

**Tobacco Investment** (Extract from a Norfolk Pension Fund Report)

- 1 It is a fact that the historic performance of tobacco investments has been very strong.
- 2 A detailed analysis is provided in the appendix (the full report can be found at <http://www.norfolk.gov.uk/view/pensions250912item6pdf>) but the level of outperformance of tobacco stocks over the last decade is illustrated by the following example. For the purposes of illustration we have ignored the impact of the active management decision (the ability of the manager to favour certain sectors above their index weight and have a lower holding in others).
- 3 If £100 million had been invested in the UK equity index (FTSE all-share) at the same date as the inception of the Baillie Gifford mandate (30 September 2003), the total value at 30 June 2012 would be £6.2 million less if tobacco companies had been excluded from the index at outset (FTSE all share ex-tobacco). This difference arises despite the relatively low weight of tobacco in the index over that period.
- 4 In isolation the cumulative return with dividends reinvested of the UK tobacco sector is over five times than that of the FTSE All Share over the ten year period to 30 June 2012.
- 5 In an extremely difficult environment for equities over the last decade, tobacco companies have delivered solid earnings and dividend growth.