

Nomura's Global High Societal Value Strategy

September 2017

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.

Monthly Commentary

September was a tough month for the strategy (+0.95%), underperforming the MSCI ACWI benchmark (+1.93%) by 98bps and the MSCI World Socially Responsible Index (+2.12%) by 116bps. The primary driver of underperformance was a partial unwinding of the exceptional Healthcare outperformance in August, as Gilead (-2.6%) gave up some of its post M&A announcement gains and Novo Nordisk (+0.4%) took a pause following its late summer rally.

The portfolio also suffered from its natural underweights to global O&G, US banks and heavy industry exposed capital goods, which all rallied hard over the month as Brent jumped 9.9% to in excess of \$57 and US ten year yields rallied by 10.2% to 2.33% as more hawkish commentary from the Federal Reserve caught the market's attention.

On the positive side our position in CVS health (+5.2%) was a strong contributor over the period, and Ross Stores (+10.8%) also continued its exceptional run. CVS Health Corporation, in our view, generates substantial 'Total Societal Value' through supporting the provision of affordable, low priced generic drugs across the United States.

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Portfolio Holdings

Holdings as at 29/09/2017	Portfolio Weight (%)	Reason for holding this stock
Ross Stores, Inc.	7.7%	Increases efficiency across the broader clothing retail industry (lowering waste), and supports clothing accessibility
Novo Nordisk A/S Class B	7.1%	Diabetes drugs add substantial value, and we believe pricing practices are not overly aggressive
PayPal Holdings Inc	6.9%	Enables global access to 'banking' type services, notably across developing markets in which access is otherwise limited
Alphabet Inc. Class A	6.5%	World leader in developing technology, with what we believe to be sustainable practices and treatment of stakeholders
Compass Group PLC	6.4%	Improving efficiency and food/catering services for workers and clients of offices, factories, hospitals, carehomes and schools
Priceline Group Inc	5.3%	Provides customer access to cheaper options, whilst increasing vendor exposure
Swedbank AB Class A	5.1%	High quality bank, which in our view is decent quality and well governed
SAP SE	4.9%	Significant benefit to business customers in streamlining operations
Microsoft Corporation	4.9%	Products add substantial value whilst the company's data centre business is energy efficient
CVS Health Corporation	4.9%	Facilitates access to lower priced generic drugs
Allianz SE	4.8%	Very strong on sustainability and responsible investing
Gilead Sciences, Inc.	4.5%	World leading HIV drug treatment. We believe pricing practices and treatment of customers to be fair
Johnson & Johnson	3.8%	The company is very strong on overall sustainability and ethical practices
Orange SA	3.8%	Decent quality telecom with robust practices; we believe telcos add value through enabling global communication
AIA Group Limited	3.6%	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
Apple Inc.	2.6%	Pioneered digital use cases for mobile phones which continues to benefit society greatly
Becton, Dickinson and Company	2.6%	World leading producer of safety products for patients and healthcare workers
NextEra Energy, Inc.	2.4%	Global leader in renewables investment and renewable generator operation
Safaricom Limited	2.0%	Mobile money services assist financial inclusion in Kenya
Housing Devp. Finance Corp. Ltd	1.9%	Increasing the accessibility of housing and business expansion across India
Jain Irrigation Systems Limited	1.7%	Irrigation products and research/development provide huge support for agricultural yields across India
Total	100%	

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.