



Your success. Our priority.

Größer heißt nicht besser!

Scott Woods – Portfolio Manager

For professional investors

2019

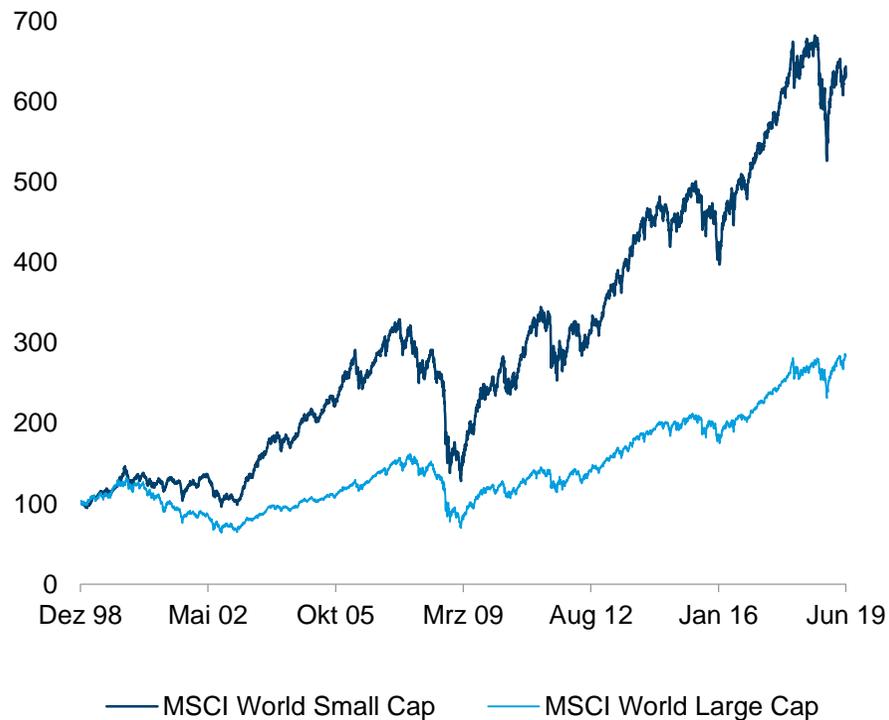


The attraction of global smaller companies

Superior growth, superior returns

MSCI World Small Cap vs. Large Cap

The superior returns of smaller companies

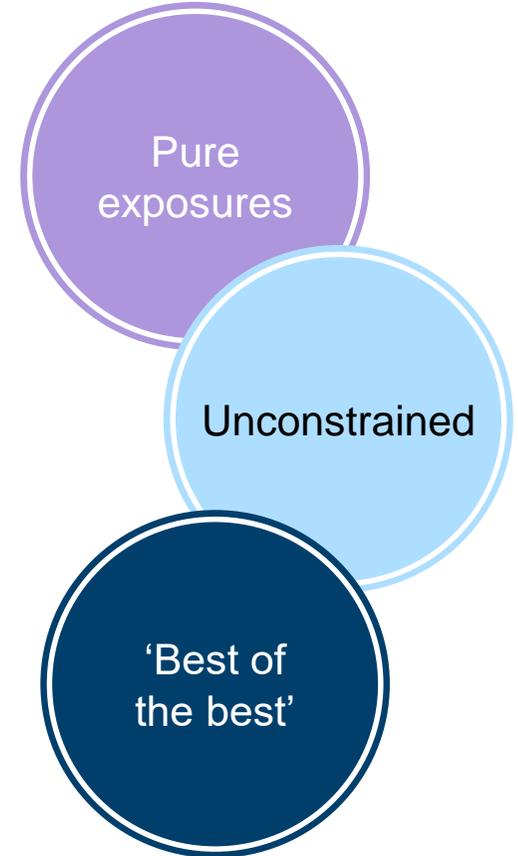


- Huge investment universe
- Weaker analytical coverage
- Lower liquidity
- Focused business models
- Greater opportunity to generate alpha

Source: MSCI, Bloomberg, Columbia Threadneedle Investments, as at 30 June 2019. Gross USD total return indices used. Past performance is not a guide to future returns.

