

Nomura American Century Global Small Cap Equity Fund

- May 2023

LWM FUND SPOTLIGHT

NOMURA AMERICAN CENTURY GLOBAL SMALL CAP EQUITY FUND

INVESTMENT OBJECTIVE

The investment objective of the Fund is to achieve long-term capital growth through investment in an actively managed portfolio of Equity and Equity-Related Securities issued by small capitalisation companies in both developed and emerging countries. The Fund shall invest primarily in Equity and Equity-Related Securities issued by small capitalisation companies in both developed and emerging countries. The Investment Manager will invest primarily in companies within the Index or other companies whose capitalisation is no greater than that of the largest company within the Index at the time of investment. The Fund shall invest in countries world-wide, including both developed and emerging markets.

INCEPTION DATE	2 July 2019
FUND FACTSHEET	https://www.trustnet.com/factsheets/O/Q1P/Q/nomura-american-century-global-small-cap-equity-i-gbp

MANAGEMENT

Manager Name	Start Date
Trevor Gurwich	2 nd July 2019
Federico Laffan	2 nd July 2019

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-1.96	1.30	-29.35	13.06	-16.73	70	86	11.70

OTHER DATA

Benchmark	MSCI ACWI Small Cap
Fund Size	\$247.9 million
Fees	1.04%

BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> • Team of ten with average 24 years' experience. • Fund managers worked together for several years. • Singular approach focusing on the inflection point. • All weather strategy. • Strong risk controls. 	<ul style="list-style-type: none"> • Large number of holdings. • Can underperform in a pure growth phase.

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FUND PERFORMANCE

Performance from 2nd July 2019 – 30th April 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



02/07/2019 - 28/04/2023 Data from FE fundinfo 2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

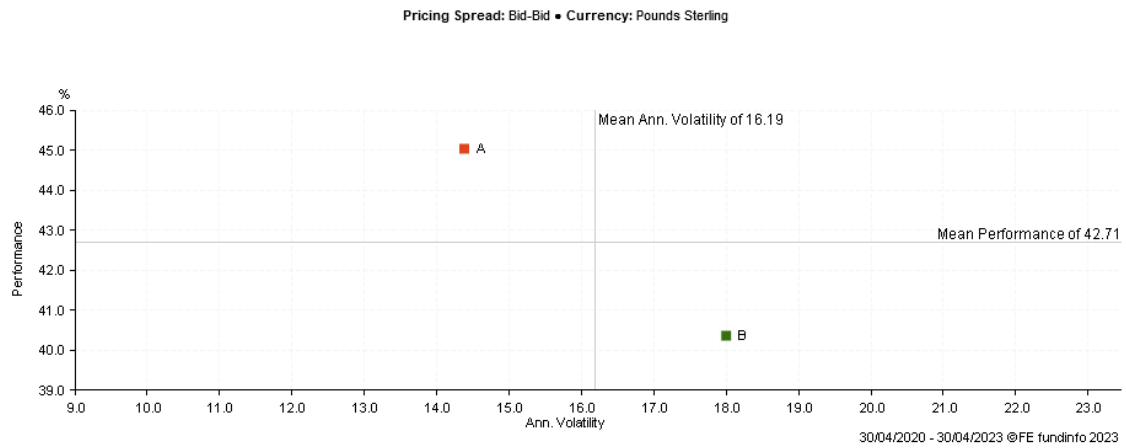
Customise Columns	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Index	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓
MSCI ACWI Small Cap TR in GB	0.28	-8.42	17.17	12.74	19.84	-9.07	13.09	33.11	4.69	8.12	26.27
Nomura American Century Global Small Cap Equity I GBP in GB**	-0.16	-21.15	19.34	39.77							

