Responsible about **China A-Shares**

BMO LGM Responsible China A-Shares Equity Fund

Designed for investors seeking to access the potential of the onshore Chinese equity market. Our BMO LGM Responsible China A-Shares Equity Fund aims to meet this need by combining our proven expertise in stock picking and responsible investment.

Launch date	29 June 2020
Benchmark	MSCI China A Index (USD) (NR)
Fund managers	June Lui, Kevin Chee & Yingying Dong
Fund structure	Dublin domiciled UCITS

At a glance

- **Invest in an economic powerhouse** – despite China being the world's 2nd largest economy, Chinese equities remain under-represented in many investment portfolios. A broad and growing opportunity set geared into China's structural development is being overlooked.
- **Active ownership** – we are active owners who vote all our holdings and engage on material ESG issues. We use the UN Sustainable Development Goals (SDGs) as a framework for our engagement and impact assessment & reporting efforts.
- **Conviction matters** – a portfolio of 20-50 of the team's best investment ideas drawn from the China A-Shares market. Stock selection, not benchmark composition, drives portfolio composition with an active share expected to be around 80+%.
- **Proven expertise** – the fund combines specialist expertise in Chinese and emerging markets stock picking and Responsible Investment – an approach we have implemented within other strategies for over a decade.

The fund is underpinned by our defined "Avoid, Invest and Improve" ethos

Exclusions Avoid	Sustainability-focused Invest	Driving change Improve
BMO LGM Responsible China A-Shares Equity Fund		
Avoid assets with damaging or unsustainable practices. The funds won't invest in weapons, tobacco or fossil fuels.	**Invest** in companies that are making a positive contribution to society and the environment.	Driving businesses to **improve** by being active owners and encouraging best ESG practice though engagement and voting.

Key risks

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Investing in emerging markets is generally considered to involve more risk than developed markets.

Why China A-Shares

Diverse Opportunities – The onshore market provides access to a wealth of opportunities through a diverse pool of domestic Chinese companies – businesses that are operating in a vibrant and growing economy.

Alpha potential – in a relatively inefficient market we see scope for generating outperformance through detailed bottom-up analysis, long-term horizon and a focus on valuation.

Structural development – trends like income growth, healthcare improvement, environmental protection and technology advancement provide fuel for China's domestic economic development and a focus for our investment research.

Why China now

First in/first out – as China 'normalises' post the emergence of COVID-19, its economic and earnings recovery is ahead of that being experienced in many other areas.

New 5-year plan – China's 14th five-year plan will be announced later this year providing further structural reform and policy support.

Attractive valuations – China A-Shares look attractive both historically and relative to other markets, especially given the characteristics and prospects for the domestic economy.

Why invest responsibly?

Reduce risk / improve downside protection – consideration of ESG factors helps mitigate specific market risks like low transparency, questionable accounting, bad corporate governance and supply chain management.

Address sustainability challenges – the impact of rapid economic growth and development creates opportunities for companies offering sustainable products and services.

Encourage better management of ESG issues – we see ourselves as 'business owners' and encourage companies to improve their management of ESG issues through engagement and voting.

Why LGM for Chinese equities

Insights – with 349 Chinese company meetings in 2019, our team enjoy real insights into businesses and their management. As 'business owners' our aim is to build strong relationships with company management.

Truly active – we are forward-looking benchmark agnostic investors. Conviction determines portfolio composition with meaningful positions implemented on a long-term view.

Right culture – teamwork is key and our investment professionals operate in an environment of constant debate and reassessment. This enables ongoing reappraisal to ensure that our portfolios always reflect our best ideas.

How we invest

We are bottom-up investors who look for attractively valued high-quality companies with defined characteristics:

- Sustainable and well-managed business model
- Robust balance sheet together with predictable and steady cash flows
- Proven management team with clear purpose and long-term goals
- Alignment with the interests of minority shareholders

We will only invest when the price is right. We prioritise protecting our clients' capital and always look for a margin of safety in the valuation. We take a long-term view when investing and expect to be a shareholder for several years.

In focus:
stock picking and active ownership

Inner Mongolia Yili – a leading dairy company with a well-recognised brand, extensive distribution network and a track record of innovation. We have actively engaged with the company to address gaps in its approach to climate change management and environmental stewardship along the value chain. Yili has been responsive to our engagement efforts, taking steps to enhance the sustainability of dairy sourcing, production and distribution.

Continued

Sustainable opportunities

We want to tap into the long-term potential of China and its young population, economic development and growing wealth. We are bottom-up investors but align our stock picking efforts to certain key areas of interest.

1

Health and Well-being

Supporting the provision of services to improve personal long-term wellbeing, e.g., education, health and sanitation

2

Food and Nutrition

Helping advance sustainable production and consumption patterns

3

Technological Innovation

Delivering technological and connectivity solutions to advance sustainable development

4

Energy Transition

Fuelling the economy with efficient and affordable energy from both conventional and alternative sources

5

Sustainable Infrastructure

Helping build resilient infrastructure in transport, energy, water, communications and other sectors

6

Responsible Finance

Providing financial services to advance financial inclusion, business development, green finance and sustainable financial markets

Source: BMO Global Asset Management. For illustrative purposes only.

Continued

Combined expertise

Decades of experience in Chinese equities and responsible investment

LGM Investment Team

Founded in 1991, LGM is the centre of excellence for Asian and emerging market equities within BMO Global Asset Management. Our goal is to maximise returns by investing in the best companies we can find at attractive valuations.

Responsible Investment Team

BMO has been pioneering responsible investment for 35+ years. We have a 19-strong team dedicated to research, ESG integration and active ownership (engagement & voting) activities.

LGM Investment Team and Responsible Investment Team

- Company analysis
- Portfolio construction
- ESG criteria
- ESG thought leadership

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