

STEWART INVESTORS ASIA PACIFIC SUSTAINABILITY FUND - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

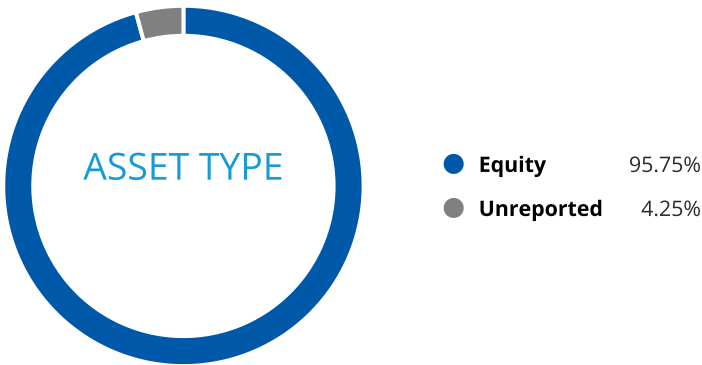
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SUMMARY

Stewart Investors was acquired by the Japanese bank MUFG in 2019. The group AUM is £15.5bn, of which £12.4bn is invested in the Sustainable range of funds, following a Sept 2020 rebranding of the range. The majority of the assets are invested in the Asia-Pacific region. The fund is managed by David Gait (based in Sydney) and Sashi Reddy (Singapore) and supported by the wider global Stewart Sustainability team, spread across 4 offices in Edinburgh, Sydney, Singapore and London. The fund was launched in December 2005.

The fund is heavily focused on long term investing in genuinely sustainable franchises. The investment process is long only, bottom-up stock selection with a high quality, growth, large cap bias. In the context of this fund, 'quality' is with reference to management (integrity and competence), franchise (is it necessary and responsible), and financials (strong balance sheet and cash flows). Turnover is relatively low, averaging 14% over the last 3 years. There are long and well established significant geographical and sector preferences which helps to explain the active share level of around 90%. Typical new holdings would start around the 2% level, with a maximum position of 5%

Based on the internal Collidr ESG scoring system, we would classify this as a 4 (out of 4), reflecting the deeply embedded approach to ESG both at the research and portfolio construction level.



INVESTMENT PROCESS

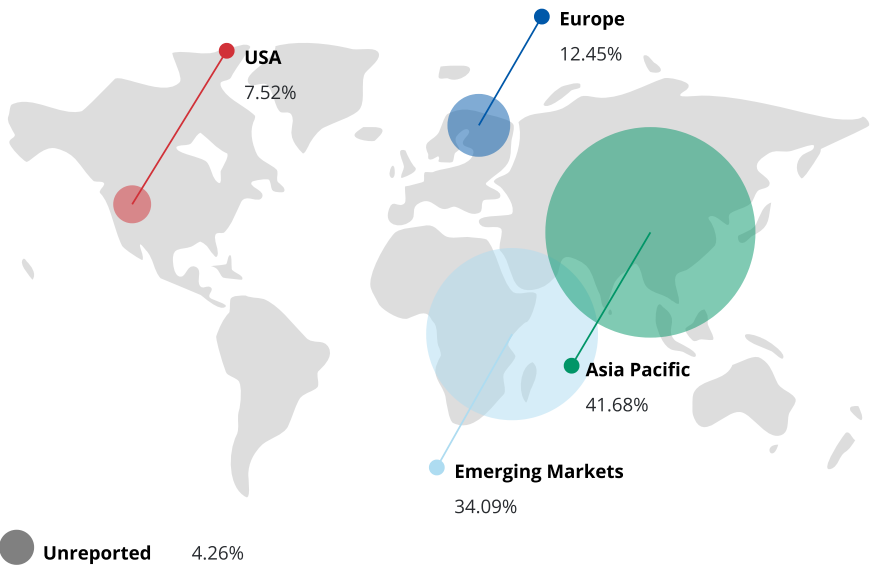
The focus is research heavy with an emphasis on fundamentals and valuation analysis. A 10-year view is taken on all investments not necessarily through calculating DCFs, but more so by understanding the qualitative aspects of a business, the family culture and sustainable characteristics. SRI research is done in-house (they do not use external SRI scoring processes) and is very integrated, ie they do not have separate SRI analysts, but instead use generalist analysts to help rotate coverage and so help and encourage debate.

