Coho ESG US Large Cap Equity Fund USD Institutional (Acc)

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Morningstar Sustainability Rating

Factsheet data as of: **31-3-2021**

Fund

Launch date fund	8-12-2017	
Launch date shareclass	8-12-2017	
Dealing frequency	Daily	
Currency	USD	
Type	Accumulating	
UCITS	Yes	
ISIN	IE00BF1XKT19	
Bloomberg ticker	COHIUSD	
Benchmark	S&P 500 TR	
Portfolio Manager	Coho Partners	
AUM	$ 238.962.462	
NAV	174,26	as of 31-3-2021
Management fee	0,64%	
Other expenses	0,15%	
TER(Total expense ratio)	0,79%	
Auditor	Deloitte	
Morningstar Rating	★★★★★	
SFDR Classification	Article 9	
Offering documents	www.candoris.nl	

Risk indicator 5

The risk indicator is an official measure of the risk associated with investing in the fund. The indicator runs on a scale from 1 to 7, wherein 1 represents the lowest risk. Low risk is usually associated with low returns, while the higher risk associated with higher returns.

Strategy characteristics

Alpha	4,04
Beta	0,78
Standard Deviation	12,63
Information Ratio	0,48
Tracking Error	5,80
Sharpe Ratio	0,64

Source: eVestment Coho Relative Value Equity Composite

Investment philosophy

Our equity investment philosophy is based on the premise that the most effective way to create and sustain wealth in the equity markets is to achieve an asymmetric pattern of returns over time, where the portfolio demonstrates a down market capture considerably less than its up market capture. We believe this combination of protection and participation should ultimately provide an opportunity for better than market performance over an economic cycle, with less than market risk. In the entire process we give dispensation to environmental, social and governance ("ESG") themes.

Portfolio manager

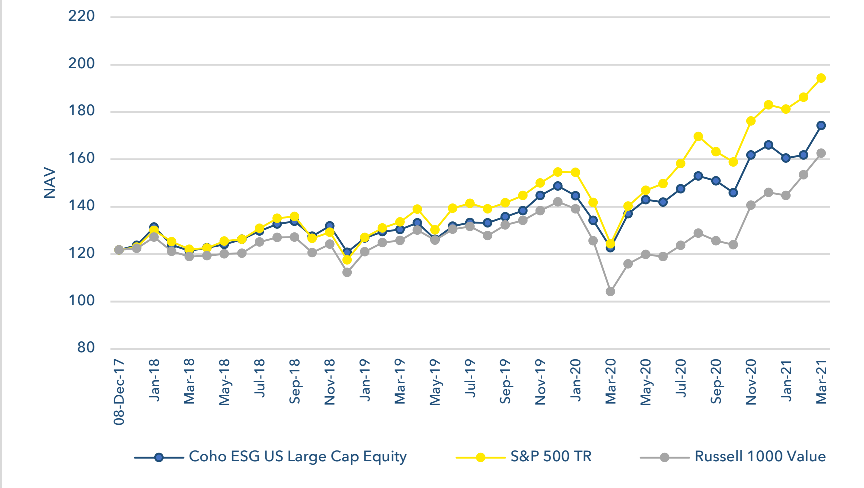
Established in 1999, Coho Partners, Ltd. provides investment advisory services to private clients, institutions and fiduciary accounts.

Top 10 holdings

ROSS STORES INC	5,41%
UNITEDHEALTH GROUP INC	4,56%
JOHNSON & JOHNSON	4,55%
COCA-COLA CO.	4,51%
LOWE S COMPANIES INC.	4,50%
GLOBAL PAYMENTS INC	4,48%
US BANCORP	4,42%
AMGEN INC	3,83%
CVS HEALTH CORP	3,76%
STATE STREET CORP	3,74%

Source: Coho and Royal Bank of Canada.