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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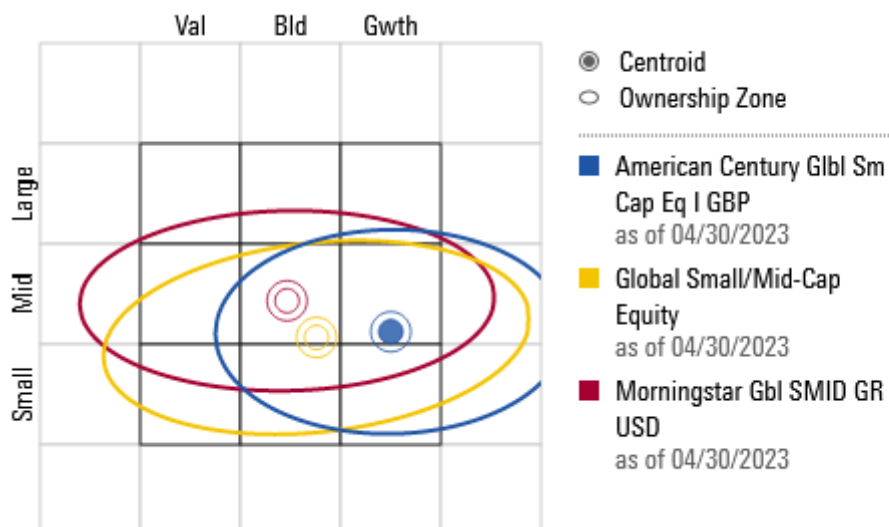
VOLATILITY / RISK SCORE



Key	Name	Performance	Annualised Volatility
A	MSCI ACWI Small Cap TR in GB	45.04	14.38
B	Nomura - American Century Global Small Cap Equity I GBP in GB**	40.37	18.00

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MARKET CAP



Nomura American Century Global Small Cap Equity Fund – May 2023

Style Measures

Measures

Market Cap

Avg Market Cap

4.25 Bil

Category Avg Market Cap

4.24 Bil

Index Avg Market Cap

7.77 Bil

Size	Investment %	Cat. Average %	Index %
Giant	0.00	0.31	0.18
Large	4.26	3.32	8.35
Mid	47.43	39.86	69.04
Small	40.08	49.80	21.44
Micro	6.49	4.17	0.76

USD | As of 30 Apr 2023 | Category: Global Small/Mid-Cap Equity | Index: Morningstar Gbl SMID GR USD | Data is based on the long position of the equity holdings.

