

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.

Your capital is at risk.

Kate Fox (KF): This is a bold statement that we're making, but it's 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

KF: 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

KF: 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 necessities 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 complementary, not contradictory.

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