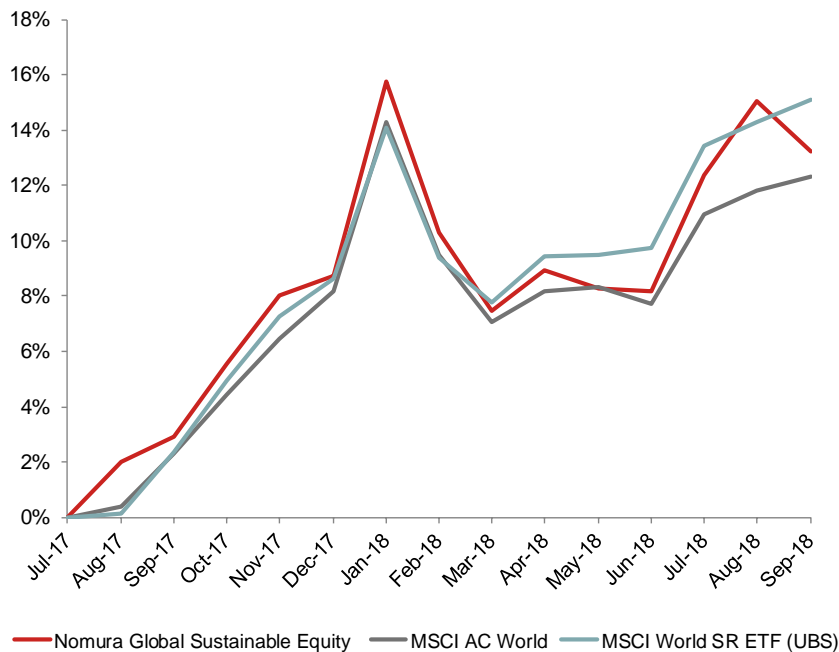


## Nomura's Global Sustainable Equity Strategy

September 2018

### Cumulative Performance in USD (%)



### Strategy Overview

Global investment in businesses exhibiting high sustainable value creation, at discount valuation

### Philosophy

- Sustainable Value Creation:** high total value generation, fair value sharing among all stakeholders, good corporate governance and ethical management decision making are all characteristics of companies that have a highly positive impact on society. Through achieving a sustainable balance of value creation for all stakeholders these businesses can often generate attractive financial returns and considerable benefit to society as a whole over the very long term.
- Discount Valuation:** buying below intrinsic value and we believe the behavioural biases of other investors give us opportunities to do this.

	1 mth	3 mth	6 mth	SI
Nomura Global Sustainable Equity	-1.60%	4.68%	5.36%	13.23%
MSCI AC World	0.44%	4.28%	4.91%	12.32%
MSCI World SR ETF (UBS)	0.69%	4.90%	6.80%	15.10%

### Monthly Commentary

The Nomura Global Sustainable Equity strategy experienced a very tough month in September giving back a decent portion of the recent strong outperformance. The strategy returned -1.60% underperforming MSCI ACWI (+0.44%) and the MSCI World Socially Responsible ETF (UBS) (0.69%) by -2.03% and -2.29% respectively. The underperformance was driven entirely by stock selection with a number significant stock specific drawdowns over the period. There is a minimum "quality threshold" embedded in our investment process, which takes into account both the potential for shareholder value creation and the quality of the underlying business alongside the positive impact on all other stakeholders. This month the stocks of several of the businesses that have extremely positive impact on society as a whole came under pressure and hurt the performance of the strategy. That said our target is to provide strong financial returns for investors alongside positive stakeholder impact and we continue to refine our process with regards to when, for instance, we might accept slightly higher risk associated with company quality characteristics in return for substantially higher positive impact on society as a whole.

The greatest contributors to outperformance were AXA (+6.3%) and Swedabank (+6.4%) as financials strongly outperformed over the month driven by US 10 year interest rates rising sharply from 2.86% to 2.06%.

The largest performance detractors were Jain Irrigation (-29.1%) and Safaricom (-10.1%) with the latter underperforming on investor confusion over national excise tax increases and the impact of this on Safaricom's M-Pesa business. We continue to have high conviction in the company and took the opportunity to add to our position. Jain Irrigation's underlying business operations have not materially changed over the year, however macro factors (rising interest rates and a declining Rupee) have been greatly magnified by having 60% of debt funded in USD. Given the uncertainty surrounding these factors we are not adding to the position despite seeing meaningful underlying value.