SECTOR WEIGHTING

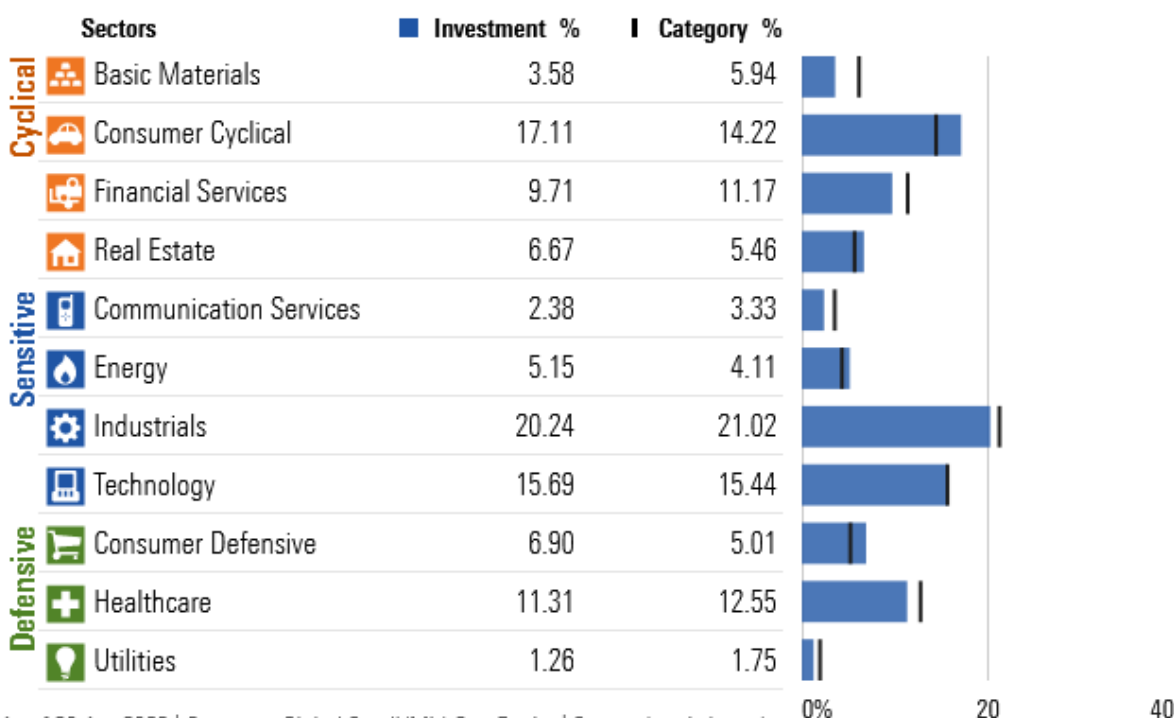
Exposure

Sector

Region

Country

vs. Category ▾



As of 30 Apr 2023 | Category: Global Small/Mid-Cap Equity | Sector data is based on the rescaled long position of the equity holdings. | Source: Holdings-based calculations.

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GEOGRAPHIC WEIGHTING

Country	■ Investment %	I Category %
United States	54.79	55.26
Japan	9.81	9.83
Canada	6.81	3.12
Taiwan	3.97	0.58
China	2.76	0.53
United Kingdom	2.62	7.37
Australia	2.51	2.84
Sweden	2.27	2.05
Germany	1.80	2.68
Italy	1.67	2.38

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As of 30 Apr 2023 | Category: Global Small/Mid-Cap Equity | Country data is based on the rescaled long position of the equity holdings | Source: Holdings-based calculations.

HOLDINGS

Holdings

Current Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	% Assets in Top 10 Holdings	Reported Turnover %
30 Apr 2023	133	0	18	15	—

Holdings	% Portfolio Weight	First Bought	Market Value GBP as of 30 Apr 2023
Samsonite International SA	1.76	28 Feb 2022	4,434,107
Kinsale Capital Group Inc	1.64	31 Jul 2019	4,150,663
Clean Harbors Inc	1.63	31 Jul 2019	4,121,378
Crocs Inc	1.50	29 Feb 2020	3,778,848
Stantec Inc	1.46	30 Sept 2021	3,677,061
ASICS Corp	1.45	31 Jan 2021	3,671,989
WNS (Holdings) Ltd ADR	1.43	31 Jul 2021	3,605,521
Evolent Health Inc Class A	1.40	31 Aug 2022	3,529,933
FirstService Corp Ordinary Shares	1.25	31 Jan 2023	3,163,020
e.l.f. Beauty Inc	1.25	31 Aug 2020	3,157,736

Holdings as of 30 Apr 2023 | The top 10 largest holdings are available for display across Equity, Bond and Other.

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Style Measures

Measures

Market Cap

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	17.61	13.85	14.10
Price/Book	2.26	1.74	1.69
Price/Sales	1.49	0.94	1.02
Price/Cash Flow	8.99	7.20	6.79
Dividend Yield %	1.17	1.84	2.60
Long-Term Earnings %	17.57	12.06	12.53
Historical Earnings %	24.30	19.35	-7.20
Sales Growth %	8.33	7.96	7.73
Cash-Flow Growth %	-3.34	-1.79	1.73
Book-Value Growth %	8.24	4.75	4.22

As of 30 Apr 2023 | Category: Global Small/Mid-Cap Equity | Index: Morningstar Gbl SMID GR USD | Data is based on the long position of the equity holdings.