The process can seem quite 'holistic' and therefore somewhat subjective. Research is about finding high quality companies that provide a 'social good' or which contribute to climate change/better environment etc. Governance is seen as critical, so overtly dominant or controversial management structures are avoided. There is also a strong emphasis on spotting and avoiding 'greenwashing' which is seen internally as a key point of difference. These strong ESG credentials reflect an internal culture built around a very strong belief in the use of ESG to provide superior long-term returns, which reflects a 'true believer' culture in terms of ESG as a philosophy. This is best exemplified by the "Hippocratic oath for asset managers" which is a key part of their philosophy. The theory on sustainability is built on 4 building blocks all designed to reflect on the underlying quality of the company. Commercial Proposition – do the products and services make a valuable contribution to sustainable development. Operational impact – is the company trying to reduce negative impacts from its operations. Company Ethos – do the culture and values embody sustainability and continuous improvement. Context – can the company benefit from sustainability tailwinds and navigate headwinds. There is a strong emphasis on management stewardship for all stakeholders and an analysis of company performance through stressed conditions.

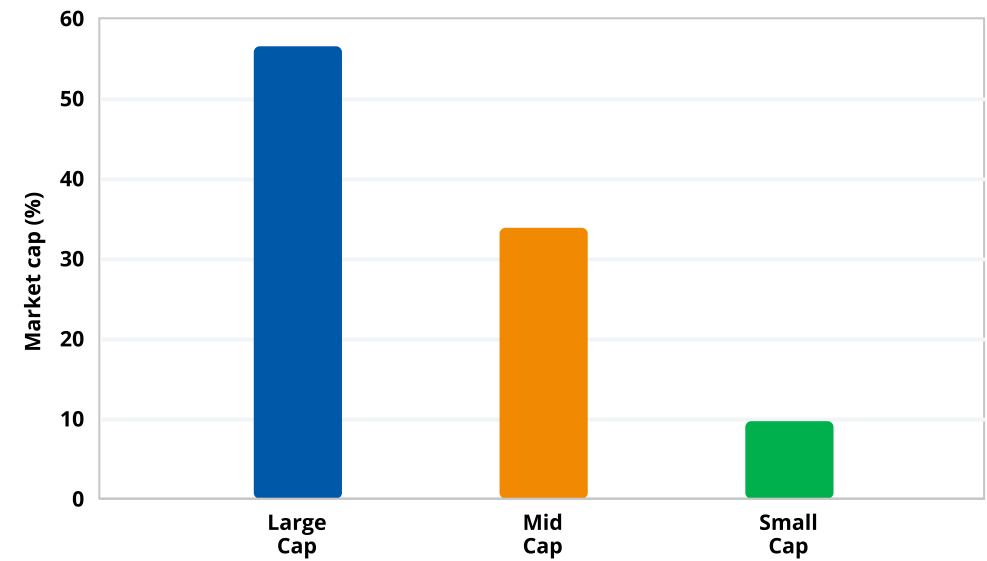
Favoured sectors have a traditional growth and quality focus, which is common amongst ESG funds. Technology, Consumer Staples and Healthcare have traditionally been the 3 largest sector exposures, having accounted for over half of the fund. They regard themselves as structural bears and this is reflected in the sector biases (o/w technology, healthcare, staples, u/w Financials, Energy, Consumer Discretionary). The top 10 holdings are around one third of the fund (so not as concentrated as the Global version of the franchise) and the fund would normally have between 50 and 60 holdings. There is a long standing clear geographical bias, with a large allocation to India and a minimal one to China. This reflects the teams views on the political and business climate within each country, the role of the state and the generally stronger balance sheets in Indian companies.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



