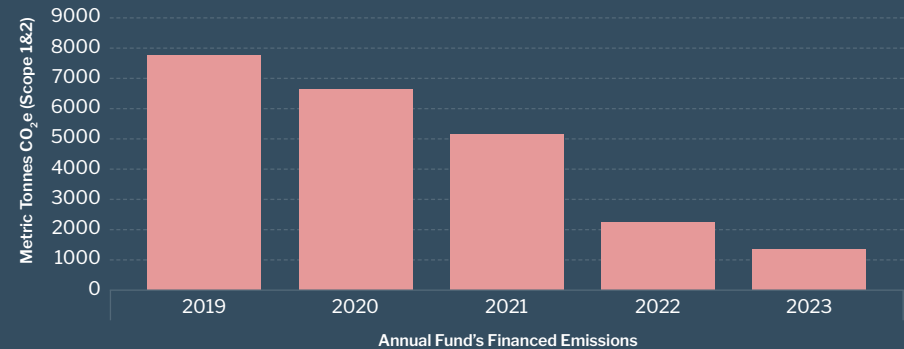
BWF has significantly reduced its financed emissions, aligning with global climate goals.

Temperature trajectory: The BWF aligns with the Paris Agreement's goal of limiting the global mean temperature rise to below 2°C. According to MSCI, the Fund aligns with a temperature rise of 1.5-2°C.

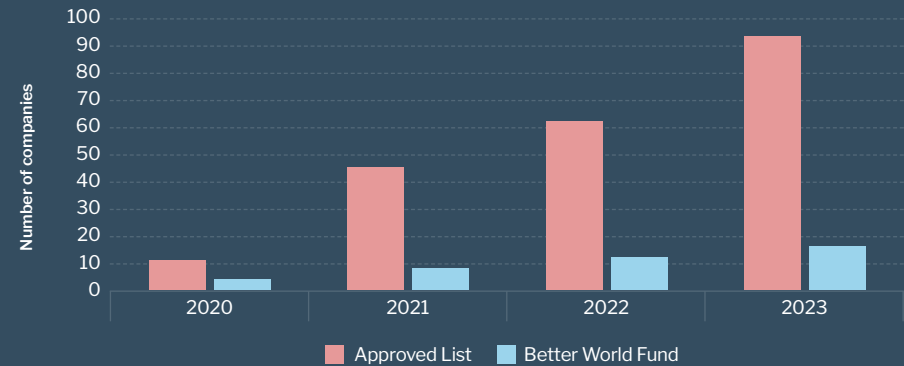
Absolute emissions reduction: There has been an 80% decrease in absolute Scope 1 and 2 emissions between 2019 and 2023, with financed emissions at 1,455 metric tonnes CO₂e as of December 2023.

Science-Based Targets Initiative (SBTi): As of December 2023, 16 companies within the Fund had signed up to the SBTi, representing 33% of the Fund's assets under management (AUM). The Montanaro Approved List saw an increase in SBTi commitments to 93 in 2023 from 60 in 2022.

Financed Emissions (metric tonnes)



Companies signed up to SBTi



How we will be carbon negative by 2030

To become carbon negative by 2030 we will:

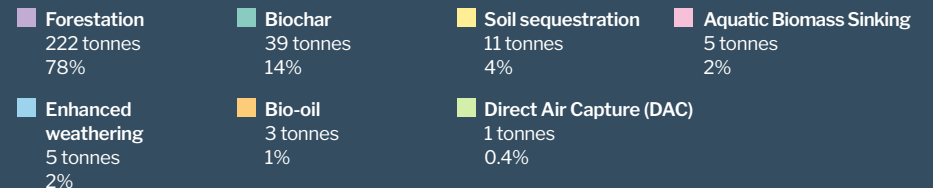
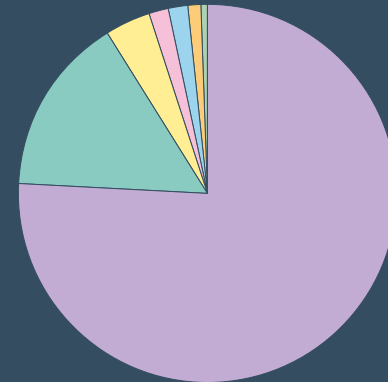
- reduce operational carbon emissions by at least 50% from a 2019 baseline
- implement a carbon removal scheme to neutralise our historical emissions by 2030

We have partnered with Klimate, a Danish carbon removal platform that enables access to innovative, verifiable carbon removal solutions. Klimate have helped us to create a portfolio of innovative projects such as direct air capture; deep storage bio-oil; and restorative tree-planting, all independently verified by Klimate. Through Klimate we acquire carbon removal certificates.