LWM FUND ANALYSIS

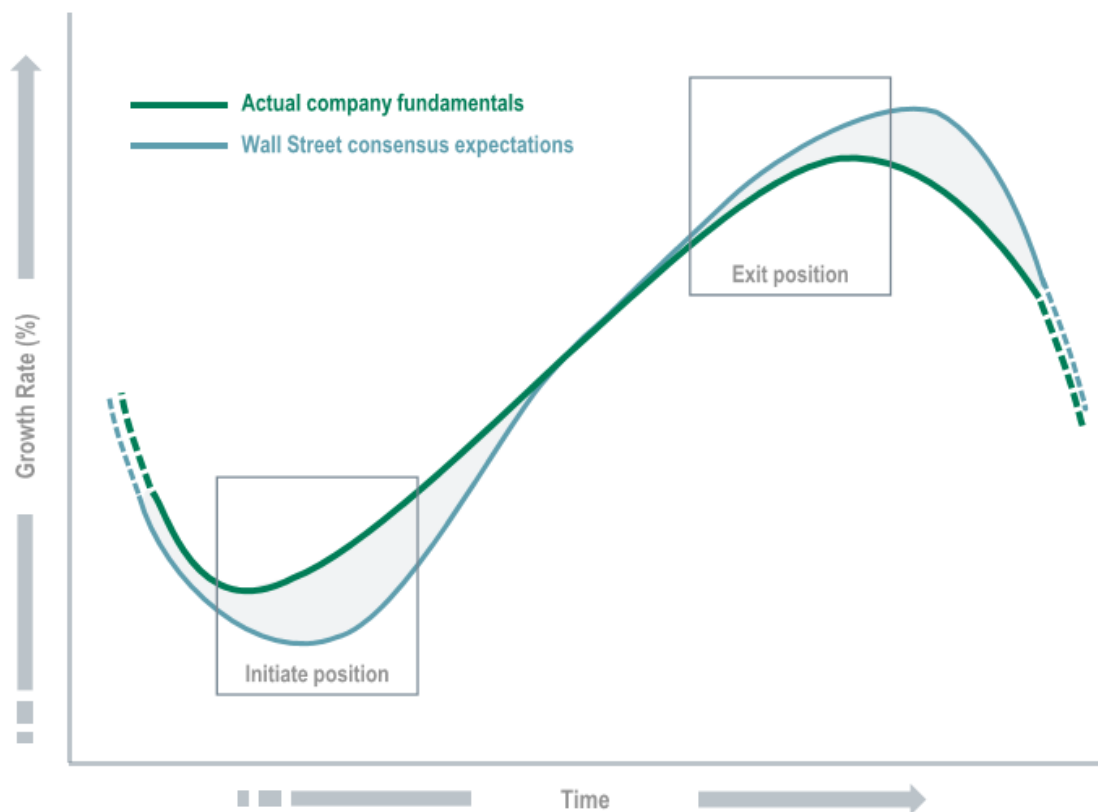
American Century will not be a name known by many. The company has a unique structure. 39% is owned by Nomura Holdings which is an Asian based financial services group, 17% is owned by the employees and other shareholders and the balance by the Stowers Institute. The dividend payments to Stowers are used to support research that can improve human health and save lives. To date these payments have been nearly \$2 billion.

This isn't a sustainable strategy but there is a positive element to what the company does. The team behind this have been at American Century for many years and worked together during this time.

They believe they offer something different in the marketplace by investing what they see as the inflection point.

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Capitalizing on Market Inefficiencies



There are four elements:

- Inflection
- Sustainability
- Earnings GAP
- Valuation / Risk-Reward

In terms of sustainability, this is about the company rather than an environmental view.

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Four Factors of Stock Selection



INFLECTION

- Is there a change in fundamentals?
- What is driving the change?
- Is it early in company's growth cycle?



SUSTAINABILITY

- Is the inflection in fundamentals sustainable?
- What are the key risks to the durability of growth?



EARNINGS GAP

- Does consensus fully reflect acceleration in fundamentals?
- Are out-year consensus estimates beatable?



VALUATION/RISK-REWARD

- Is valuation reasonable given the growth opportunity?
- What is downside risk?

We believe well-defined criteria leads to focused, disciplined, and repeatable stock selection.

This is perhaps different to other strategies. They are not looking for high risk businesses, and every holding has a part to play in the performance.

They believe that there will always be a business that is accelerating, and that this changes. So, this is a dynamic process. The managers spend the first part of every day considering what is changing and where the opportunities lie. They also don't believe that small cap is about buy and hold, as often these companies have one business line and things change rapidly.

Although this is skewed towards growth, they see this as an all weather strategy that should perform across most environments. The idea is that investors get a less volatile source of return from global smaller companies.

