

BETTER WORLD FUND

Investment Commentary

Q3 2024



Market review

Style headwinds continued in the third quarter. Quality underperformed by 2%, while SMidCap Growth also trailed Value by a similar amount. Certain thematic exposures also hurt the relative performance of the portfolio, as Healthcare Equipment companies continued to suffer from disrupted supply chains. This is frustrating, but we have to accept that Impact investing will lead to short-term divergences in performance relative to traditional market indices. During these periods, we remain true to our themes, which act as our guiding light.

Our companies continued to deliver solid operational performance. **Stride**, the virtual learning platform, achieved record-high student enrolments and marked its eighth consecutive year of revenue growth. Similarly, **Badger Meter**, a leader in water technology, experienced strong sales growth driven by the increasing adoption of advanced metering infrastructure across the US. Towards the end of the quarter, signs of light appeared at the end of the long Healthcare tunnel as certain companies finally appeared to be nearing the end of the destocking cycle that has caused such disruption to their business models.

We continued to see opportunities in the underappreciated Smaller Companies sector and added a number of new names to the Fund, including **Manhattan Associates**, a US business providing software solutions to increase the efficiency of supply chain management, and **Terna-Rete**, the operator of the Italian electricity grid helping to facilitate the transition to the Green Economy.

Less investor interest in Small & MidCap heightens the chance of discovering a “hidden gem”

and we are keenly searching for them, knowing they hold the potential to become tomorrow's LargeCaps.

Portfolio

During the quarter, the NAV of the sterling share class declined by 1.3%, an underperformance of 4.7% versus the MSCI World SMidCap Index. [For returns in other currencies please see Figure 1 at the end of the commentary].

The strongest contribution during the quarter came from **Belimo**, the global leader in actuators that control air and water flows in buildings to reduce energy consumption and enhance water recycling, which saw gains following strong interim results, with data centres highlighted as key growth drivers. **MSCI**, the provider of tools for the investment community, performed well as investors focused on the long-term growth potential for the business. **Sartorius Stedim Biotech**, a leading provider of equipment and consumables for biologic drug production, performed well as customers resumed orders after a long period of inventory destocking.

The weakest contribution came from **Icon**, a leading provider of clinical trial services, which gave up some of its year-to-date gains after reports suggested cautious spending behaviour within the pharmaceutical industry. **Entegris**, a provider of materials solutions to the semiconductor industry, declined due to delays in recovery across its end markets. **Cognex**, a leading provider of machine vision systems enhancing the efficiency of manufacturing processes, softened amid weakness in broader factory automation and continued softness in automotive markets.

Outlook

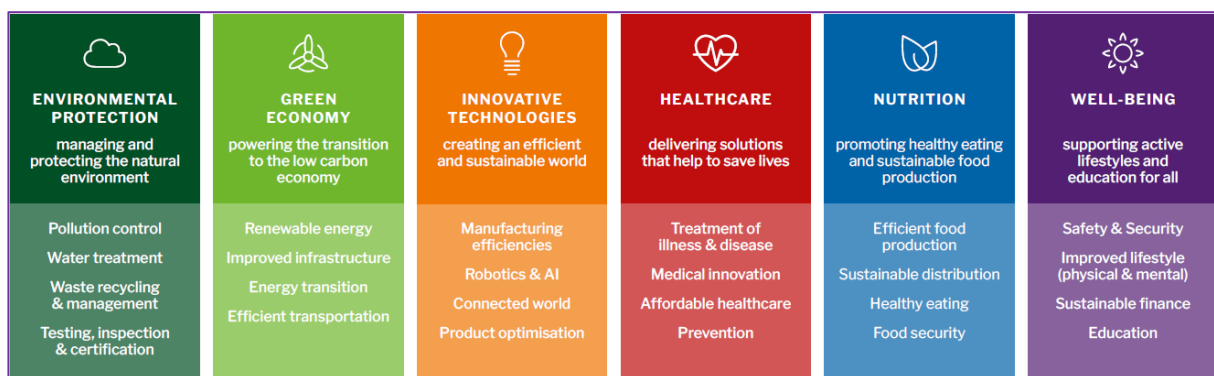
We remain in a tough period for the asset class. Global SMidCap trails its LargeCap peer over 6 months; 9 months; 1 year; 3 years; 5 and even 10 years¹. Such a run is almost unprecedented, but can be traced back to the very difficult year in 2022 and the stellar performance of US MegaCaps. History suggests that this will not last forever.