BOND
MATURITIES

Not Applicable



BOND
RATINGS

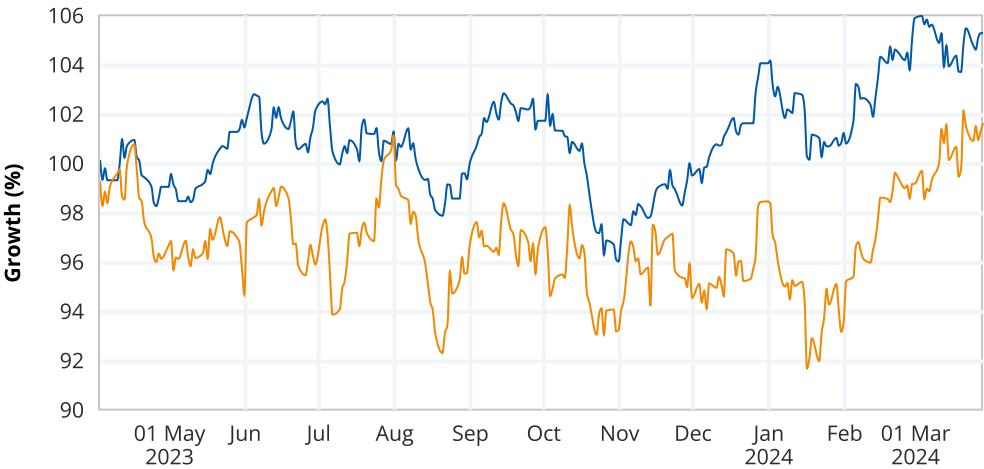
Not Applicable

OVERALL PERFORMANCE

● Stewart Asia Pacific Sustainability B Acc GBP ● MSCI All Country Asia ex Japan Net Total Return GBP

GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



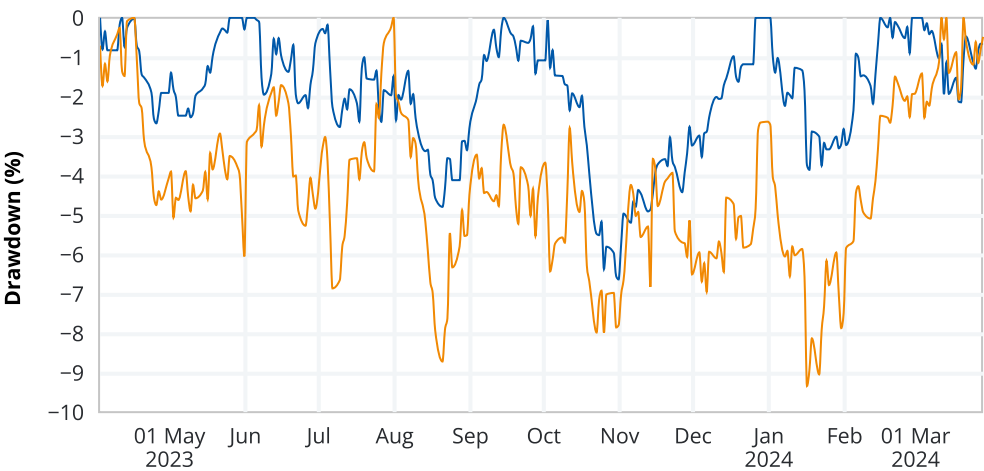
GROWTH (%) - FROM INCEPTION

26 Dec 2005 - 29 Mar 2024



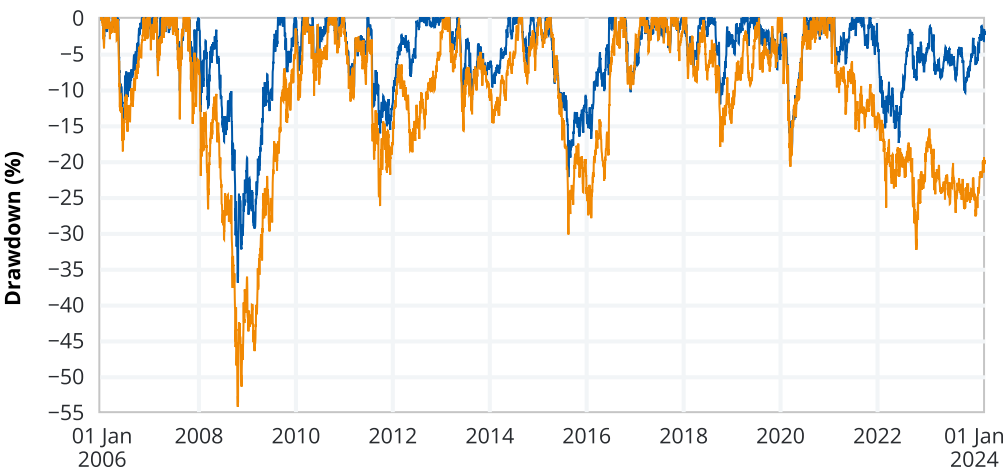
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



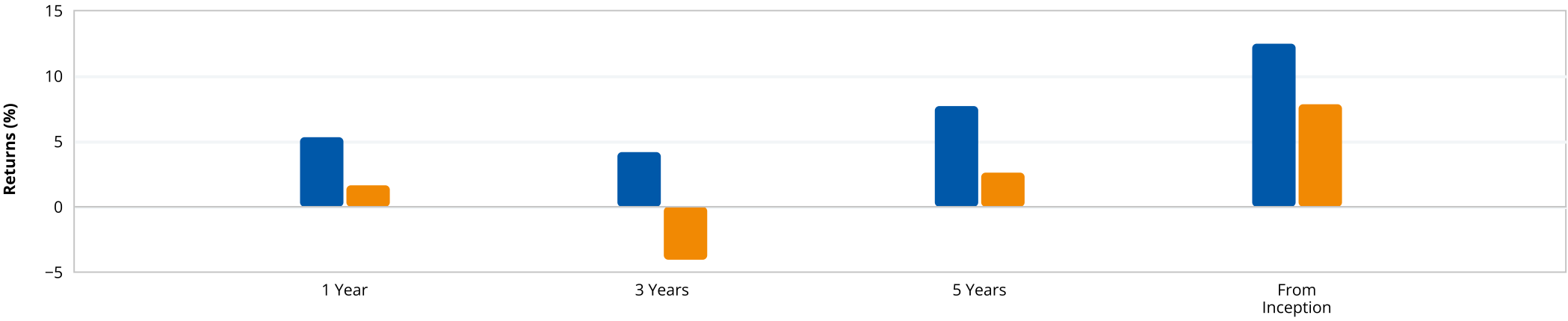
DRAWDOWN (%) - FROM INCEPTION

26 Dec 2005 - 29 Mar 2024



RETURNS

Stewart Asia Pacific Sustainability B Acc GBP MSCI All Country Asia ex Japan Net Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-3.11	4.21	0.20										1.17
2023	2.18	-0.48	-2.17	-0.96	2.74	0.37	-1.32	-1.42	2.39	-5.53	4.06	4.06	3.51
2022	-7.19	-3.30	1.39	0.97	-2.52	-1.22	4.83	7.48	-2.57	-3.57	5.26	-2.97	-4.35
2021	1.29	-1.45	2.28	1.36	0.18	3.10	-1.61	7.52	0.02	-2.79	3.51	1.20	15.18
2020	0.59	-3.81	-10.10	7.96	2.28	7.13	1.06	3.27	3.47	0.74	4.91	4.07	22.21
2019	-1.15	0.30	3.35	1.75	1.94	0.73	3.32	-2.42	0.50	-1.34	-0.36	-1.40	5.13