Our approach has been inspired by Microsoft's carbon negative targets and conversations with the Microsoft Climate Innovation Fund.

MAM Carbon Removals

Emissions period: 31 December 2022 - 30 December 2023



Source: <https://klimate.co/carbon-removal/>

Carbon removal projects

Direct Air Capture

Climeworks captures carbon dioxide directly from the air and stores it permanently through methods such as underground mineralisation.



Enhanced Weathering

UNDO captures CO₂ from the biological cycle and converts this to the geological cycle using enhanced rock weathering with basalt.



Bio Oil

Charm Industrial converts biomass into a stable, carbon-rich liquid and then pumps it deep underground where it can be stored for over 1,000 years.

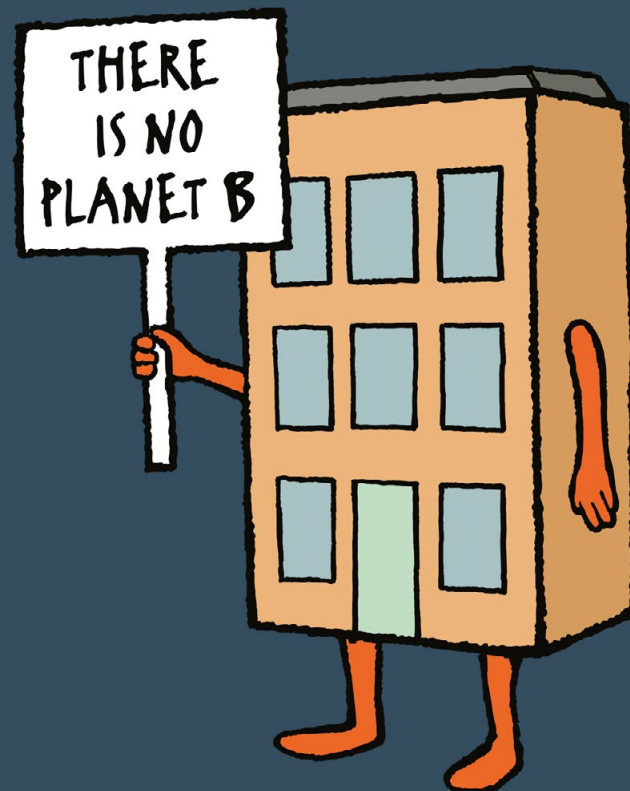


Forestry

Taking Root generates carbon removal by partnering with smallholder farmers to create reforestation projects



Montanaro



About us

MAM researches and invests exclusively in global, quoted Small and MidCap equities. We were founded in London by Charles Montanaro in 1991.

We remain a privately owned boutique known for our family culture. Based on Threadneedle Street close to the Bank of England, we have been described as “an Oasis in the City”.

We aim to deliver attractive investment returns and outstanding service to our clients. Sustainable investing is at the heart of our Company.

We introduced our first ethical restrictions in the 1990s (such as tobacco). ESG has been integrated into our “Quality Growth” investment process for almost two decades.

We launched our first impact fund in 2018, the Irish-domiciled Montanaro Better World Fund, to invest in businesses that help to make the world a better place. In 2020, we launched a UK-domiciled Fund, the WS Montanaro Better World Fund.

As of 30 June 2024, we looked after £3.3 billion of assets for our clients.

Impact Team

Our Impact Team is part of our seventeen strong investment team. We work together to ensure the Fund meets its investment and impact objectives.



Mark Rogers
FUND MANAGER



Adam Montanaro
FUND MANAGER/
ANALYST



Ed Heaven
HEAD OF
SUSTAINABLE
INVESTMENTS



Kate Hewitt
ESG & IMPACT
SPECIALIST



Harriet Topham
ESG & IMPACT
SPECIALIST



Manroop Bal
ANALYST

Our charity partners

City Harvest

MAM supports City Harvest. The charity collects high quality surplus food from the UK's leading retailers, wholesalers, restaurants and manufacturers to distribute to more than 350 community programmes that serve meals to vulnerable people in London.

[Visit City Harvest.](#)

Rewilding Britain

MAM supports Rewilding Britain. We are the anchor partner as the Dorset Wildlife Trust rewets the headwaters of the River Sherford in Dorset. The project will liberate the river and create over 30 hectares of wildlife rich wetland, storing carbon in wetter soils and reducing pollution and flooding.

