



## Responsible Investing

# Columbia Threadneedle (Lux) Global Smaller Companies

### At a glance

A small cap global equity fund with a strong quality growth bias that invests in companies with the pricing power to generate strong and sustainable returns.

### Investment objective and approach

To provide long-term capital growth and outperform the MSCI World Small Cap Index by investing in a well-diversified and high conviction portfolio of global smaller companies.

In line with its active management strategy, portfolio holdings may deviate significantly from those of the index while there is also the flexibility to invest in off-benchmark companies.

The fund promotes environmental and social characteristics by integrating a range of responsible investment measures into the investment decision-making process, as well as ensuring that the companies in which the Portfolio invests follow good governance practices.

### Key reasons to invest

- 1. Differentiated investment approach:** A clear and consistent quality approach focusing on competitive advantage to deliver strong sustainable returns.
- 2. Builds on successful regional strategies:** The portfolio manager draws on the best ideas from regional small cap teams, which all follow a similar quality approach.
- 3. Strength in research:** Global research capabilities and bottom-up stock picking drive high-conviction stock holdings.

### Key risks

**Investment risks:** Investment in equities, smaller companies and currencies.

**ESG risks:** The Fund applies a range of measures as part of its consideration of ESG factors, including the exclusion of investments involved in certain industries and/or activities. This reduces the investable universe, and may impact the performance of the Fund positively or negatively relative to a benchmark or other funds without such restrictions.

Investors could lose some or all their capital and should read the Prospectus for a full description of all risks.

## Investment approach

The ability of quality companies to sustain high returns on capital and above-average growth is often underestimated, meaning that potential long-term winners trade at a discount to their intrinsic value. We search for quality stocks which have durable competitive advantages alongside robust business models, and therefore strong and sustainable longterm growth potential. The global equities team thoroughly analyses both company fundamentals and industry prospects. We use a research framework to identify the source and durability of companies' competitive advantages with Environmental, Social and Governance (ESG) analysis central to this approach.

We work closely with our regional small cap equity teams, global central research and responsible investment teams across the globe to build a high conviction, best ideas portfolio of some of the world's best quality smaller companies. We are not simply looking for companies with the highest returns, but also ones where they are either stable or improving and are sustainable. As we take a 'go anywhere' approach, stock selection drives sector and regional weightings, and we believe our focus on businesses with strong fundamentals drives outperformance across a range of market conditions.

## The Fund promotes environmental and social characteristics through:



Delivering a positive ESG 'tilt'



Investing in 'sustainable investments'



Applying exclusions



Considering Principle Adverse Impacts



Investing in companies with good governance



Targeting net zero by 2050



Active engagement



## A positive Environmental, Social and Governance (ESG) tilt

The fund delivers a positive ESG tilt compared to its MSCI World Small Cap Index, measured by our ESG Materiality Rating, on a rolling 12-month basis.

The ESG Materiality Ratings give us an initial view of how a company is managing the ESG risks that are material to its industry.

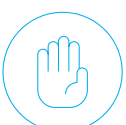
Delivering a positive tilt enables us to focus the portfolio in companies with strong ESG risk management. We can also invest in companies with scope to improve, and actively engage with them to encourage change.



## Sustainable investments

The fund has committed to hold a minimum of **20%** of the portfolio in "sustainable investments".

- > We assess the proportion of each company's revenue that is aligned with the **Sustainable Development Goals** (SDGs), using a tool designed by the Responsible Investment team. The majority of the company's revenues must be positively aligned with one or more of the SDGs to be considered sustainable.
- > We analyse companies to ensure they are not doing "significant harm" to any other sustainable objective.



## Exclusions

The fund excludes:

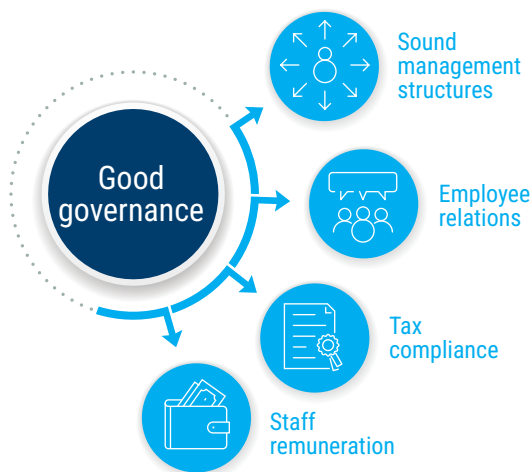
- > Companies we deem are in breach of international standards of practice including:
  - the United Nations Global Compact
  - the International Labour Organisation Labour Standards
  - United Nations Guiding Principles on Business and Human Rights.
- > Companies earning a certain proportion of revenue from these industries or activities:
  - Controversial weapons (complete ban), Nuclear weapons, Conventional weapons, Thermal coal and Tobacco production.

## Good governance

We assess companies' governance before investing and review governance continually for all companies held. We use data from MSCI and ISS to complement our own research, covering four areas:

The Fund is categorised an Article 8 under the EU Regulation 2019/2088 on sustainability related disclosures in the financial services sector (SFDR) and promote environmental or social characteristics as an objective.

The decision to invest should also take into account all the characteristics or objectives described in its prospectus. The fund's sustainability related disclosures can be found on our website [columbiathreadneedle.com](https://columbiathreadneedle.com)



## Principal adverse impacts (PAIs)

All companies have an impact on the environment and/or society, both good and bad. We consider the "principal adverse impacts" of our investments. We do this through exclusions, investment research and engagement with companies.



### Environmental indicators

- 1.1 Greenhouse gas emissions
- 1.2 Carbon footprint
- 1.3 Greenhouse gas intensity
- 1.4 Exposure to fossil fuels
- 1.5 Non-renewable energy consumption and production
- 1.6 Energy consumption intensity per high impact climate sector
- 1.7 Activities negatively affecting biodiversity sensitive areas



### Social & Governance indicators

- 1.10 Violations of international standards and principles
- 1.14 Exposure to controversial weapons
- 3.7 Incidents of discrimination

## Net zero emissions

As a member of the Net Zero Asset Managers Initiative, the Fund has committed to an ambition to reach net zero emissions by 2050 or sooner. Our focus is on real-world change, using stewardship to encourage companies to align to a net zero future.



### Company assessment

- > We rate companies on their alignment to a net zero pathway
- > We aim for companies representing >70% of portfolio emissions either aligned to net zero, or under engagement



### Net zero stewardship

- > We engage with laggard or high-impact companies on climate objectives
- > We sell when minimum expectations are not met



### Portfolio assessment

- > We compare a fund's carbon emissions with net zero-aligned trajectory
- > Use the benchmark's 2019 emissions and apply a 50% reduction by 2030
- > Reference the pathway to track progress, not a binding target



### Coal exclusion

- > Companies with >30% revenues from coal or investing in new coal infrastructure

More information on our net zero methodology can be found [here](#).

## Engagement

We believe in the power of active ownership. Our aim is to reduce risk, enhance long-term performance and encourage a positive contribution to environmental, social and governance issues



We use constructive, confidential dialogue, typically working one-to-one with companies, but taking a collaborative approach where this has more impact



A deep understanding of how ESG issues impact mainstream business strategy



The building of long-term relationships with companies



Local knowledge and context



Access to senior management and board

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



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