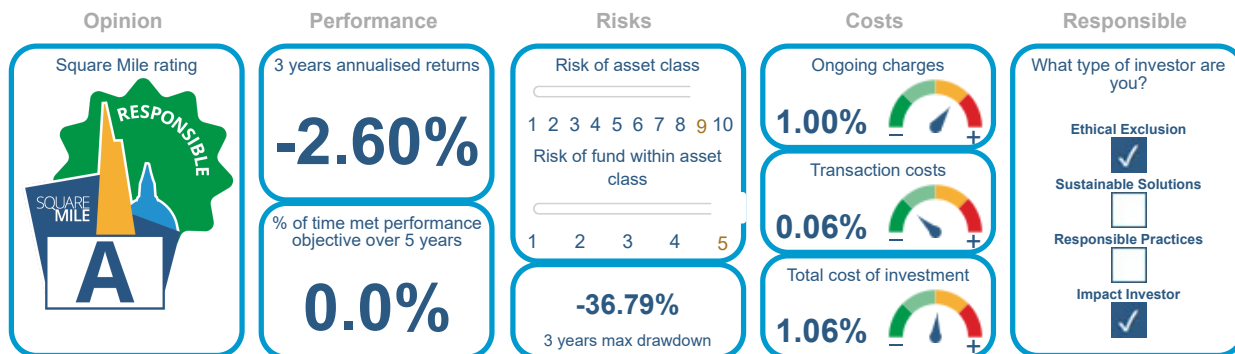


WS Montanaro Better World A Sterling Accumulation

February 2025



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st January 2025.

Overview

The managers aim to provide investors with capital accumulation over time through a portfolio of high quality companies with a focus on small and mid-capitalisation equities. Additionally, the managers focus on companies with a positive impact, defined as those with revenue streams highly aligned with the UN Sustainable Development Goals.

Square Mile's Expected Outcome

We believe outperformance of the MSCI World SMID Cap index by 2-3% per annum over rolling five-year periods, through investment in positive impact companies, is a reasonable expectation.

Square Mile's Opinion

As of 9th October, the Waystone Group acquired fund administrator Link Fund Solutions, therefore the fund's name changed to the WS Montanaro Better World fund to reflect the change in its fund administrator. This does not affect the fund proposition.

Montanaro has a heritage of investing in high quality businesses at the lower end of the capitalisation spectrum. The Better World fund dives deeper, not only looking for quality characteristics, but also focusing on businesses through a positive impact lens, with every company held having the majority of its revenue aligned to six themes, which also align to the UN Sustainable Development Goals. We like this clear definition, combined with the fact that potential holdings within the fund are ratified by the Sustainability Committee prior to investment, to ensure high impact standards.

The fund is managed by Mark Rogers and Charles Montanaro, who are unconstrained to buy from the approved watch list. Rather than seek to maximise the fund's positive impact, the managers construct the portfolio of 50-55 holdings to deliver the best financial performance from the pre-approved list. They do this from the bottom-up, based on their fundamental conviction. >Though this fund only launched in early 2020, the strategy has a longer history with the offshore mirror fund launching in April 2018. We would highlight that investing in small and medium sized companies typically comes with greater risk, and given the fund's focus on responsible investment, it is likely to be absent from certain areas of the market.

Overall, we believe there are a few tenets of this approach that stands out: the focus on small/mid-caps, the long-term approach, the focus on quality, an embedded ESG culture with a good hurdle for impact, and the team's collegiate approach. We believe this is an exceptional fund for investors that want to invest responsibly, in a fund that has a well thought out investment process.

Fund Manager's Formal Objective

To achieve capital growth, over any five year period, after all costs and charges have been taken, by investing in companies which make a positive impact on society or the environment.

