

STEWART INVESTORS GLOBAL EMERGING MARKETS SUSTAINABILITY FUND - GBP

INVESTMENT RESEARCH NOTE

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

MARCH 2024

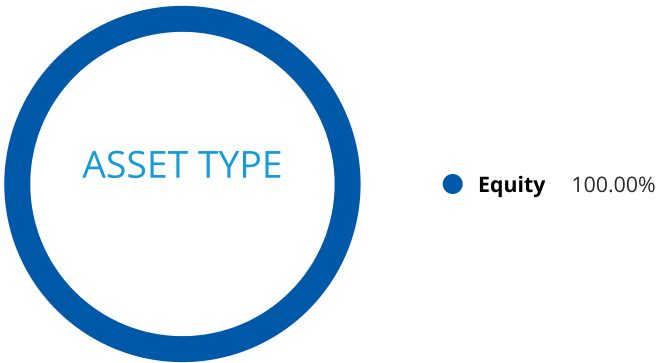
SUMMARY

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 rebranding of the range in Sept 2020. The majority of the assets are invested in the Asia-Pacific region.

The fund is managed by Jack Nelson and David Gait, both based in Sydney, where David also manages the Asia Pacific Fund and supported by the wider global Stewart Sustainability team, spread across 4 offices in Edinburgh, Sydney, Singapore and London. The fund was launched in April 2009 and as of November 2022 the AUM was £389m.

The fund is heavily focused on long term investing in genuinely sustainable franchises. There are long and well established significant geographical and sector preferences which helps to explain the active share level of 90%. The investment process is 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). The Stewart philosophy also concentrates specifically on family culture and governance, with a preference for companies with strong and positive family involvement.

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



INVESTMENT PROCESS

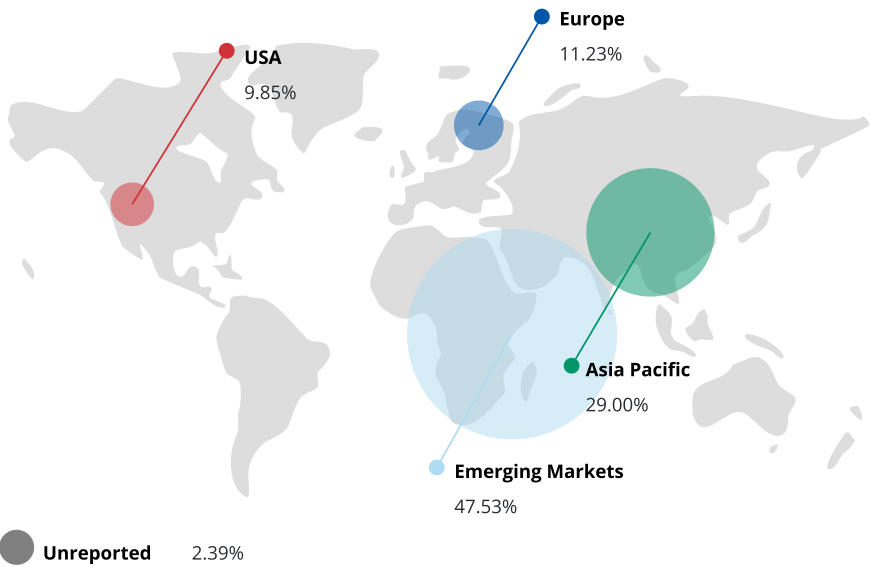
The focus is research heavy with an emphasis on fundamentals and valuation analysis. A 10-year view is taken on all investments, not necessarily through calculating DCFs, but more so by understanding the qualitative aspects of a business, the family culture and sustainable characteristics. SRI research 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.

Research is about finding high quality companies that provide a 'social good' or which contribute to climate change/better environment etc. There is a strong emphasis on 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. The theory on sustainability is built on 4 building blocks all designed to reflect on the underlying quality of the company. Commercial – do the products and services make a valuable contribution to sustainable development. Operational – is the company trying to reduce negative impacts from its operations. 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. The top 10 holdings are around 40% of the fund and there would normally have between 50 and 60 holdings.

