

TAKING RESPONSIBILITY FOR WHAT YOU OWN

“We aim to generate both societal and financial returns by carefully evaluating a company’s impact on all its stakeholders.”



Alex Rowe, CFA
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WHY IS RESPONSIBLE INVESTMENT IMPORTANT?

Put simply it is the right thing to do. ESG integration plays an important role in better understanding underlying investments, but what if ESG integration did not enhance returns? Would we still do it? Our answer would be, yes, absolutely, because ESG analysis is the informational bedrock on which responsible investment decisions rest. Responsible Investment is about far more than just returns. In day to day life we are becoming ever more responsible and aware of our carbon footprint, the impact of our waste, and the sustainability of our lifestyles but when it comes to investing and what we own, there remains a detachment from the responsibility that comes with being ‘owners’ of underlying businesses.

As long-term investors, we see ourselves as partial owners of businesses and we must consider ourselves responsible for

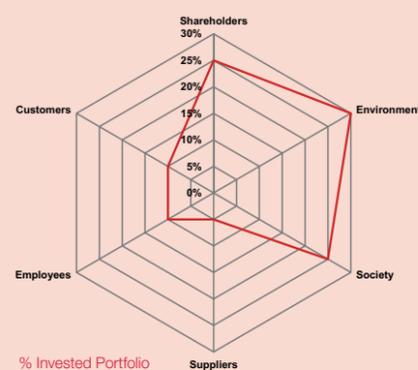
their actions. As owners of businesses we want the value to increase in the longterm and collectively as investors we have a responsibility to promote actions that support this.

WHAT DOES RESPONSIBLE INVESTING MEAN TO NOMURA ASSET MANAGEMENT?

To us, Responsible Investing is the process of giving consideration to the total impact on all stakeholders. Core to this is the concept of utilitarianism. The total value created by a company’s existence is not just financial but about the benefits delivered to all stakeholders, including, for example, the utility to customers, the employment and growth opportunities brought to employees and the impact on the environment.

When we consider a stock for investment, we consider not only the positive impact on one stakeholder but how this might impact other stakeholders. Taking the example of a drug company, its products may have a fantastic impact on its customers who are lucky enough to access to its products, however, if prices are extortionate and practices are negligent to the extreme to maximize positive shareholder outcomes we would not see this as sustainable.

RISK MONITORING – BARRA™ ANALYSIS

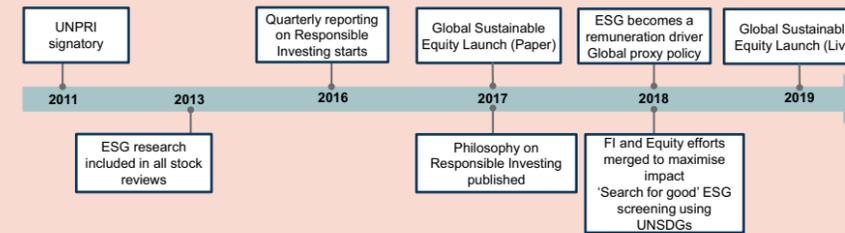


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ESG INTEGRATION AT NOMURA ASSET MANAGEMENT

The first step, ESG integration, is now by and large accepted as a requirement for asset managers – at least in some markets. At Nomura Asset Management we integrate ESG research into our investment decision making process and actively engage with potential and actual investee companies. Indeed we have been ‘integrating’ ESG research since well before ESG integration was a buzz-phrase – our stock research has intrinsically, formally included consideration of environmental, social and factors for many, many years. We use dedicated external ESG and NGO research to supplement our own fundamental analysis and actively seek to understand the impact that a business has on all stakeholders, so as to make balanced comparisons and, ultimately, responsible investment decisions.

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ENGAGEMENT ACTIVITY

Our total stakeholder impact approach is a vital tool for helping us to identify where there are weaknesses with respect to the treatment of certain stakeholders and, where necessary, we use our influence to push for better practices that more fairly treat all stakeholders.

Our engagement is carried out by the investment decision-makers themselves and we believe that this proximity of ESG related analysis and ESG decision-making should produce better ESG outcomes. Indeed the combination of investment and ESG decision-making could be considered the hallmark of a truly integrated Responsible Investment approach. We have had some great success since starting our engagement programme led by our portfolio managers and sector analysts. This has ranged from directly contributing to multinational retail companies changing their wood based raw materials practise to a more sustainable approach, to putting pressure on businesses to invest more in auditing their supply chains to eliminate child labour.

So far, we have been discussing the Nomura Asset Management Global Equity platform. We believe there is a growing interest in going a step further: make your global equity allocation sustainable. This is why we have taken everything we have learned so far to launch our alternative to help investors take this step: Nomura Global Sustainable Equity.

THE GLOBAL SUSTAINABLE EQUITY STRATEGY

We seek to invest in the best companies with the greatest total positive impact on all stakeholders while delivering strong risk adjusted returns to clients. We use two proprietary screens to make a holistic assessment: one to assess company output with respect to the UN Sustainable Development Goals (SDG) and one based on the total stakeholder impact framework mentioned earlier. We take concentrated high conviction positions in high-quality businesses that have a positive impact on society as a whole.

CUMULATIVE PERFORMANCE SINCE INCEPTION



Source: Nomura Asset Management Performance & Analytics. As at 31st July 2019. Performance shown in USD.

This provides clients with a portfolio that is:

- well-positioned for a shift to a more sustainable economy
- systematically less exposed to carbon than traditional global equity portfolios
- high conviction, high active share, low turnover
- well-diversified across themes, countries and sectors

We have been running the fund as a publicly reported paper strategy (we reported our full portfolio on a monthly basis on our website) for two years and have just over four months of live track record:

https://www.nomura.com/nam-europe/about_nam/responsible-investment.shtml

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NAM UK is authorised and regulated by the Financial Conduct Authority (FCA) in the UK (registration no. 122703). This Nomura Global Sustainability strategy was managed as a ‘paper portfolio’ from 31 July 2017 until fund launch on 12 April, 2019. As such all performance returns prior to fund launch are synthetic, exclusive of all management fees but include estimated transaction and administration costs of 40bp per annum. The prospectus, key investor information document (KIID) and other fund related materials are available on the NAM UK website at www.nomura-asset.co.uk. NAM UK’s registered office is at 1 Angel Lane, London, EC4R 3AB.