We ran the performance against some well-known strategies:

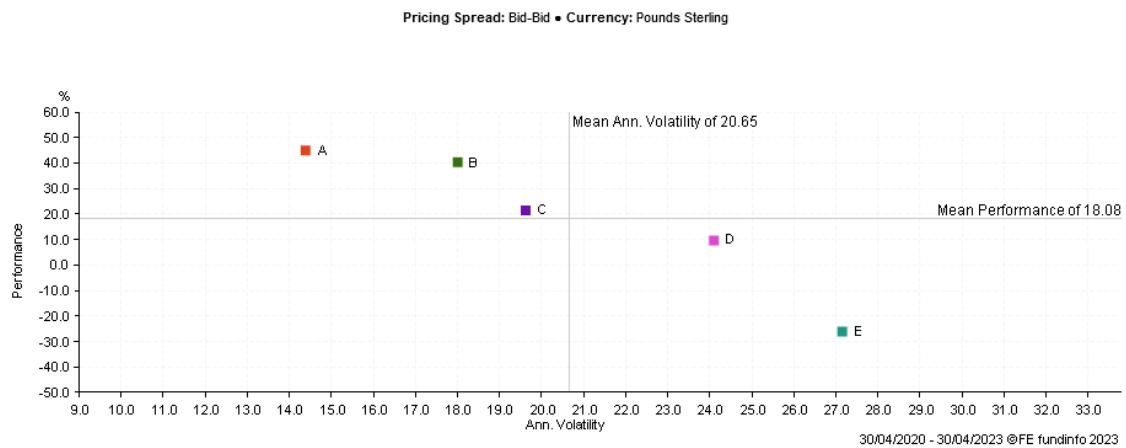
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Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



What this tells us is that we can see this performs broadly above Smithson and Abrdn but won't keep up with a pure growth strategy such as Baillie Gifford. Baillie Gifford has come back from its highs and is now lagging, so this strategy aims to avoid those sharp increases and decreases.

Looking at it another way, the chart below is the volatility. Baillie Gifford is sat at an annualised volatility of 27.15 and this comes in around 18.00.



Key	Name	Performance	Annualised Volatility
A	MSCI ACWI Small Cap TR in GB	45.04	14.38
B	Nomura - American Century Global Small Cap Equity I GBP in GB**	40.37	18.00
C	abrdn - Global Smaller Companies Inst S Acc GBP in GB**	21.41	19.62
D	Fundsmith - Smithson Investment Trust ORD 1P in GB	9.62	24.10
E	Baillie Gifford - Global Discovery B Acc TR in GB**	-26.03	27.15

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

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We discussed the number of holdings as these other companies have smaller numbers within the portfolio. This has around 130 names.

They explained they have a team of 10 and that they always start from the inflection point. The universe has 6,000 companies and this reduces it to 800. To draw up the final list is a mix of quant screens and fundamental data.

A company will come in with around a 0.5% holding and then builds to a maximum of 1.8%. This reflects that they can get things wrong, and therefore it protects the whole investment if this happens. The active share class on this is over 90% so this is very different to the benchmark.

Risk-Adjusted Statistics vs. Small Cap Peers

Universe: eA Global Small Cap Equity
Benchmark: MSCI ACWI Small Cap
Period: April 2016 to March 2023



	Excess Return	Tracking Error	Information Ratio	Sharpe Ratio	Batting Average
American Century Inv: Global Small Cap	5.78	6.30	0.92	0.62	66.67
Peer Median	1.38	5.35	0.28	0.42	54.76

Number of Managers in Universe: 51
Composite returns are in USD, gross of fees
Source: FactSet, eVestment

Notes



The above is also helpful as the batting average is a measure of how well the managers are doing, and this is high in comparison to their peer group.

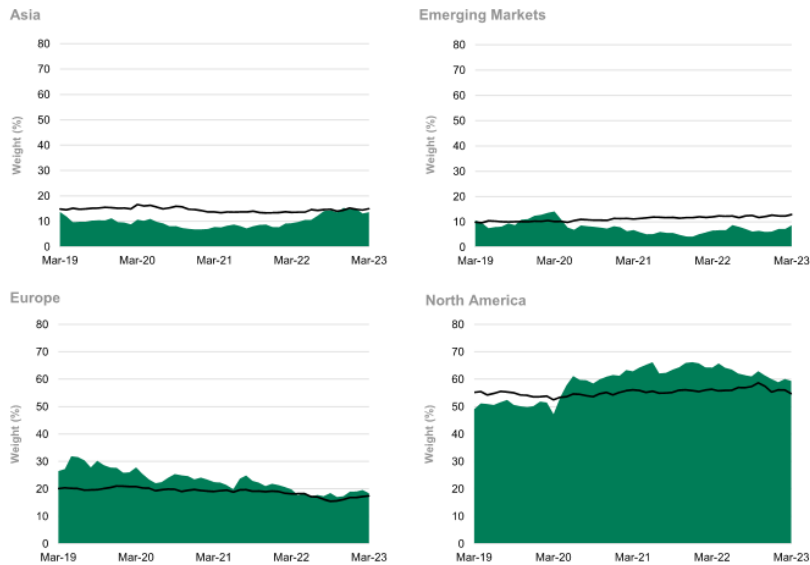
Some examples of opportunities they have invested in include Basic-Fit, and BJ Wholesale. Basic-Fit are a Dutch Gym Business that was able to grow during COVID through good service and technology. Another company was BJ Wholesale, which is a US Costco type business i.e., membership and bulk buying.