[Visit Rewilding Britain.](#)

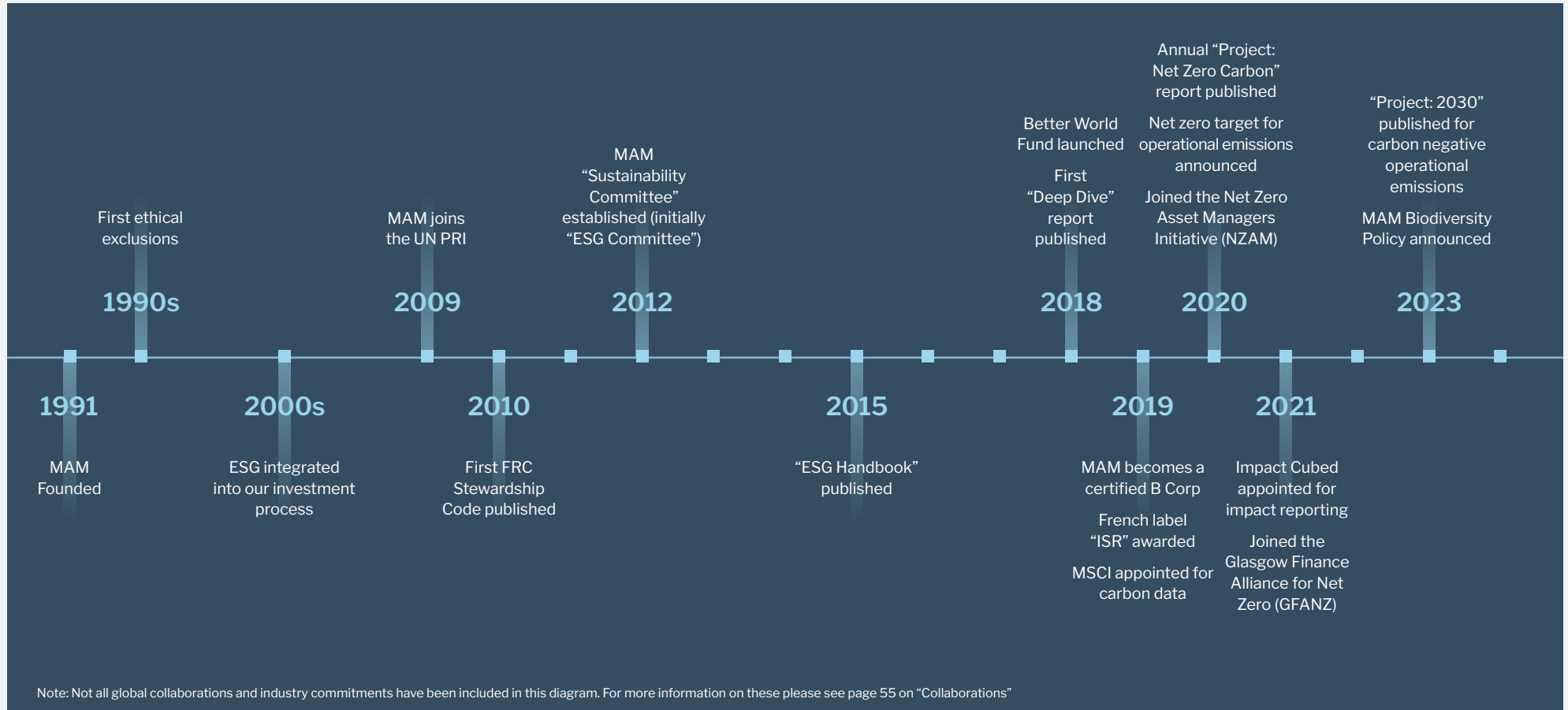
Tribal Survival

MAM founded and supports Tribal Survival, a UK registered charity, which aims to promote the well-being of indigenous people across the world. When possible, Charles and a team of doctors take medical aid to remote tribes, such as Korowai in West Papua, a trip that was supported by the WHO.

[Visit Tribal Survival.](#)



Our sustainability journey



Sustainability library

One of the ways we champion sustainability is through thought leadership publications for our clients. MAM produces content that showcases our expertise in sustainable investing.

