Nomura Global Sustainable Equity

Fund Commentary

AUGUST 2024

The Global Sustainable Equity Fund returned 410 bps in August outperforming MSCI ACWI by 156 bps (performance net of fees, as per 30/08/2024, in USD). Allocation contributed 80bps to performance driven by the overweight to Healthcare and underweight Consumer Discretionary, with selection making up the remainder coming from both Financials and Industrials. The strategy performed particularly well towards the beginning of the month when markets fell sharply on the back of weaker macroeconomic data from the United States and a sharp unwinding of the JPY carry trade. This performance underlines how well the strategy is positioned to outperform when markets do consolidate and the extreme narrowness seen over the past almost two years reverses.

The top contributors to performance were Tetra Tech (+12%) and Boston Scientific (+11%). Tetra Tech continues to deliver outstanding results that reflect its superb positioning to benefit from increased infrastructure and sustainability related spending which has long been overdue but is finally being catalysed by the IIJA and IRA. Boston Scientific benefitted from a flight to the safety of the healthcare sector through the month in addition to positive news flow around Farapulse. The greatest detractors were ASML (-2%) and Alphabet (-5%) with both stocks being dragged down by a prior winners, tech led sell off towards the beginning of the month.

Impact focus of the month: The primary focus of the Global Sustainable Equity team on the ‘sustainability’ side of our approach is on real world impact and seeking to achieve this through both investment and engagement. Whilst we do utilise external data providers to support our own analysis, our proprietary scores, assessments and views are very much driven by our own proprietary view of what makes a sustainable business both from a financial materiality and on financial / real world impact. The team have long been sceptical of the low correlation between external ESG provider ratings, the subjective nature and adequacy of some of the analysis and the fact that non-financial/ real world impact is not given the credit that it deserves or that we ascribe to it. However, one game changer over the past few years has been regulation. To be clear the Global Sustainable Equity team very much support the fact that the sustainable space needs regulation following a number of missteps by the industry, and we are very sympathetic to the difficulties faced with respect to balancing multiple stakeholders. That said, it is also the view of the team that recent EU regulations is overly prescriptive in places, does not place enough weight on social impact and misses certain nuances.

With further new rules set to hit ‘sustainable’ funds in Europe over the coming months the team have been digging further into new external regulatory data sets offered by providers. We have been concerned by the adequacy of certain EU regulation-related datasets and furthermore been alarmed by how this is impacting investment activities across the industry. As one example, we found that one data provider had used a methodology and estimates that were too simplistic for one new rule that is coming into place that was leading to a false negative for a company with regard to being investible for sustainable funds. The methodology has later been improved and updated and the company no longer failed on this metric. It is our view however that data providers are underestimating the potential influence they have on investment activities. Their scores are not just information used by asset managers anymore but are directly driving and in some cases forcing investment decisions when used as tools to assist regulatory compliance. In the aforementioned example, some broker reports took this certain data provider’s analysis and published that the stock would come under selling pressure as it could no longer be held by ‘sustainable’ funds under new ESMA names rules. It is the team’s view that data providers themselves need to be appropriately regulated and held to account for their approaches with regards to sustainability regulation. As always this is a stark reminder that focusing on real world impact remains in the team’s view the most appropriate way to tackle the ever evolving sustainable investment landscape.

Past performance is not indicative of future returns

Nomura Funds Ireland – Global Sustainable Equity Fund, I USD
Performance net of fees, as per 30.08.2024, in USD

	Nomura Funds Ireland - Global Sustainable Equity Fund (I USD)	MSCI AC World Index
1 Month	4.10%	2.54%
3 Month	7.76%	6.51%
YTD	17.95%	15.97%
31.08.2023 - 30.08.2024	22.63%	23.44%
31.08.2022 - 31.08.2023	13.83%	13.95%
31.08.2021 - 31.08.2022	-17.70%	-15.88%
28.08.2020 - 31.08.2021	28.95%	28.31%
30.08.2019 - 28.08.2020	18.12%	16.83%
Since Inception (15.04.2019)	79.44%	75.29%

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