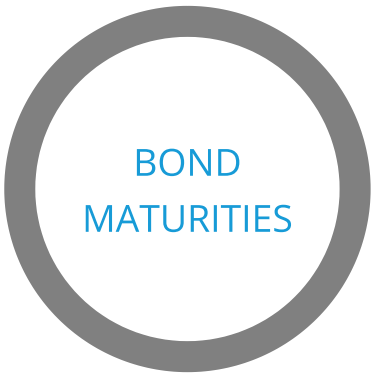
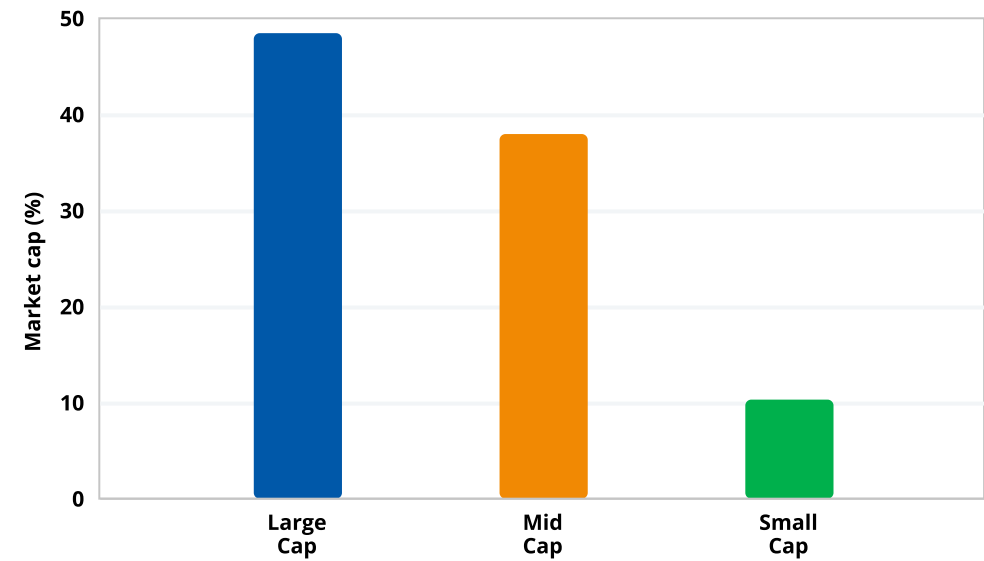
There is a clear geographical bias, with a large allocation to India and a minimal one to China. This reflects the teams views on the political and business climate within each country, the role of the state and the generally stronger balance sheets in Indian companies. Both India and 'growth' show up as the 2 key factors in terms of fund behaviour. The fund is very heavily Asian focused, with minimal exposures to EM markets outside of Asia. There is a strong overlap of holdings with the Stewart Asia Pacific Sustainability Fund, with 7 of the top ten holdings common to both funds. The performance verses the benchmark is heavily influenced by the relative performance of India v China as well as the minimal exposure to non Asian markets. This is an Indian & Asian EM fund, but with minimal Chinese exposure, which reflects Stewart's heritage as a Asia-Pacific focused fund manager.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



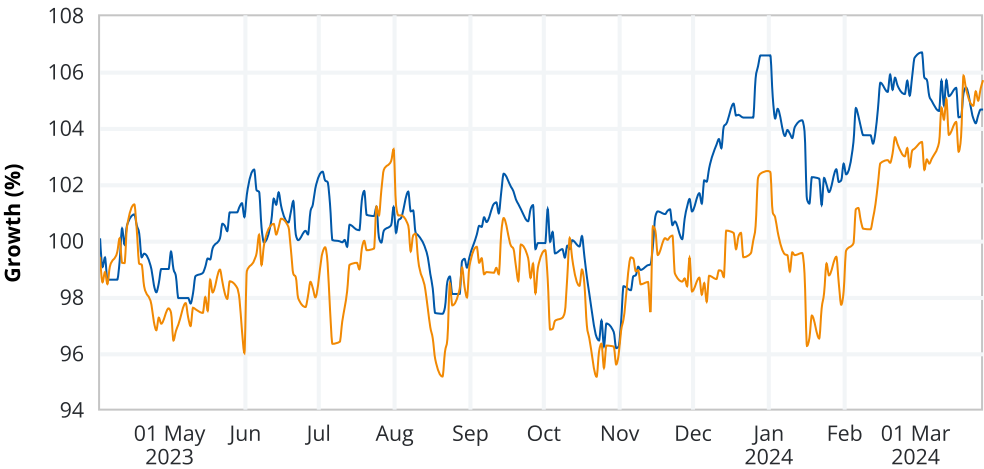
Not Applicable

OVERALL PERFORMANCE

● Stewart Global Emerging Markets Sustainability Fund ● MSCI Emerging Markets Net Total Return GBP

