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# *A SHOCKING REVELATION: CAPITALISM CAN POWER POSITIVE CHANGE*

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Everyone wants to make a difference, and capital thoughtfully and responsibly deployed is a powerful mechanism for change. In seeking out companies whose products and services are providing solutions to global challenges, we believe a proactive investment approach can also be the basis of attractive investment returns. Investment Managers Kate Fox and Lee Qian explain why positive change really matters.

*The value of an investment in Positive Change can rise as well as fall and investors may not get back the amount invested.*

## **A Shocking Revelation: Capitalism Can Save the World**

**Kate Fox (KF):** This is a bold statement that we're making, but something that we passionately believe. Because capital that's thoughtfully and responsibly deployed can be a powerful mechanism for change. But more than that, it provides a fantastic opportunity.

**Lee Qian (LQ):** I grew up in China in the early 90s. At that time, two out of three people were living in poverty. Now fast forward 30 years. China is a flourishing economy. This is a great example of how capitalism can have a positive change on society.

**KF:** So how do we do this? We have two objectives of equal importance. To deliver attractive investment returns over the long term and to help our clients contribute towards a more sustainable world for current and future generations.

**LQ:** Rather than relying on broad-brush exclusionary screens, we leverage on our fundamental analysis to identify truly exceptional businesses.

**KF:** The output is a concentrated global portfolio of around about 30 stocks that are addressing our four impact themes.

## **Environment and Resource Needs**

There are more of us living on this planet, and at the same time our environmental impact is intensifying, and basic resources are becoming increasingly scarce.

**LQ:** In this area, for me, the most exciting aspects are innovations to do with how we can use existing resources more efficiently.

**KF:** So an example of a company in this theme would be Ecolab, a speciality chemicals business.

**LQ:** They help their customers to reduce water consumption, improve energy consumption, and reduce waste production.

**KF:** Indeed in 2018 it helped its customers save 190 billion gallons of water.



### **Healthcare and Quality of Life**

**LQ:** Although we are living longer than ever before, diseases like dementia, diabetes, and cardiovascular diseases, are becoming more common.

**KF:** The types of companies that we're looking for to address this theme are companies that help us prevent disease and ultimately cure disease.

**LQ:** A good example is Dexcom.

**KF:** Its continuous glucose monitoring devices enable patients and their carers to continuously monitor glucose levels.

**LQ:** They are helping people living with diabetes to live a more normal life.

### **Social Inclusion and Education**

**LQ:** Despite the phenomenal economic growth that we have seen over the long term, inequality in many countries is increasing.

**KF:** In this theme we're looking to identify companies that are increasing access to education and innovation.

**LQ:** We believe those are the most powerful forces towards a more equal society.

**KF:** ASML is perhaps not an obvious contender for our portfolio, but nonetheless something that we're extremely excited about.

**LQ:** They have contributed towards making computer chips smaller, more powerful, and cheaper.

**KF:** Which enables micro-electronic devices to be more accessible to many people across the world.

### **Base of the Pyramid**

There are still more than four billion people in this world who live on less than \$3,000 a year.

**LQ:** They are struggling to afford the basic necessity for life that we take for granted in more developed parts of the world.

**KF:** Providing access to financial services is a powerful way to enable people to participate in the real economy, and to enable social mobility.

**LQ:** Safaricom is a great example of a business that is using digital technology to improve access to financial services.

**KF:** Safaricom is Kenya's largest mobile phone operator. In addition to this, it's got a mobile payment system called M-Pesa.

**LQ:** Which is used by millions of people in the country to pay money to their family and friends and pay for goods and services.

**KF:** It's helped lift 2 per cent of the Kenyan population out of poverty.

**LQ:** We think the investment community has an important role to play by offering patient capital and support to businesses delivering a positive change on society.



**KF:** These two objectives we've set ourselves, to make attractive investment returns and to deliver positive change, are closely interlinked. They go hand in hand. They are complimentary, not contradictory.

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