

Nomura Global Sustainable Equity

Fund Commentary

MARCH 2024

The Nomura Global Sustainable Equity Fund returned +3.59% in March outperforming MSCI ACWI by +0.50% (performance net of fees, as per 28/03/2024, in USD), in another strong month for equity markets despite hotter than expected inflation and jobs data pushing back expectations for rate cuts. The Fund had been almost 200bps ahead in the first two weeks of the month but gave back the majority of this outperformance following disappointing announcements from Adobe and AIA. Allocation was neutral over the period whilst selection was strong in primarily Healthcare but also Industrials although this was somewhat offset by weak selection across Financials.

The top contributors to performance were TSMC (+12%) and NextEra Energy (+16%), in addition to not holding Apple (-5%). TSMC benefitted from the continued positive sentiment around artificial intelligence (AI); NVIDIA is currently outsourcing all of their AI chip manufacturing to TSMC and therefore, TSMC is seeing benefit from the extraordinary demand for NVIDIA's AI chips. For NextEra Energy the announcement that the Federal Election Commission had closed its case looking into certain contributions in relation to its Florida Power & Light (FPL) division removed a risk overhang for the stock whilst the renewables business hosted a very positive renewables day for investors further underlining just how far ahead the company is versus peers. The greatest detractors were AIA (-17%) and Adobe (-10%), in addition to not holding NVIDIA which rose a further +14%. It is the team's view that the extreme underperformance in AIA is in part a reflection of a final capitulation on higher quality China exposed names with the entire peer group being sold relentlessly. Results were modestly disappointing and do not support a pushing back against the narrative of weakening returns in its key markets however there are clear green shoots with regards to the rebound in NBV margins and a relatively clear pathway to returning growth. Adobe reported results that were ahead of expectations, but some investors were disappointed by their outlook and the pushing back of expectations for when the benefits of generative AI will start to flow through into earnings. Adobe is including their generative AI model called Firefly into their suite of editing tools and raising the price for the software packages, however investors want Adobe to be more aggressive in charging for Firefly in order to increase revenue growth.

Impact Focus of the Month: The team has initiated a new position in Iberdrola, a multinational integrated electric utility and one of the global leaders in renewable energy with 42GW of capacity. Iberdrola is one of the highest quality European utility companies with a very strong approach to sustainability and has considerable upside to valuation based on our modelling. The position is strongly aligned with the team's Mitigate Climate Change goal as a key enabler of the energy transition both as a major renewables developer, as well as through operating networks and adapting those for clean energy. The significant geographical presence supports the group's impact case as they operate and deploy renewables in emerging and developing countries. The impact metrics tracked by the team are avoided CO₂ emissions (Scope 4 emissions) and renewables installed capacity (GW).

Past performance is not indicative of future returns

Nomura Funds Ireland – Global Sustainable Equity Fund, I USD

Performance net of fees, as per 28.03.2024, in USD

	Nomura Funds Ireland - Global Sustainable Equity Fund (I USD)	MSCI AC World Index
1 Month	3.59%	3.09%
3 Month	8.69%	8.14%
YTD	8.69%	8.14%
31.03.2023 - 28.03.2024	19.64%	23.15%
31.03.2022 - 31.03.2023	-6.43%	-7.44%
31.03.2021 - 31.03.2022	8.22%	7.28%
31.03.2020 - 31.03.2021	43.14%	54.60%
Since Inception (15.04.2019)	65.35%	63.45%

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