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: MSCI World SMID Cap
Asset Class: Equity	IA Sector: IA Global
Yield: -	Fund size: £74M
Fund Manager: Charles Montanaro, Mark Rogers	Distribution Pay Date: February, August
Fund Price: 1.2 Pounds	Dividend Frequency: Semi-annual
Currency of Share Class: GBP	Share Class Launch Date: 31/01/2020

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st January 2025

Asset Manager Overview

Montanaro Asset Management is an investment boutique founded by Charles Montanaro in 1991, and specialises in small and mid-cap equity investments. Originally focused on European equities, the firm have expanded their coverage to include UK and global equities. Across the firm, assets are managed with the same investment process which involves identifying and investing in the best quality growth companies, with the intention of growing investments sustainably, over the long-term.

Fund Manager/Team Overview

This fund is managed by Mark Rogers and Charles Montanaro. They are supported by a team of PMs and analysts who are split by sector. ESG analysis is not outsourced and is central to their process. Each analyst conducts ESG and impact analysis on each company under coverage as part of their fundamental analysis, as it is integrated into their quality assessment.

Investment Philosophy & Process Overview

The investment process is made up of three stages: impact, quality, and valuation. The team are looking for companies whose products and services make a positive impact on people and planet. They also assess the intentionality of management, additionality of the product or service, and the impact risk of each business. The revenue streams are then analysed to find those with direct exposure to the UN Sustainable Development Goals. The team have condensed these goals into six key themes: Environmental Protection; Green Economy; Healthcare; Innovative Technology; Nutrition; and Well-being. Each potential holding must generate at least 50% of its revenues from any one of these themes. The team aims to identify the highest quality businesses, typically seeking simple business models that are profitable, have a niche focus in growth markets, are market leaders with high operating margins and high returns on capital, and with quality management teams that they can trust. Once a company is identified. Once the analyst is confident that an idea is high quality, they will present their thesis to the Sustainability Committee, who make the ultimate decision to ratify each stock onto the approved list. Valuation analysis is done using a proprietary DCF model to calculate the intrinsic value of each business. Following this work, the analyst will produce a target price and an official recommendation (strong buy / buy / hold) is placed on the stock.

Following this process, the managers of the fund are free to construct the portfolio of 50-55 names without any formal constraints. This means the portfolio is created from the bottom-up by fundamental conviction. Holdings typically enter the portfolio at 1-3% and are trimmed when they exceed 5% to ensure diversification and to lower single stock risk. Positions are sold if the target price is met, the team identify a fundamental change, if the company no longer passes the minimum 50% revenue threshold or another opportunity arises outside of the portfolio.

The fund will not invest in businesses that derive 10% or more of its revenue from the following areas: Exploration and production fossil fuels, tobacco producers and distributors, alcohol producers and distributors, controversial weapons manufacturers, gambling companies, adult entertainment, high interest rate lending companies and animal testing.

ESG Integration

Asset Manager ESG Integration

Montanaro Asset Management have been a signatory to the UN Principles for Responsible Investment since 2009. Alongside this, the firm is also a signatory or supporter of several global initiatives, just some of the initiatives they are a part of include the UK Stewardship Code, the Carbon Disclosure Project the Tobacco Free Portfolios Finance Pledge, the Living Wage Accreditation, the Net Zero Asset Managers Initiative. At COP 26, it co-chaired the B Corp Finance & Investment Working Group and also contributed to the work of the GFANZ taskforce (Glasgow Financial Alliance for Net Zero), the latter aims to bring several frameworks together (such as SBTi, CDP, Climate Action 100+, TCFD, Transition Pathways Initiative) to help companies report better data.

In June 2019 the firm became a Certified B Corporation, indicating it has made a legally binding commitment, to show regard to all of its stakeholders (staff, customers, communities, the environment and overall governance), and report progress. As a firm, Montanaro has also set the target of being "net zero" by 2030, and indeed, since our last review, the firm's ambition has grown as it is now seeking to be carbon negative and to remove its historical carbon emissions by 2030. The group believes it can reduce its emissions in half from its base in 2019 to 2030, whilst they will be carbon negative by also using carbon offset programmes. The firm is seeking to publish a paper soon that will set out how it plans to achieve the target of carbon negative, which overall we think is an impressive undertaking.