Performance graph

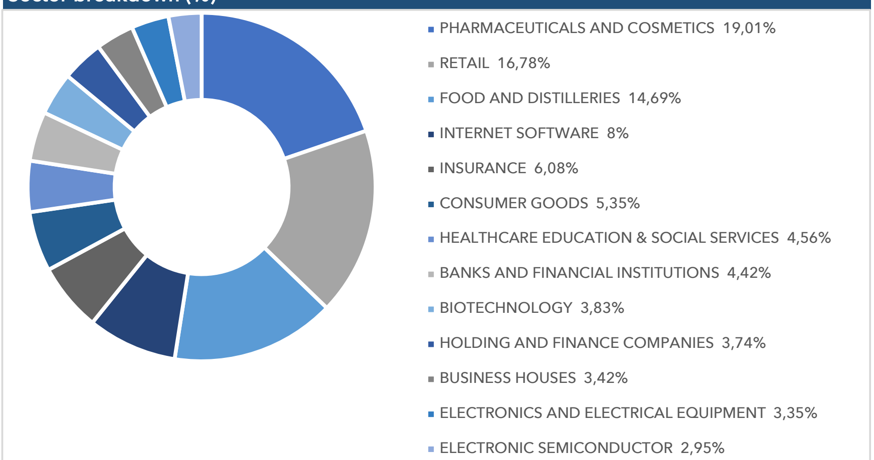


Source: Standard & Poor's, Coho and Royal Bank of Canada.

Performance table	1M	YtD	1 Year	3 Year Annualised	Annualised S. inception
Coho ESG US Large Cap Equity Fund	+7,65%	+4,91%	+42,08%	+12,81%	+11,24%
S&P 500 TR	+4,38%	+6,17%	+56,35%	+16,78%	+14,91%
Russell 1000 Value	+5,88%	+11,25%	+56,09%	+10,96%	+8,96%
Outperformance vs S&P 500	**+3,27%**	**-1,27%**	**-14,28%**	-3,96%	**-3,67%**
Outperformance vs Russell 1000 Value	**+1,76%**	**-6,35%**	**-14,01%**	+1,85%	**+2,28%**

Source: Standard & Poor's, Coho and Royal Bank of Canada.

Sector breakdown (%)



Source: Coho and Royal Bank of Canada.

ESG characteristics 31-3-2021	Coho ESG US LC Fund	MSCI USA ESG Index	ISHARES CORE S&P 500 ETF
Equity holdings	27	349	507
Energy Intensity per Sales (mw/1m USD sales)	77.2	467	608.5
Greenhouse Gas Intensity per Sales (mt/1m USD)	28.8	82.6	140.9
Water Intensity per Sales (cbm/1m USD sales)	36.70K	23.11K	26.03K
Carbon Disclosure Project Grade	B-	B-	B-
Bloomberg ESG Disclosure Score (%)	45%	46%	45%
Companies with 20% or More Women on Boards	93%	81%	81%
Companies with 80% or More Board Independence	93%	84%	82%

Source: MSCI, Ishares and Coho.

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Monthly comments

In March, the Coho Relative Value ESG portfolio had strong absolute and relative performance against both the S&P 500 Index and the Russell 1000 Value Index with the Coho portfolio advancing 7.7% versus gains of 4.4% and 5.9% for the indices, respectively. All sectors showed positive returns this month but perhaps the most interesting observation would be that Utilities was the best performing sector against the backdrop of rising rates and Information Technology was the worst performing sector. Of our 27 holdings, 11 had double-digit returns with Lowe's being the standout with a return of 19%.

With those monthly results, the portfolio posted a first quarter return of about 5.5%, which was modestly behind the 6.2% return for the S&P 500 Index and lagged the 11.3% return for the Russell 1000 Value Index. Allocation was the primary reason for the portfolio trailing the benchmarks, with the deeper value components of the cyclical Energy, Financial Services, and Industrial sectors leading, while the more defensive Consumer Staples and Health Care sectors underperformed the broader market. Of course, the ESG portfolio has no exposure to the Energy sector, which advanced more than 30% in the quarter. Stock selection was good in our two largest sectors, Consumer Staples and Health Care. Within Consumer Staples, Kroger was our best performing company with a return of 14%, followed by J.M. Smucker, up 10%. The laggards were Colgate-Palmolive, down 7.3%, and Unilever, down 6.6%. However, the Consumer Staples sector was the worst performing sector this quarter, so we are encouraged by the fact that some of what we believed are overlooked and strong risk/return candidates are garnering some investor interest. The mentioned companies, along with our other Consumer Staples holdings, have all been executing well but investors have been unwilling to commit capital there. This may be changing and if so, there is ample room for further advances. Within Health Care, CVS and Amgen were up between 8% and 10%. Our laggards here were Merck, down 4.9%, and a recent addition, Thermo Fisher, which declined 1.2%. We should also note that our Financial Services companies delivered strong results this quarter as well with Aflac, State Street, and U.S. Bancorp all showing returns in excess of 15%.