Over the last few months, we have noticed a significant uptick in interest in the asset class as investors look for more attractively valued parts of the equity market. There are reasons for optimism regarding the outlook for smaller companies. Consensus estimates suggest that

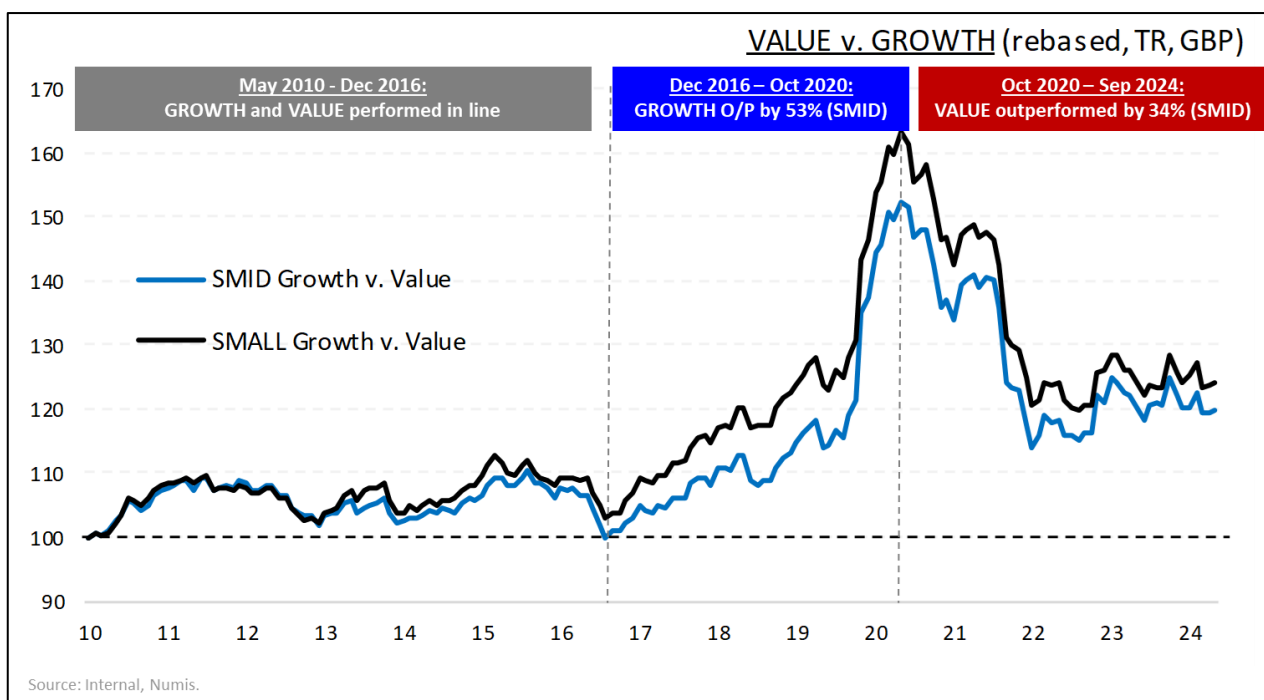
¹ All figures to 30 September 2024 in GBP

Global SMidCap will deliver EPS growth of 16% next year, ahead of LargeCap’s forecast of just 12% (in USD). Given SMidCap has historically traded at a premium of over 10% versus LargeCap, its current *discount* to LargeCap of 16% is evidence that the asset class offers exceptional relative value today.