ESG and sustainability considerations are at the heart of not only the investment process of all strategies at Montanaro, but also at the heart of the firm itself. Over the past few years, the firm has expanded its capabilities in this space through the appointment of Ed Heaven, as the Head of Sustainable Investment, and Kate Hewitt, as an ESG & Impact analyst. Mr Heaven joined Montanaro in 2014 and has been heavily involved in the further integration of ESG into the investment process culminating in the launch of the Montanaro Better World fund. Alongside this, he is also responsible for the firm's in-depth ESG handbook, which highlights all aspects of the group's efforts, including their large-scale engagement projects. The firm itself also has a Sustainability Committee, which provides oversight and guidance to ensure the firm's approach to ESG and its ESG framework remains consistent across the house, something we believe is wholly positive. Furthermore, the firm itself supports two charities, Tribal Survival, which was established by the firm's founder Charles Montanaro, a charity that aims to promote the wellbeing of indigenous people, and City Harvest London, which provides food to vulnerable people in London.

Montanaro is an active steward of clients' assets and will exercise ownership rights where it believes it is appropriate, including voting at all AGMs. As they mainly invest in small and mid-size companies, the investment team will generally look to engage with company management to improve or sustain an appropriate level of ESG standards instead of flat line voting against management. Despite being a relatively small firm, Montanaro have provided examples of how their engagement has been able to provide positive change.

Fund ESG Integration

ESG factors are fully integrated and are instrumental to the management of this fund. It is clear that not only the managers of the fund, but the firm as a whole, consider ESG at every stage of the process, as they believe that a company's quality is directly aligned with its management and implementation of ESG factors, in terms of its ability to grow over the long term.

In essence, the team seeks to understand how ESG factors influence a company and how they could affect what they deem to be the quality of the company through in-depth analysis. Indeed, as detailed in the Responsible Investment Approach section, the respective sector analyst conducts ESG analysis as part of their fundamental research. Through this, there is both an exclusion of 'sin' areas and qualitative ESG analysis, including an ESG checklist, which is subjectively scored and uses data from third party providers. >Furthermore, the respective analyst will also meet with a company's management on a regular basis, and look to conduct site visits, in order to gain a more in depth investment picture and will engage on any arising ESG issues, if deemed necessary. Engagement is carried out by the respective sector analyst who is often further supported by the Sustainability Committee. Even though this is part of the respective analyst's role, both the managers of the fund will frequently be involved in these meetings. The engagement process is in depth, extensive, well structured and outcome driven, and therefore, if the managers feel unhappy with a firm post engagement, they may, in some cases, disinvest.

Responsible Investing Approach

The Montanaro Better World Fund is a positive impact fund. All investments are aligned with the six themes, which are derived from the UN Sustainable Development Goals. These themes are: Environmental Protection; Green Economy; Healthcare; Innovative Technology; Nutrition; and Well-being. Each potential holding must have at least 50% of its revenue streams from any one of these themes to be included within the watch list, and therefore portfolio, which is approved by the Sustainable Committee.

In addition, the fund will not invest in businesses that derive 10% or more of its revenue from the following areas: Exploration and production fossil fuels, tobacco producers and distributors, alcohol producers and distributors, controversial weapons manufacturers, gambling companies, adult entertainment, high interest rate lending companies and animal testing.

Further information regarding impact is reported on an annual basis and is readily available on the Montanaro website.

Risk Summary

This fund invests in small and medium sized listed equities around the globe. Historically, smaller sized companies have displayed higher levels of volatility compared to their larger sized peers. As it also invests overseas, the fund will be exposed to currency movements. The portfolio is constructed with only 50-55 stocks and without reference to its benchmark, and so can, at times, look and act very differently to the index. However, the team looks to reduce risk by focusing on quality and growing businesses and as such we would expect this fund to have a slightly more defensive return profile than its MSCI World SMID Cap benchmark. Given the nature of the underlying asset class and the fund's unconstrained nature, this fund may therefore be more suitable for investors with a long term investment horizon.