**This strategy is currently managed as a 'paper portfolio'. As such all holdings & performance returns are synthetic. Performance data if presented is exclusive of all associated investment management fees (e.g. transaction costs and administration fees).** This information was prepared and issued by Nomura Asset Management UK Ltd. from sources it reasonably believes to be accurate. The contents are not intended in any way to indicate or guarantee future investment results as the value of investments may go down as well as up. Values may also be affected by exchange rate movements and investors may not get back the full amount originally invested. NAM UK is authorised and regulated by the Financial Conduct Authority (FCA) in the UK (registration no. 122703). NAM UK's registered office is at 1 Angel Lane, London, EC4R 3AB.

# Nomura's Global Sustainable Equity Strategy

September 2018

## Portfolio Holdings

Holdings as at 28/09/2018	Portfolio Weight (%)	Reason for holding this stock
PayPal Holdings Inc	5.1%	Enables global access to 'banking' type services, notably across developing markets in which access is otherwise limited
Novo Nordisk A/S Class B	5.1%	Diabetes drugs add substantial value, and we believe pricing practices are not overly aggressive
Johnson & Johnson	5.1%	The company is very strong on overall sustainability and ethical practices
Microsoft Corporation	4.9%	Products add substantial value whilst the company's data centre business is energy efficient
Alphabet Inc. Class A	4.6%	World leader in developing technology, with what we believe to be sustainable practices and treatment of stakeholders
Apple Inc.	4.4%	Pioneered digital use cases for mobile phones which continues to benefit society greatly
Waters Corp	4.2%	Products are geared towards life science product, food and water purity
Mastercard Inc. Class A	4.2%	Replacing cash with card payments adds substantial value to society and reduces inefficiency in the banking system
Johnson Controls	3.9%	JCI's HVAC technology has improved building energy efficiency by 40% over the last decade
AIA Group Limited	3.8%	Fundamentally business operations - providing life insurance to APAC clients - add value, and we feel that the group is generally run in a sustainable manner
Eversource Energy	3.8%	Decent quality, low emitting utility with a significant proportion of operations related to renewables
Safaricom Limited	3.7%	Mobile money services assist financial inclusion in Kenya
CVS Health Corp	3.5%	Facilitates access to lower priced generic drugs
eBay, Inc.	3.3%	Online auction platform lowers the barriers to entry for small businesses supporting financial mobility and innovation
Booking Holdings Inc.	3.3%	Provides customer access to cheaper options, whilst increasing vendor exposure
Orange	3.0%	Decent quality telecom with robust practices; we believe telcos add value through enabling global communication
Celgene Corp	2.9%	Offers best-in-class therapies for Multiple Myeloma. The price point for Revlimid is high, but on balance we do not find it overly excessive, and we note that increases have been in-line with inflation over the last three years
NextEra Energy, Inc.	2.7%	Global leader in renewables investment and renewable generator operation
Swedabank	2.6%	High quality bank, which in our view is well governed
Allianz SE	2.5%	Very strong on sustainability and responsible investing
Signify NV	2.5%	Core operation is the manufacturing of residential and commercial & industrial LED lighting solutions that support large reductions in energy usage
Pentair	2.5%	Products are focused primarily on residential & commercial water filtration & flow, supporting increased purity and water quality
SAP SE	2.3%	Significant benefit to business customers in streamlining operations
Compass Group	2.2%	Improving efficiency and food/catering services for workers and clients of offices, factories, hospitals, care homes and schools
Axa SA	2.0%	Standout within the insurance space for its incorporation of ESG factors into underwriting
Gilead Sciences, Inc.	1.8%	World leading HIV drug treatment. We believe pricing practices and treatment of customers to be fair
Becton, Dickinson and Co.	1.7%	World leading producer of safety products for patients and healthcare workers
Adecco	1.7%	Facilitates employment especially across blue collar roles
Housing Devp. Finance.	1.6%	Increasing the accessibility of housing and business expansion across India
Jain Irrigation Systems Ltd	1.4%	Irrigation products and research/development provide huge support for agricultural yields across India
USD	3.6%	N/A
<b>Total</b>	<b>100.0%</b>	

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