

May 10, 2019

Dear clients and colleagues,

On April 24 and 25, we attended the 2019 RIA Conference. Held in Montreal this year, the event was attended by over 570 responsible investors and investment professionals.

Climate change was one of the most discussed issues at the conference. It not only changes people's lives, but it also affects the business conditions of companies all over the world. Inadequate information about climate-related risk can lead to the mispricing of assets and misallocation of capital, so investors need decision-useful, climate-related information. Having a comprehensive, widespread and standardized disclosure framework is vitally important in taking sustainable investment one-step further. Among the many initiatives in this area, the Task Force on Climate Related Financial Disclosures (TCFD) is one of the most recognized. Launched in 2017, TCFD aims to develop recommendations to help businesses disclose climate-related financial information. We are glad to report that Global Alpha became a supporter of TCFD in May 2019.

In addition to governance- and environment-related topics, which tend to receive more attention from investors, participants at this conference also showed great interest in topics such as human rights, diversity, data security and other social issues. One of the 17 Sustainable Development Goals promoted by the United Nations Development Programme (UNDP) is Good Health and Well-being. With the baby boomer population getting older, health care systems will face tremendous pressure. The tight worldwide supply of physicians does not help either. WHO reports that although nurses and midwives account for nearly 50% of the global health workforce, half of the WHO Member States are reported to have less than three nursing and midwifery personnel per 1,000 people, and 25% of Member States have less than one per 1,000. It is hard to ensure the quality of health care services in this situation. Nihon Kohden Corporation, a company in which we initiated a position in Q1 of this year, will help ease this issue to some extent.

As a leader in medical electronic equipment both in Japan and globally, Nihon Kohden specializes in human-machine interface technologies such as sensors and bio signal processing. Its products are used in surgery, intensive care, examination, emergency medical services, clinics and many other areas. Nihon Kohden is best known for its electroencephalogram (EEG) equipment, which has domestic number one and global number two market shares. Its patient monitors have a dominant 40% market share in Japan and are used in 120 countries worldwide. The company's core strength is its advanced sensor technologies and system solutions. The company launches a new product almost every year.

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This Japanese company is gaining global market share from General Electric and Philips thanks to its superior patient monitors, which are Nihon Kohden's growth drivers, that have better sensor technology and functionality. With the help of Nihon Kohden's products, patients will receive health care services more efficiently and comfortably. In addition, by more than tripling the battery life of small-sized monitors to 24 hours, compared to 7 hours for Philips' products, nurses do not need to change batteries as frequently, which enables them to use their time in more meaningful ways.

In March, Nihon Kohden released several new products. For example, it added unique features to its ventilators, such as linking with patient monitors and an alarm to notify health care professionals when a patient's mask comes off. For laboratory testing equipment, the company is launching a product that can measure blood cell count, c-reactive protein and hemoglobin A1C with a single device. We believe its newly released products are highly competitive and will help Nihon Kohden to gain market share and improve margins. The replacement demand before Japan's planned tax hike in October is also expected to underpin solid results.

Have a great weekend.

The Global Alpha team

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