

FTGF ClearBridge US Equity Sustainability Leaders

North America

Introduction

[sriServices SRI Style - Sustainability Select](#)

(Offshore)

Launched in April 2015, FTGF Clearbridge US Equity Sustainability Leaders is a multi-cap portfolio of high-quality companies trading on attractive valuations. The ESG analysis is incorporated into the fundamental analysis whereby stocks are ranked within sectors and across the market.

The qualities the managers are seeking include attractive valuations, fundamental strength and capital discipline.

[Click here to read the Franklin Templeton approach to ESG investing.](#)



Manager - Mary Jane McQuillen, Derek Deutsch

Manager Since - September 2015

Mary Jane McQuillen is a Portfolio Manager and the Head of the Environmental, Social and Governance (ESG) Investment Programme at ClearBridge Investments and has over 25 years of investment industry experience. Mary Jane serves on the Board of Directors for the Sustainable Investments Institute (Si2). Mary Jane is a member of the UN Principles for Responsible Investment (UN PRI) Listed Equities Steering Committee and the ESG Integration Sub-Committee. Mary Jane received her MBA in Finance from Columbia Business School. She holds a BS in Finance from Fordham University.

Derek Deutsch worked as a special assistant at the US Department of Health and Human Services in Washington DC, and also as a journalist covering health care policy for the American Political Network. Derek earned a BA from Brown University and an MBA from Georgetown University. He is a member of the CFA Institute and of the CFA Society New York.

Fund Objective

Please click on the 'Fund Data' button above.

Investment Process

The investment universe for the fund is all companies within the Russell 3000 universe and ADRs traded on major US exchanges. The team conduct quantitative analysis to narrow down the universe, which is sector specific, based on certain criteria. These criteria include attractive valuations (e.g. free cash flow yield, price/earnings), fundamental strength (e.g. return on equity, sales growth) and capital discipline (e.g. dividend growth, debt reduction). Stocks are then ranked within sectors and across the market. The analyst team conduct a deep-dive analysis on any potential companies which fall within their sector coverage. This will typically include areas such as competitive dynamics, sustainable competitive advantages and capital discipline.

The ESG evaluation process is integrated into the fundamental research process (see the Responsible Process section for more details) and seeks to invest in best-in-class names within each industry.

The managers are bottom-up investors who invest for the long-term, targeting an active share in excess of 85% with a portfolio of companies that have a ClearBridge ESG rating of A, AA or AAA. Companies with a rating of 'B' are considered 'flagged' and are not included in the portfolio.

Stocks are sold if they no longer provide sufficient reward versus risk, if there is a material change in the fundamentals or the investment thesis is incorrect or when a more attractive opportunity is presented.

Responsible Process

The ESG evaluation process is integrated into the fundamental research and stock selection as part of a bottom-up approach to investing that seeks best-in-class names within each industry. Each Research Analyst has a proprietary ESG rating framework and will review this industry-specific framework with the Director of Research, the Head of ESG, and the other Research Analysts. The weightings of the E, S, and G factors will be determined by each Research Analyst for their respective sector and sub-sectors. There is an ESG rating system in place which assigns 'scores' to companies, based on how well a company has executed its ESG practices. Companies are ranked as follows:

- AAA (Best in Class):
 - Company has integrated ESG into its business model, usually with the full CEO and or employee support
 - Company formally measures sustainability efforts and proactively communicates to investors
 - Often, these are companies that are providing goods and services that have a positive effect or impact on society or industry.
- AA (Intermediate):

- Company sees value in ESG factors and has begun to incorporate sustainability into business operations and products, and has started reporting progress
- A (Beginner):
 - Company recognises potential to capitalise on ESG improvements
- B (Flagged):
 - Company that has not focused on ESG, has a poor ESG record or operates in an unsustainable industry

These scores are continually monitored with sector analysts also initiating direct dialogue with company management and conducting background interviews with advocacy, government and industry experts for input on indicators and best-practice standards on specific companies and industries.

The fund does not invest in companies that are involved in selected products and services including tobacco, nuclear weapons and fossil fuels (oil, gas, coal). A maximum of 5% of the turnover in the company in which the investment is made may entail operations attributable to the specified product or service. Nuclear power generation is permitted, however a maximum of 15% of revenue restriction is applied.

Our Opinion

The fund is managed by Mary Jane McQuillen and Derek Deutsch, who have both managed the fund since inception. The Portfolio Managers are supported by dedicated Portfolio Analysts as well as the Sector Analysts within ClearBridge's Fundamental Research Team. The Fundamental Research Team comprises a Director of Research and a number of analysts who are split by sectors. Clearbridge conduct their own proprietary ESG scoring system based on how well a company has executed its ESG practices.

The ESG framework has been fully integrated into the overall investment process which has been built up over many years, meaning that ESG principles are considered at the stock picking level across the full range of equity strategies within the company.

The fund provides an option for investors who wish to allocate specifically to North America with some form of sustainability bias/screening in place, or as a core US equity exposure holding within portfolios.



Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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