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# Social Progress strategy

## Russia-Ukraine conflict has brought to the fore desire for peace, justice and public safety

- Global equities markets declined as Russia launched a full-scale invasion of Ukraine
- The rising interest rate environment is still weighting on growth companies
- Our focus remains on companies that promote fairness, inclusion and public safety

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### What's happening?

Global equities started February on the back foot after a tough start to the year and ended the month in turmoil as Russia launched a shocking full-scale invasion of Ukraine. Volatility jumped as investors tried to assess the financial and political implications of the fast-moving situation in Eastern Europe. Oil prices and natural gas rose sharply as the conflict exacerbated concerns about disruptions to the global energy supply. Markets started to pare back predictions for interest rate rises this year. While it is difficult to evaluate the economic impact of the war, Europe is likely to be most exposed, with the cost of living further rising and macroeconomic uncertainty probably also impacting confidence. Materials and Energy were the only two sectors moving up ; Communication Services, Consumer Discretionary and Technology performed the worst. Regionally Europe underperformed, with Eastern Europe most under pressure. Within emerging markets, Latin America and Africa, Middle east held up well while India and China were weak.

### Portfolio positioning and performance

The strategy performed in-line with the broader equity market (MSCI ACWI) over the month. We saw a positive contribution from our Indonesian financial holding, **Bank Rakyat** which reported good results, highlighting continued solid loan book growth and an improving asset quality profile even though cost of funding is increasing. Our American back-up generator firm **Generac** rose as it continues to see strong demand for its products, but profits were held back by higher costs due to supply chain constraints. Edtech firm **Chegg** also contributed positively as it provided a reassuring update with improving subscriber trends and student engagement. While success in future clinical trial readouts is by nature uncertain, biotechnology firm **Alnylam Pharmaceuticals** has developed an unparalleled RNAi platform and boasts a rich pipeline of novel therapies. **Rapid7** rose alongside other cybersecurity companies in the wake of Russia's invasion of Ukraine.

On the negative side, Brazilian fintech firm **PagSeguro Digital** moved lower as investors are concerned about the impact of higher interest rates on profitability. Investors worry about the near-term outlook for medical equipment provider **Sartorius** given expected fading exceptional revenue contribution from Covid-19 vaccines and due to rumours of a large acquisition. US tax software company **Intuit** got caught in the high-growth technology market selloff. Investors worry about competitive intensity and declining Covid-19 testing revenue for pan-Indian diagnostics chain **Dr Lal Pathlabs**. Despite product innovation and winning larger contracts, revenue growth is moderating at critical event management firm **Everbridge**, which disappointed investors. The recently announced CEO departure also continues to weigh on sentiment.

We decided to close our position in **EPAM Systems** following the launch of Russia's attack on Ukraine. **EPAM Systems** has a majority of its staff located in Ukraine, Belarus and Russia. We would expect an impact on both its ability to perform business as well as on client demand. The duration and outcome of the conflict is uncertain but sadly Russia appears to have adopted an aggressive and unyielding stance.

Earlier in the period, we modestly reduced our Financials exposure in emerging markets to reinvest in names, which have seen their valuations contract during the market correction. We have also reduced our position in **Fleury**, a Brazilian diagnostic firm, in the face of higher competitive intensity and margin pressure.

## Outlook

Russia's appalling invasion of Ukraine has sent shockwaves through the world and has brought to the fore the topic of peace, justice, and public safety, notably at the heart of Europe. In the Social Progress strategy, we embrace a dual objective, financial and also non-financial by targeting the United Nation Sustainable Development Goals in their social dimension. We seek to invest in companies that promote fairness, inclusion and public safety. We believe more than ever that embedding social values and positive societal impact considerations when investing is critical for the type of society we want to live in.

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