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Stewart Asia Pacific Sustainability B Acc GBP	5.32	4.18	7.70	12.47
MSCI All Country Asia ex Japan Net Total Return GBP	1.64	-4.05	2.61	7.84

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Stewart Asia Pacific Sustainability B Acc GBP	5.27	13.01	44.67	748.00
MSCI All Country Asia ex Japan Net Total Return GBP	1.63	-11.61	13.71	294.52

● Stewart Asia Pacific Sustainability B Acc GBP ● MSCI All Country Asia ex Japan Net Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	●	●
RETURNS (%)	5.32	1.64
VOLATILITY (%)	9.10	14.49
ALPHA	0.40 *	
BETA	0.47 *	1.00
CORRELATION	0.62 *	1.00
SHARPE RATIO	0.04	-0.22
SORTINO RATIO	0.05	-0.32
MAX DRAWDOWN (%)	-6.63	-9.34

*Calculated over a 3 year period where history permits.

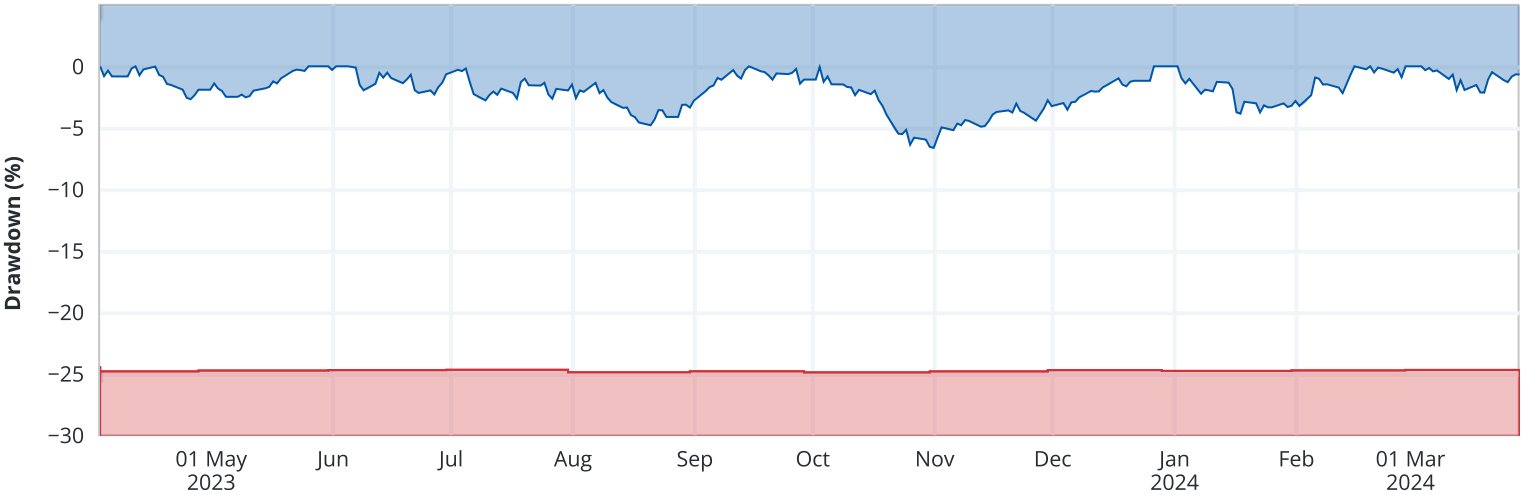
PERFORMANCE - FROM INCEPTION

26 Dec 2005 - 29 Mar 2024

	●	●
RETURNS (%)	12.47	7.84
VOLATILITY (%)	14.02	20.13
ALPHA	0.51	
BETA	0.66	1.00
CORRELATION	0.85	1.00
SHARPE RATIO	0.76	0.30
SORTINO RATIO	1.07	0.42
MAX DRAWDOWN (%)	-36.95	-54.26

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

Stewart Investors Asia Pacific Sustainability Fund - GBP | March 2024

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