Additional Information

Annualised Return: -2.60%
Annualised Volatility: 19.61%
Max Drawdown: -36.79%
Max Gain: 13.51%
Max Loss: -22.77%
Sharpe Ratio: -
Sortino Ratio: -0.54

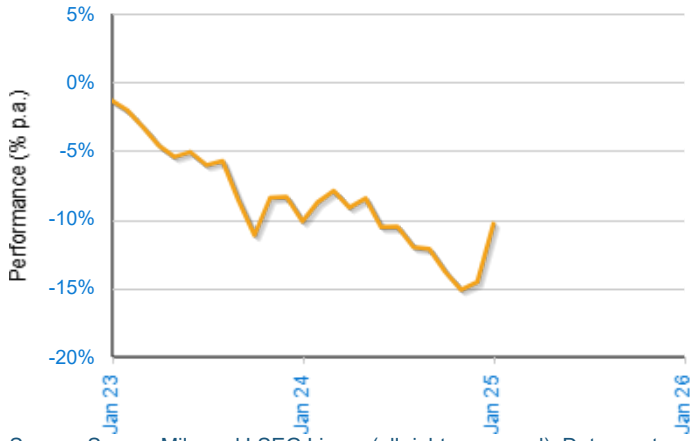
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			
Interest Rate Risk			
Credit Risk			
Exchange Rate Risk			
Liquidity Risk			
Emerging Markets Risk			
Derivative Risk			
Manager Risk			

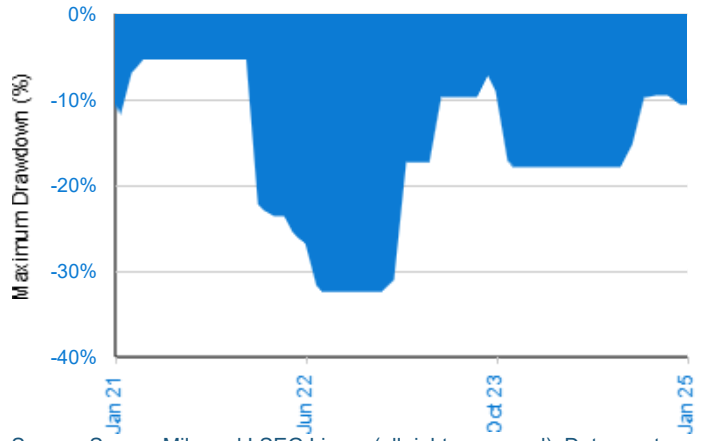
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 17th February 2025. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 17th February 2025

Calendar Year Performance To Quarter End

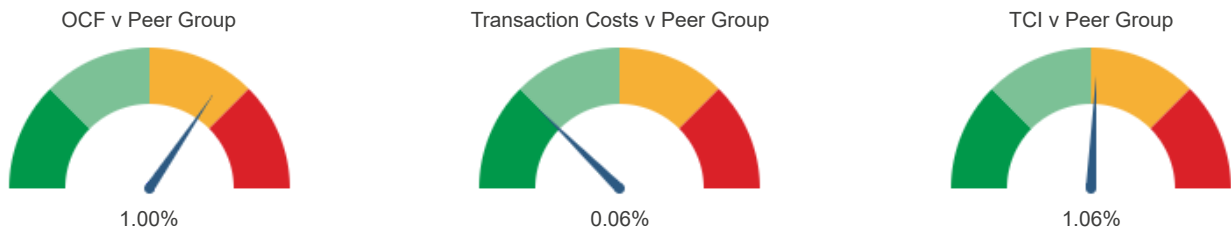
Period	Fund (%)	Sector (%)
2024	-7.7	12.7
2023	6.0	12.5
2022	-28.1	-11.1
2021	19.6	18.2
2020	-	15.1

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 14th February 2025

Value for Money

The fund's ongoing charge figure (OCF) is high compared to the median of the Global equity peer group. Additionally, due to higher than average trading costs, the fund's total cost of investment (TCI) is above the median for the peer group. Nevertheless, we believe this represents reasonably good value for money because it provides investors with access to a fund that has a large amount of specialist resource both in the small and mid cap space, and responsible investments.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. Montanaro Asset Management absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st January 2025.

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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