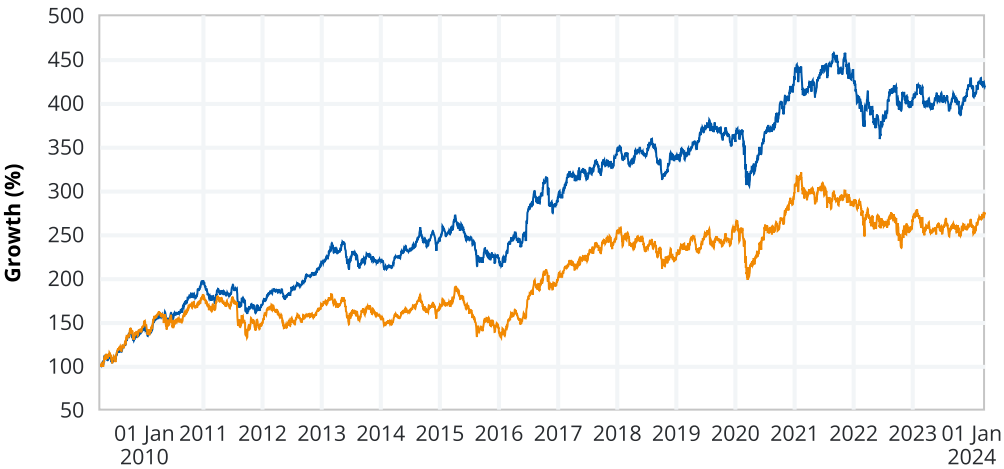
GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



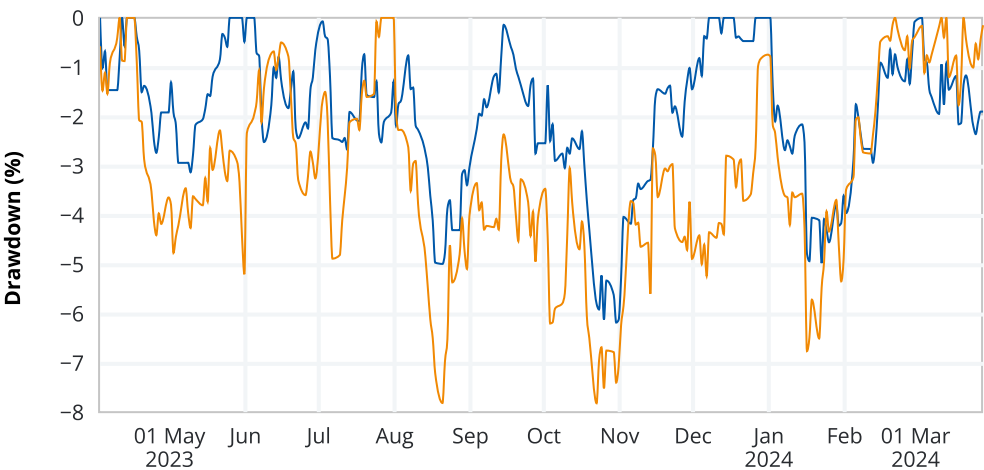
GROWTH (%) - FROM INCEPTION

10 Apr 2009 - 29 Mar 2024



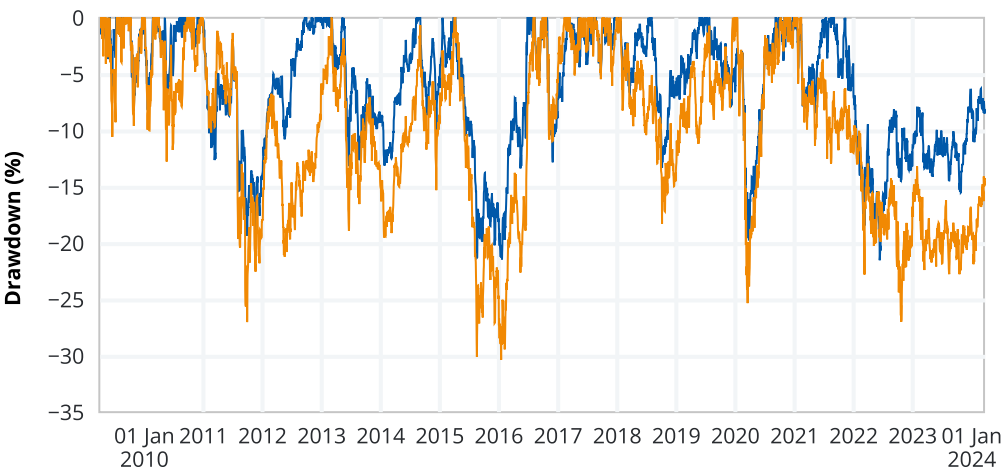
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



