

## Nomura's Global High Societal Value Strategy

August 2017

### Overview

Global investment in high societal value businesses at discount valuation.

As outlined in our Responsible Investing Report for Q2/2017, we have identified a group of companies that we believe can sustainably deliver significant value to society as a whole, while also responsibly allowing shareholders and other stakeholders to benefit from that value creation. We have used this philosophy to create a model portfolio, for which the 'shadow' performance will be published in the Responsible Investing area of our website.

### Philosophy

- High Societal Value: high total value creation, 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. Such companies can often also generate attractive financial returns so allocating capital to these companies can be beneficial to society at large as well as from an investment return perspective.
- Discount Valuation: buying below intrinsic value and we believe the behavioural biases of other investors give us opportunities to do this.

### Monthly Commentary

Our Global High Societal Value strategy got off to a very good start in August with the model portfolio rising by 2.08%, approximately 170bp ahead of the MSCI All Country World Index (Net) and 190bp ahead of the MSCI World Socially Responsible Index (Net). Given the strategy's focus on companies that add substantial value to society as a whole, Healthcare plays a prominent role in the portfolio and in August two of these stocks performed especially well. Novo Nordisk was up 13.2% as the market became more confident that the price of its market leading diabetes drugs would not collapse and Gilead Sciences was up 10% following its acquisition of Kite Pharma which has the potential to accelerate the development of oncology treatment with obvious benefits for society as a whole. Outside of Healthcare, Ross Stores and Paypal both advanced in excess of 5% whilst on the negative side Priceline was down 8.7% after it disappointed the stock market with its growth outlook (still robust, but not as strong as had been hoped for). Priceline is part of the ongoing revolution in the travel industry making hotel and holiday bookings cheaper and easier for their customers, and breaking down the barriers between hotels and potential consumers. Despite this recent setback we think there is a long way to go in the travel industry revolution.

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### Portfolio Holdings

Holdings as at 31/08/2017	Portfolio Weight (%)	Reason for holding this stock
Ross Stores, Inc.	7.3%	Increases efficiency across the broader clothing retail industry (lowering waste), and supports clothing accessibility
PayPal Holdings Inc	7.2%	Enables global access to 'banking' type services, notably across developing markets in which access is otherwise limited
Novo Nordisk A/S Class B	7.1%	Diabetes drugs add substantial value, and we believe pricing practices are not overly aggressive
Compass Group PLC	6.5%	Improving efficiency and food/catering services for workers and clients of offices, factories, hospitals, carehomes and schools
Alphabet Inc. Class A	6.4%	World leader in developing technology, with what we believe to be sustainable practices and treatment of stakeholders
Priceline Group Inc	5.4%	Provides customer access to cheaper options, whilst increasing vendor exposure
Swedbank AB Class A	5.0%	High quality bank, which in our view is decent quality and well governed
Microsoft Corporation	4.9%	Products add substantial value whilst the company's data centre business is energy efficient
Gilead Sciences, Inc.	4.9%	World leading HIV drug treatment. We believe pricing practices and treatment of customers to be fair
SAP SE	4.8%	Significant benefit to business customers in streamlining operations
CVS Health Corporation	4.7%	Facilitates access to lower priced generic drugs
Allianz SE	4.6%	Very strong on sustainability and responsible investing
Orange SA	4.0%	Decent quality telecom with robust practices; we believe telcos add value through enabling global communication
Johnson & Johnson	3.9%	The company is very strong on overall sustainability and ethical practices
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	3.6%	Decent quality, low emitting utility with a significant proportion of operations related to renewables
Persimmon Plc	2.9%	Building homes that the UK needs, with a high proportion of affordable housing
NextEra Energy, Inc.	2.5%	Global leader in renewables investment and renewable generator operation
Becton, Dickinson and Company	2.4%	World leading producer of safety products for patients and healthcare workers
Apple Inc.	2.2%	Pioneered digital use cases for mobile phones which continues to benefit society greatly
Safaricom Limited	2.1%	Mobile money services assist financial inclusion in Kenya
Housing Devp. Finance Corp. Ltd	2.0%	Increasing the accessibility of housing and business expansion across India
Jain Irrigation Systems Limited	1.8%	Irrigation products and research/development provide huge support for agricultural yields across India
<b>Total</b>	<b>100%</b>	

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.