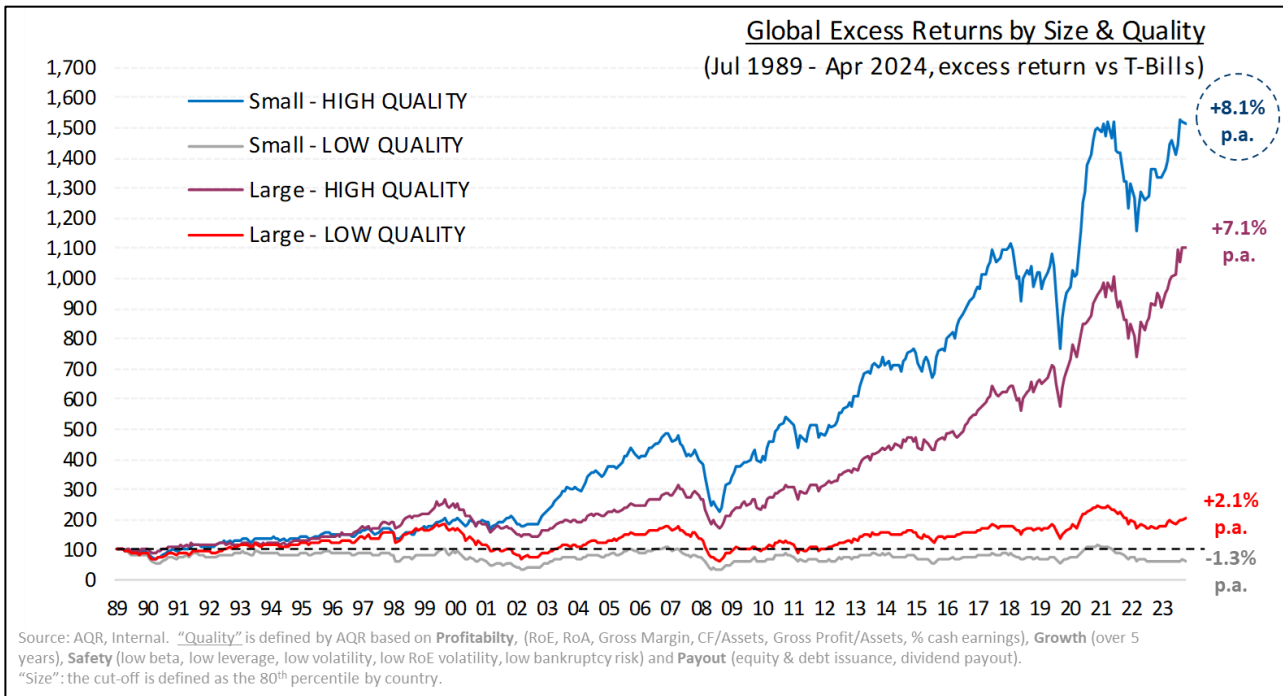
For the Better World Fund, it is important to remind our investors that the themes that we target for investment are long-term and structural. The companies we invest in provide solutions to major world problems. These are enduring global challenges that demand urgent solutions to avoid environmental and social peril: this is the very definition of a structural investment tailwind, and we believe that our themes remain just as relevant today as they did when we launched the Fund in 2018.



Finally, when it comes to our style of investing – Quality Growth - we want to end this note with two charts. The first is a reminder of the performance see-saw between the Growth and Value investing styles over the last 8 years:



We have stuck to our style throughout this difficult period. We continue to believe that investing in *Quality Growth* will serve our clients well for a very simple reason: it is where investors have made the best returns over the long-term.



Performance

Absolute Returns (Net TR)	GBP	EUR	AUD	USD	CAD
9m 2024	-3.7%	0.3%	-0.5%	1.1%	3.4%
2023	7.2%	9.8%	12.9%	13.2%	10.5%
2022	-29.5%	-33.3%	-32.8%	-37.0%	-32.7%
2021	20.0%	27.9%	25.8%	19.0%	17.9%
2020	35.0%	27.8%	26.9%	39.0%	36.7%
2019	29.8%	37.5%	35.4%	35.1%	28.7%
2018 (April launch)	-3.8%	-6.6%	-5.5%	-11.8%	-6.3%

Note: GBP and EUR returns are based on the Fund's GBP and EUR Distribution classes.

AUD, USD and CAD returns are showed for reference only. They are sourced from Bloomberg, which applies the prevailing daily FX rate to the NAV of the GBP Share Class.

Returns v. Benchmark (TR)	GBP	EUR	AUD
9m 2024	-10.6%	-11.1%	-11.1%
2023	-1.9%	-1.9%	-2.0%
2022	-20.8%	-19.7%	-19.7%
2021	2.2%	2.3%	1.9%
2020	22.8%	21.6%	21.4%
2019	7.9%	8.3%	8.4%
2018 (April launch)	0.2%	0.2%	0.4%

Benchmark: MSCI World SMID Cap Index (Net TR)

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Montanaro Asset Management Ltd | 53 Threadneedle Street | London EC2R 8AR

T: +44 20 7448 8600 www.montanaro.co.uk