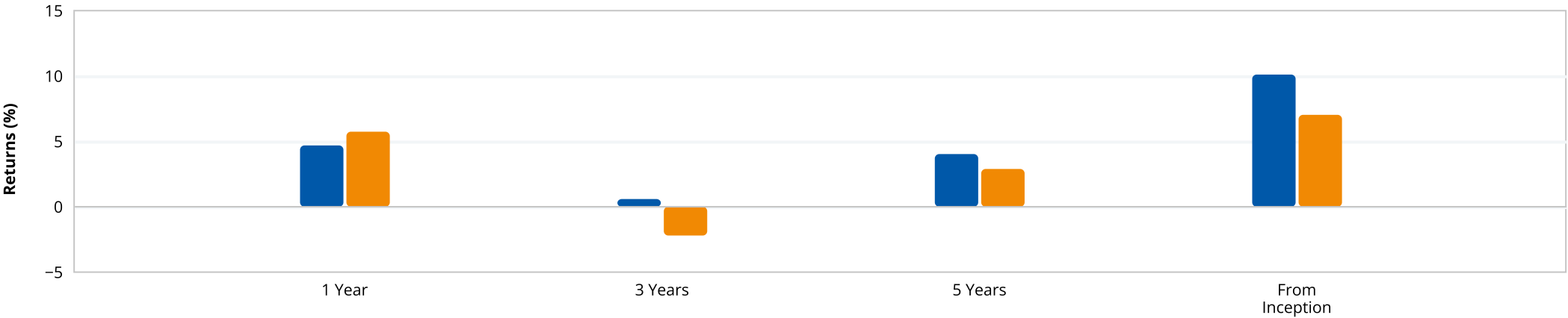
DRAWDOWN (%) - FROM INCEPTION

10 Apr 2009 - 29 Mar 2024



RETURNS

Stewart Global Emerging Markets Sustainability Fund MSCI Emerging Markets Net Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-4.16	3.61	-1.11										-1.80
2023	2.55	0.09	-1.91	-1.01	2.36	0.52	-1.28	-1.50	0.88	-3.73	5.50	5.02	7.31
2022	-7.36	-2.27	1.86	-1.88	-2.23	-2.97	4.03	6.76	-2.80	-2.77	3.56	-2.22	-8.76
2021	0.83	-3.50	0.97	2.02	1.02	3.83	-2.52	5.81	-1.73	-3.45	0.03	1.05	3.99
2020	-0.08	-5.03	-8.38	5.86	2.83	5.39	2.91	1.29	2.80	0.77	3.87	4.56	16.97
2019	0.45	-1.02	2.91	3.03	2.19	1.26	3.24	-1.57	-0.83	-1.48	-0.78	-0.85	6.55

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
	4.69	0.59	4.03	10.11
	5.74	-2.20	2.89	7.03

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
	4.65	1.76	21.78	320.24
	5.70	-6.43	15.25	175.17

● Stewart Global Emerging Markets Sustainability Fund ● MSCI Emerging Markets Net Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	●	●
RETURNS (%)	4.69	5.74
VOLATILITY (%)	9.45	12.81
ALPHA	0.06 *	
BETA	0.55 *	1.00
CORRELATION	0.67 *	1.00
SHARPE RATIO	-0.02	0.06
SORTINO RATIO	-0.03	0.09
MAX DRAWDOWN (%)	-6.18	-7.82

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

10 Apr 2009 - 29 Mar 2024

	●	●
RETURNS (%)	10.11	7.03
VOLATILITY (%)	12.54	16.90
ALPHA	0.39	
BETA	0.69	1.00
CORRELATION	0.84	1.00
SHARPE RATIO	0.72	0.35
SORTINO RATIO	1.03	0.50
MAX DRAWDOWN (%)	-21.52	-30.35

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 Global Emerging Markets Sustainability Fund - GBP | March 2024

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