It is hard to believe that one year ago we were in the throes of a rapidly forming bear market and today the averages have rebounded sharply to new highs and vaccinations are rising quickly. On a trailing 12-month basis (ending March 31, 2021), the S&P 500 Index is up 56.4%, the Russell 1000 Value Index by 56.1%, and the Russell 1000 Growth Index by 60.6%. It was not too long ago that the gap between these two Russell indices was quite large in favor of the "growth" index, but this gap has closed meaningfully, and we expect it will continue to close.

Perhaps the two biggest reasons we believe value may continue to outperform growth going forward are, one, these two styles of investing are mean reverting and two, higher interest rates should favor value. Over long periods of time, the Russell 1000 Growth Index and Russell 1000 Value Index returns are reasonably similar but over shorter periods of time, there can be some large discrepancies. When reviewing the annualized returns over each of the prior four decades along with the annual data beginning on January 1, 1981, there were 16 years in which the difference exceeded 10% over this 40-year period, or 40% of the time. Growth outperformed in nine of them and value did in the other seven. However, since 2009, growth has outperformed value in all but three years. Perhaps it is value's turn to begin a period of elongated outperformance, and maybe 2021 is the start.
The second reason value may outperform growth is that rising interest rates tend to pressure companies with higher price/earnings multiples, which typically are associated with "growth" companies. A declining interest rate environment tends to favor growth and we could potentially be on the cusp of an inflection point in rates. On September 30, 2020, the ten-year U.S Treasury's yield was 0.68% and it has risen to 1.74% on March 31, 2021. Value began outperforming "growth" in the fourth quarter of 2020, coinciding with the uptick in the ten-year yield and prospects for the reopening of the economy following positive vaccine news. Additionally, we are beginning to hear rumblings about rising input cost pressures, which suggests inflation is creeping back. So, if this uptick in inflation were to continue, could it derail recent market gains? We do not believe so because, historically speaking, the S&P 500 Index's best returns come during a low inflationary environment.

When looking at inflation (YoY change in CPI) vs S&P 500 YOY price returns between 1928 – present, this suggests that 1% to 3% of inflation tends to generate the highest average and median returns with the lowest probability of a negative return. At the present time, we believe the U.S. economy will operate within this band and, as such, we believe our holdings can continue to move higher.

We recognize that while our trailing two-, three-, and five-year performance returns versus the Russell 1000 Value Index are positive, versus the S&P 500 Index they have not been as competitive as we would like. However, as a bottom-up, fundamental investment firm, we remain confident in our processes and disciplines. Ultimately, earnings matter and earnings eventually set the long-term price of a company.
Over the six years since 2015, the Coho Relative Value ESG portfolio has had positive earnings growth in each year and in most cases, it was superior or equivalent to the S&P 500 Index's growth. Additionally, throughout this period, the dividend yield of the portfolio was consistently higher than that of the S&P 500 Index but on a total return basis, our portfolio lagged the S&P 500 Index. The reason for this is entirely due to a higher level of P/E expansion for the benchmark. This was particularly pronounced over the trailing two-year period when the S&P 500 Index's P/E expanded by more than 32% and earnings decreased by 7.5% compared to the Coho portfolio where the P/E expanded by 8.8% and earnings increased 6.2%.

We believe the portfolio is well positioned and offers a solid risk/return profile. Should interest rates continue to rise and pressure higher multiple stocks, we believe we are well insulated from this risk. Year-to-date, higher beta and low quality have outperformed low beta and high quality, with the latter two being characteristics that we favor.

Active ownership and engagement are key parts of our ESG framework and investment process along with in-depth fundamental research. We continued to increase our efforts this quarter through numerous ESG-focused engagement meetings with companies in the portfolio and the Coho universe and attendance at various ESG conferences. Our goal is to influence and advocate for commitment to environmental and social responsibility, discuss corporate governance practices, and collect insights for proxy voting and sustainability research. We are pleased to report that two companies recently made corporate governance improvements for the board of directors. Ross Stores plans to increase board independence and reduce the average board tenure with two directors not standing for re-election. Microchip expanded its board by adding two new directors from diverse backgrounds while one of the longest tenured directors, L.B. Day, announced his retirement. We had engaged with management at both companies about board independence, tenure, and diversity and commend them for these improvements.

2021 is off to an auspicious start. We do see light at the end of the tunnel for a complete reopening of our economy and a return to more normal times; however, we are less certain about Europe's reopening. The portfolio has a nice mix of holdings whose business models should benefit from a reopening, but in some cases, we have seen revaluations already occurring. We will continue to focus our attention on companies which can consistently grow both their earnings and dividends and where we see a mismatch on valuation. We look forward to updating you on our progress as the year unfolds.