The attraction of global smaller companies

Pure play exposures

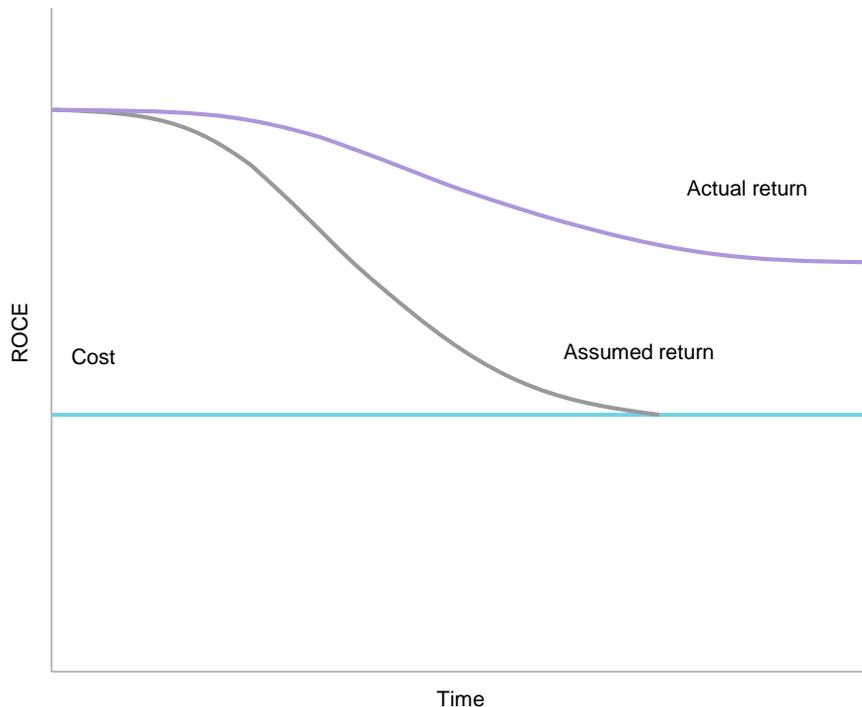


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Investment philosophy

Why we like high-quality businesses

Markets underestimate the value of truly sustainable competitive advantages



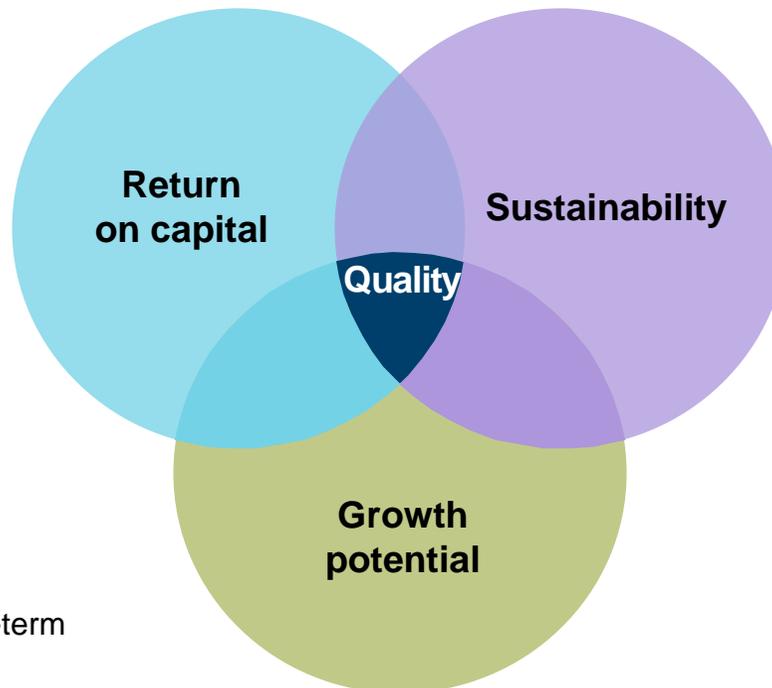
- Competitive advantage manifests itself in a company's ability to generate high returns on capital
- The market tends to assume that high returns mean-revert, causing quality companies to be undervalued
- Identifying companies with a sustainable competitive advantage exploits this inefficiency

Investment philosophy

What we mean by quality

Returns on invested capital

- How does business generate high returns?
- Margin profile and asset intensity
- Capital required to fund growth