This includes our research Deep Dives on topics such as supply chains and renewable energy; blogs on topics such as ESG integration and sustainability trends; impact reports; and our ESG Handbook. These can be found on our website: www.montanaro.co.uk

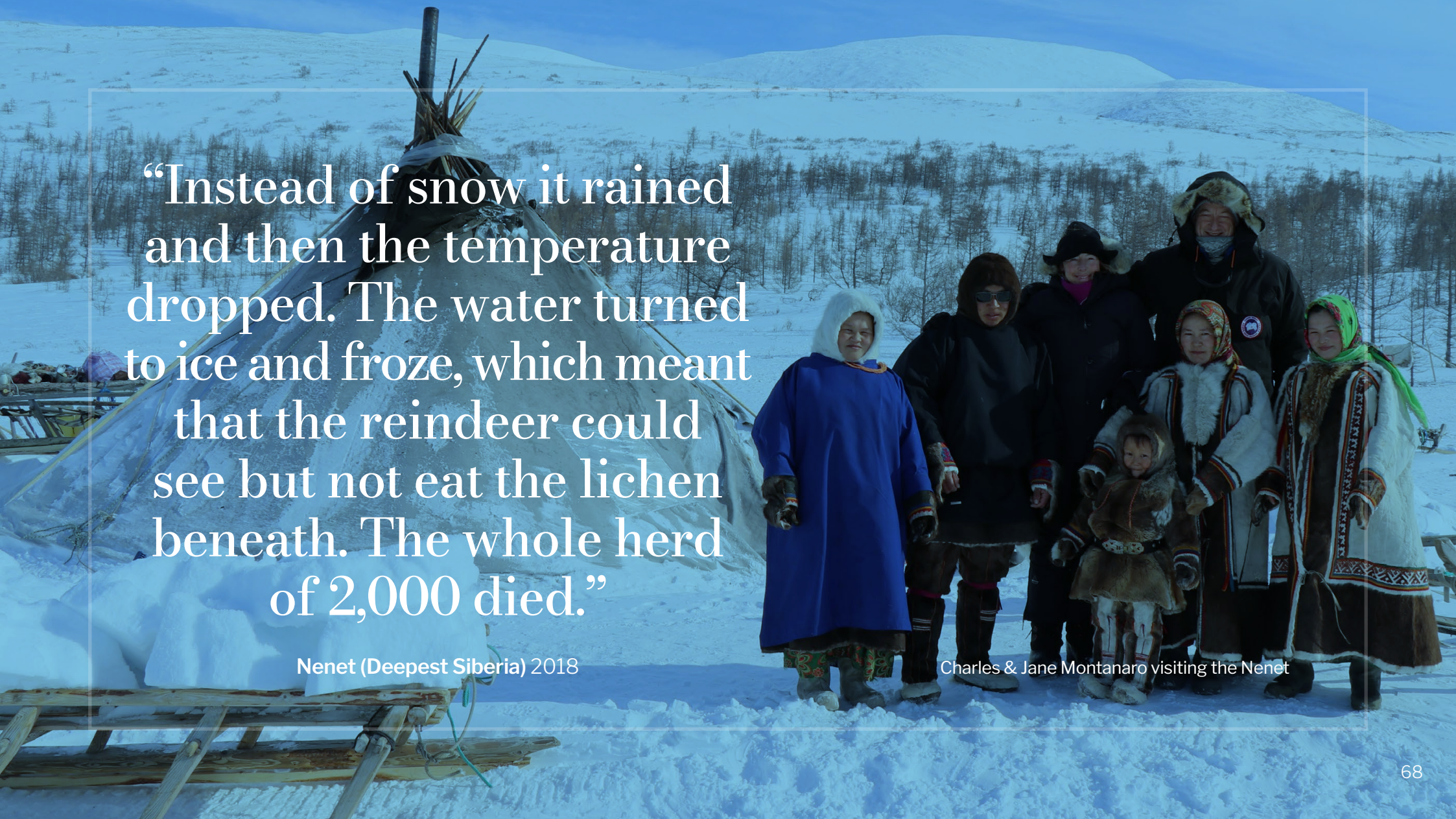
[Sustainability Library](#)

[Deep Dive reports](#)

[Insights](#)

[Chart of the Week](#)



A group of seven people, including two men and five women and children, are standing in a snowy landscape. They are wearing traditional Nenets clothing, including heavy coats and head coverings. To the left, there is a large, conical tent made of reindeer skins and wooden poles. The background shows a vast, snow-covered plain with sparse trees under a clear blue sky.

“Instead of snow it rained and then the temperature dropped. The water turned to ice and froze, which meant that the reindeer could see but not eat the lichen beneath. The whole herd of 2,000 died.”

Nenet (Deepest Siberia) 2018

Charles & Jane Montanaro visiting the Nenet

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