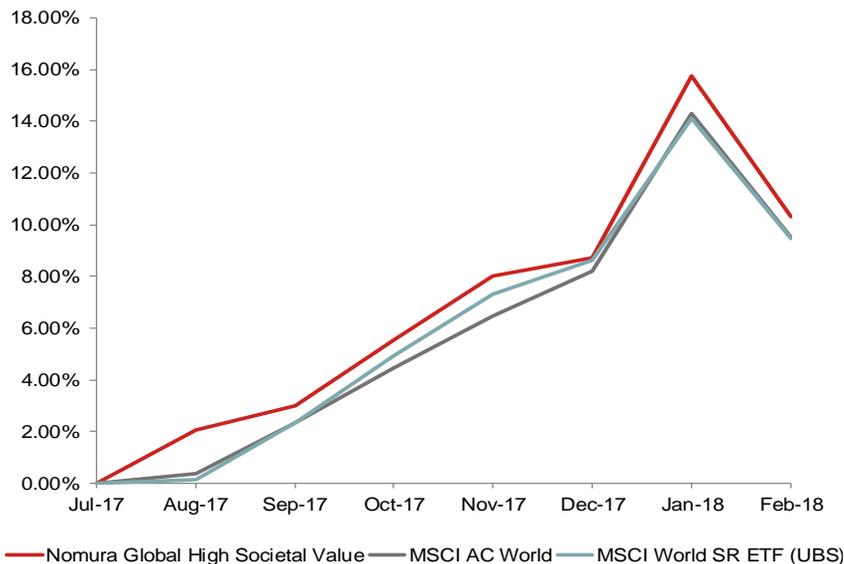


Nomura's Global High Societal Value Strategy

February 2018

Cumulative Performance in USD (%)



Strategy Overview

Global investment in high societal value businesses at discount valuation

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.

	1 mth	3 mth	6 mth	SI
Nomura Global High Societal Value	-4.72%	2.11%	8.05%	10.29%
MSCI AC World	-4.20%	2.84%	9.07%	9.49%
MSCI World SR ETF (UBS)	-4.06%	2.02%	9.28%	9.45%

Monthly Commentary

The Nomura Global High Societal Value returned -4.72% in February, underperforming MSCI ACWI (-4.20%) by -0.52% and the MSCI World Socially Responsible ETF (UBS) (-4.06%) by -0.66%. Since inception the strategy has outperformed the benchmarks by 0.80% and 0.84% respectively. The strategy benefitted over the month from its more defensive positioning as markets sold off sharply on global inflation concerns and the implied Equity Risk Premium of US markets came into question as 10 year treasuries spiked towards 3%. However, stock selection more than offset positive allocation effects, driven by a number of disappointing company specific developments over the period. Notable detractors included Celgene which declined -13.9% driven predominantly by the surprise announcement that the FDA had declined a minor drug application – we believe the -9% sell-off on the announcement to be overdone given the expected sales as a proportion of the total portfolio, and we continue to see Celgene as adding standout 'Societal Value' through its primary offering of best in class Multiple Myeloma therapies. Jain Irrigation (-18.4%), one of the strategy's star performers since inception, also gave back some of its recent gains as the business was not quite able to deliver the operating leverage that the market had anticipated on very strong growth in the third quarter.

Positive contributors to performance included Booking Holdings (+6.4%) and Apple (+6.8%). Booking Holdings delivered EBITDA guidance that was well ahead of market expectations at its full year results and investor confidence in the new CEO continues to improve. Apple was supported by the announcement that it is preparing to present the details of its capital return strategy following the finalization of the impact of the Tax Cuts and Jobs Act. Over the month we initiated positions in Johnson Controls (JCI) and AXA International. JCI's HVAC technology has improved building energy efficiency by 40% over the last decade, whilst we see AXA as a standout within the insurance space for its incorporation of ESG factors into underwriting.

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.

Portfolio Holdings

Holdings as at 28/02/2018	Portfolio Weight (%)	Reason for holding this stock
Alphabet Inc. Class A	5.9%	World leader in developing technology, with what we believe to be sustainable practices and treatment of stakeholders
Booking Holdings Inc	5.7%	Provides customer access to cheaper options, whilst increasing vendor exposure
Compass Group PLC	5.6%	Improving efficiency and food/catering services for workers and clients of offices, factories, hospitals, care homes and schools
PayPal Holdings Inc	5.3%	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
Microsoft Corporation	5.0%	Products add substantial value whilst the company's data centre business is energy efficient
Mastercard Inc. Class A	4.8%	Replacing cash with card payments adds substantial value to society and reduces inefficiency in the banking system
CVS Health Corporation	4.7%	Facilitates access to lower priced generic drugs
Swedbank AB Class A	4.4%	High quality bank, which in our view is decent quality and well governed
Apple Inc.	4.2%	Pioneered digital use cases for mobile phones which continues to benefit society greatly
SAP SE	4.1%	Significant benefit to business customers in streamlining operations
Gilead Sciences, Inc.	3.6%	World leading HIV drug treatment. We believe pricing practices and treatment of customers to be fair
Johnson & Johnson	3.5%	The company is very strong on overall sustainability and ethical practices
Orange SA	3.3%	Decent quality telecom with robust practices; we believe telcos add value through enabling global communication
Johnson Controls	2.9%	JCI's HVAC technology has improved building energy efficiency by 40% over the last decade
AIA Group Limited	2.9%	Fundamentally business operations - providing life insurance to APAC clients - add value, and we feel that the group is generally run in a sustainable manner
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
Safaricom Limited	2.8%	Mobile money services assist financial inclusion in Kenya
Allianz SE	2.8%	Very strong on sustainability and responsible investing
Becton, Dickinson and Company	2.7%	World leading producer of safety products for patients and healthcare workers
Eversource Energy	2.5%	Decent quality, low emitting utility with a significant proportion of operations related to renewables
Axa SA	2.5%	Standout within the insurance space for its incorporation of ESG factors into underwriting.
Waters Corp	2.2%	Products are geared towards lifesience product, food and water purity
Jain Irrigation Systems Limited	2.2%	Irrigation products and research/development provide huge support for agricultural yields across India
Housing Devp. Finance Corp.	1.8%	Increasing the accessibility of housing and business expansion across India
Ross Stores, Inc.	1.8%	Increases efficiency across the broader clothing retail industry (lowering waste), and supports clothing accessibility
National Grid plc	1.8%	National Grid's huge investment in electricity transmission is supporting the shift from fossil fuel generation to renewables
NextEra Energy, Inc.	1.7%	Global leader in renewables investment and renewable generator operation
METRO AG	1.3%	Wholesale distribution supports efficiency and lower pricing within the broader food retail industry. Furthermore Metro stands out on its organic food offering and is a leader in food sustainability
USD	0.0%	N/A
Total	100.0%	

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