Sustainability

- Strength of competitive position in 5-10 years
- ESG considerations
- Porter's Five Forces

Growth potential

- Ability to compound over long-term
- Exposure to a secular theme
- Is the market saturated / in structural decline

Investment philosophy

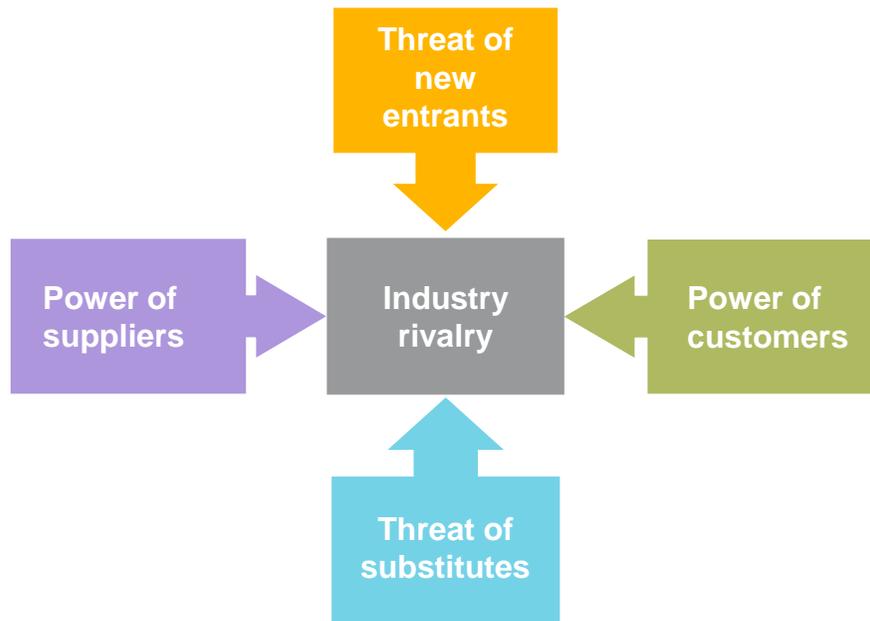
Economic moats: Identifying sustainable competitive advantages



Source: Columbia Threadneedle Investments, Morningstar, 2019. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owner. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

Investment philosophy

Porter's Five Forces identifies risks to sustainability



Porter's Five Forces

- A tool used to understand the sustainability of a company's competitive advantages
- Company meetings provide vital insights into these factors

Take for instance...

-  **POOLCORP**[®]
 - Benign competitive environment
 - Fragmented supplier and customer base
 - New entrants will struggle to match scale advantage
 - Barriers to online competition

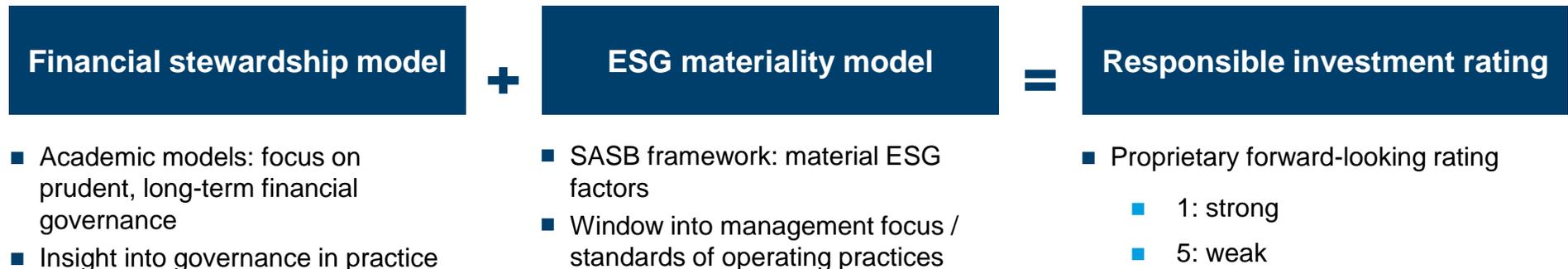
ESG

An extension of Porter’s Five Forces

An integrated research capability

- Support from dedicated RI team
- Proprietary forward-looking RI ratings
- Prioritise company engagement
- Key factor in assessing company quality and competitive strength
- Key measure of risk
- Capitalising on sustainable opportunities