The fund struggled in quarter 1 of 2022 due to a style rotation to value, but since then it has been more stable. They believe the future environment will match this type of strategy better.

We talked about whether they have a bias to the US:

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Portfolio: ■ GLOBAL SMALL CAP
Benchmark: — MSCI ACWI Small Cap



Data as of 3/31/2023
Sector weights, portfolio characteristics and holdings are of a representative account in the composite.
Source: FactSet

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Notes



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The chart above shows that they will move the country weightings to where they see the greatest opportunities. Currently this is North America because this is where they see the greatest inflection points, but this is not always the case.

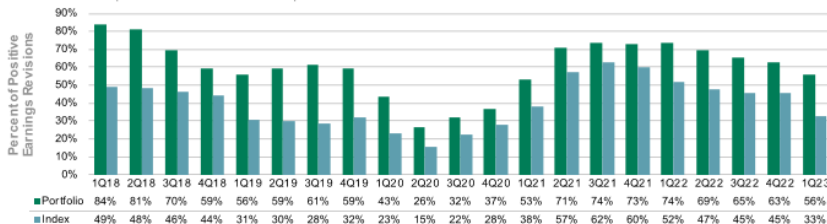
Finally, we talked about scale. They manage around \$4 billion in the smaller company space, and they estimate they can lift this to around \$6.25 billion. At this point they tend to stop marketing the strategy.

In summary, this provides investors with access to small companies in perhaps a more measured way. The aim is to avoid the big swings in performance. This means that where markets race ahead, this will lag, but as we have seen over time the steady wins the race approach does work. The team is stable and part of their remuneration includes shares in the company. All the data points are strong. It is perhaps worth finishing by looking at the chart which shows the positive earnings revision of the portfolio vs the index. This really supports the fact that they seem to be getting it right.

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Percent of Positive Earnings Revisions: 12-Month Period

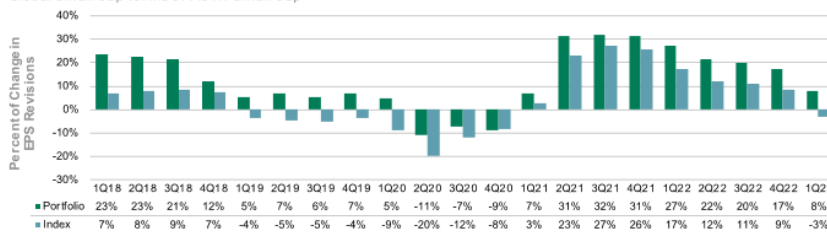
Global Small Cap vs. MSCI ACWI Small Cap



Holdings and estimates as of each calendar quarter. Evaluates FactSet consensus estimates for each calendar year EPS for portfolio and index holdings in stock currencies. Calculated using the number of holdings with positive EPS estimate changes relative to estimates 12 months prior divided by the total number of companies with EPS estimates. Forecasts are not a reliable indicator of future performance. Past performance is no guarantee of future results. Source: FactSet

Change in Earnings Revisions: 12-Month Period

Global Small Cap vs. MSCI ACWI Small Cap



Holdings and estimates as of each calendar quarter. Evaluates the weighted average change of current FactSet consensus for each calendar year EPS estimates relative to estimates 12 months ago for portfolio and index holdings in stock currencies. Forecasts are not a reliable indicator of future performance. Past performance is no guarantee of future results. Source: FactSet

True to our process, the portfolio has consistently delivered better earnings revision statistics relative to the benchmark.



The source of information in this note has been provided by American Century and is correct as of May 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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