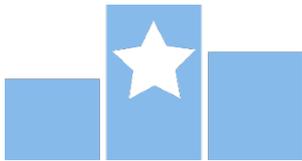


NIKKO ASSET MANAGEMENT INTERNATIONAL & GLOBAL EQUITY

Investing in **Future Quality**



**Strong
risk-adjusted returns**



**Future Quality
with ESG Integration**



Capacity

The Global Equity Team

We are experienced investment professionals with a belief that a strong team-based approach to picking stocks and active portfolio management will produce the best results for clients. Most of the team has worked together for over eight years and during this time they have developed a successful, repeatable investment process that combines top-quality fundamental research, financial modelling and analysis with rigorous portfolio construction and management. This approach results in truly differentiated international and global equity portfolios, constructed using their highest-conviction **Future Quality** ideas.

"We believe our investment approach genuinely sets us apart. A great team dynamic and focus on Future Quality help us create differentiated portfolios, constructed with exciting investments."



Future Quality

- ✓ **Collective Focus**
- ✓ **ESG integration**
- ✓ **Differentiated portfolios**

Future Quality

We are very particular about the type of company we invest in. This is reflected in our investment philosophy, which puts Future Quality at its heart.

We believe businesses that will attain and sustain high returns on investment will deliver better performance for shareholders. We call these Future Quality companies.

In our view, the potential for Future Quality can be analysed and projected by detailed research into a business and the markets it serves. This focus underpins our approach to researching investment opportunities, portfolio construction and portfolio management.



“Our investment research targets something very specific – Future Quality – investment opportunities that we believe will attain and sustain high returns on investment.”

Identifying Future Quality

We uncover Future Quality opportunities by assessing the merits of each potential investment using the same four-pillar framework:

Franchise

Franchise Quality: We look for businesses with a strong competitive advantage, or those that have this potential, perhaps due to the changing structure of their industries or through product innovation.

Management

Management Quality: We identify strong management teams with proven track records and clear strategies for their businesses. We expect the management teams of our investment companies to be able to attract and retain the best talent and foster great company cultures.

Balance Sheet

Balance Sheet Quality: We produce detailed financial models of potential holdings as we want our investments to have robust and sustainable balance sheets and the capacity to finance their growth through strong cash generation.

Valuation

Valuation: Our modelling and assessment of potential future cash flows is disciplined and conservative. Ultimately, we want to identify if share prices reflect the valuations in our models, or if there are opportunities that the market has not yet appreciated.

Only investment prospects that meet these detailed research criteria can be included in client portfolios. Indeed, we only construct portfolios with *the* highest-conviction Future Quality companies. **Environment, social and governance (ESG) considerations** register highly in our analysis of the Future Quality pillars, as it is our belief that good companies make good investments.

A Collective Focus

We have fostered a strong team dynamic. Our collective knowledge and experience are powerful tools for delivering investment performance. Each Portfolio Manager is a seasoned investor with a broad skillset, each Portfolio Manager has an average investment experience of over 22 years which means we have experienced many market cycles. Younger team members bring fresh thinking to the table and work hand in hand with the Portfolio Managers.

We operate a flat structure where all our Portfolio Managers have a dual role that combines investment analysis and portfolio management responsibilities.

Within this structure, we all actively challenge the ideas and research of colleagues throughout the investment process, in an open atmosphere of vigorous debate and constructive deliberation.

We take collective responsibility for approving stocks for the portfolio, and therefore there is joint accountability for performance. As such, it is in everyone's interest to ensure that the investment analysis is thorough and that no stone is left unturned in the search for Future Quality.

"The team's collective experience and flat structure are crucial elements of our investment process and the successful delivery of Future Quality ideas for client portfolios."



"We believe our investment approach genuinely sets us apart. A great team dynamic and focus on Future Quality helps us create differentiated portfolios, constructed with exciting investments."

Building Differentiated Portfolios

We have a high-conviction strategy that is not constrained by benchmarks, so Future Quality can be sourced from listed businesses across any geography or sector. In a world awash with investment opportunities, our disciplined, accountable and transparent process helps us to focus in on potential Future Quality companies.



Idea Generation

Investment ideas are sourced in different ways, including fundamental industry or thematic research, team discussion, meetings, independent analysis and in-house resources. We like to think of it as ‘joining the dots’, as we apply our knowledge and market understanding to think laterally and pragmatically to find the best available investment opportunities. We look for businesses with, or with a potential path to, high and sustainable returns, but are under-appreciated by the market – Future Quality.

Fundamental Research

As we are fundamental, bottom-up stock selectors, we provide full financial models for each investment idea. Our Portfolio Managers have specific sector responsibilities and are experts in the industries under their coverage. We investigate all the Future Quality pillars – the quality of the franchise, management and balance sheet and valuation – as well as exploring material ESG factors.

Peer Challenge

Research templates are presented to the whole team at our Weekly Research Meeting. The template model and analysis are challenged by team members, with assumptions stress-tested and business drivers and Future Quality factors deliberated. This research meeting ultimately leads to a team decision on the overall merits of the stock in question, to decide whether it is suitable for potential portfolio inclusion.

Portfolio Construction

Upon approval, the stock is compared to around one hundred other researched investments using our Stock-Ranking Tool. Every month, each team member grades the Future Quality ideas for degree of conviction and outperformance potential. We then hold a stock-ranking meeting to challenge and evaluate the portfolio and other researched ideas. This forum leads to us optimising the investment mix, as we constantly focus in on our strongest-conviction ideas. Our process produces concentrated, high-conviction portfolios of around 40 to 50 holdings, with significant active weights that bear little resemblance to global benchmark indices.

“Our team-based approach is highly effective at scrutinising potential investments and monitoring risk. There’s a collective focus to stock reviews and portfolio construction, which minimises the potential for behavioural bias.”

About Nikko Asset Management

Nikko Asset Management is one of the largest global asset management companies headquartered in Asia, with offices across 11 countries/regions, representing over 30 nationalities. Our global investment teams share local expertise and regional perspectives to gain unparalleled insights into the issues that drive investment performance globally. This allows us to cut through the noise to determine the real risks and opportunities for our clients.

All information in this document as at 30 June 2019.

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