Proprietary RI ratings

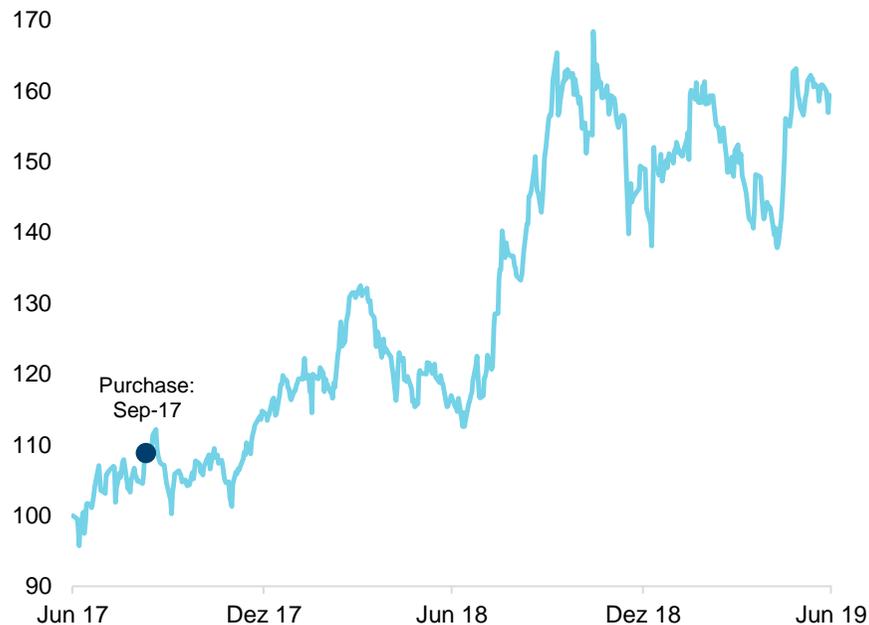


Source: Columbia Threadneedle Investments and Sustainability Accounting Standards Board (SASB®). Columbia Threadneedle Investments licenses and applies SASB®’s standards, classifications and framework in our research and assessment of securities.

Research process in action

Cargojet – Canadian freight airline

Performance relative to MSCI World Small Cap



■ Idea generation

- Company flagged to team by external broker

■ Research/debate

- Monopoly: 95% share of overnight domestic cargo network in Canada
- Barriers to entry through regulation and customer relationships
- Long term contracts with 75% of revenue on a take or pay basis
- 100% customer retention due to 99.8% on-time track record
- Increased penetration of e-commerce in Canada
- Opportunity to increase utilisation of aircraft in the daytime on a 'wet lease' basis

■ Implementation

- Position initiated in September 2017
- Large upside potential with significant improvement in free cash flows over the coming years

Source: Bloomberg, Columbia Threadneedle Investments, 30 June 2019. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. The mention of any specific shares or bonds should not be taken as a recommendation to deal

The attraction of global smaller companies

Why Columbia Threadneedle?



A clear quality approach
focussing on **competitive
advantage**

**Differentiated
approach**



Global research
capabilities drive
differentiated stock holdings

**Depth of small cap
expertise**



Strong and consistent
returns since the strategy's
inception

**Asymmetric return
profile**



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Appendix



Biography

SCOTT WOODS Portfolio Manager



Scott Woods is a portfolio manager within the Global equities team and has been lead manager of the Threadneedle Global Smaller Companies strategy since April 2019. Scott joined the Global equities team in 2015 as an equity analyst with responsibility for researching small cap companies, focusing in particular on US small caps. He was subsequently made deputy portfolio manager on both the Threadneedle Global Smaller Companies strategy and the Threadneedle US Smaller Companies strategy.

Before joining the company, Scott spent three years with Ecclesiastical Investment Management, an SRI-focused asset manager, where he worked as an investment analyst within the global equities team.

Scott holds a Masters degree in Chemistry from the University of Oxford. He also holds the Chartered Financial Analyst designation and the Investment Management Certificate.

Company start date: 2015

Industry start date: 2012

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Past performance is not a guide to future performance. Your capital is at risk. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.

Where references are made to portfolio guidelines and features, these are at the discretion of the portfolio manager and may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. Please note that the performance targets may not be attained.

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