Indian Subcontinent Sustainability Strategy

Stewart Investors

About Stewart Investors

We are an active, long-only equity investment business with stewardship and sustainability at the heart of our investment philosophy and culture since 1988. As a team, we have been managing explicit sustainability portfolios since 2005.

Investment aim

To generate long-term, risk-adjusted returns for our clients by investing in the shares of high-quality companies that are particularly well positioned to contribute to, and benefit from, sustainable development.

Key facts*

Strategy launch	November 2006
Strategy size	AUD 1,284 million
Lead portfolio manager	Sashi Reddy
Co portfolio manager	David Gait
Investment team	11 analysts
Number of companies	30-60 (current 37)
Active share	90%
Anticipated turnover	20-40%
Investment horizon	5+ years
Market capitalisation	All market capitalisations
Comparator benchmark	MSCI India Index
Country exposure	Companies whose primary listing, incorporation or majority economic activity is in India, Pakistan, Sri Lanka and Bangladesh. No minimum restrictions.
Industry exposure	Any GICS Sector (first level) must not exceed 50%, with the exception of the Consumer Discretionary and Consumer Staples sectors (where the combined exposure should not exceed 50%). No minimum restrictions.

Investment philosophy

- **We are stewards.** Our role is to allocate society's capital to productive uses, in accordance with our Hippocratic Oath.
- **We are long term.** Our time horizon is measured in years, not weeks, and we value companies accordingly.
- **We invest only in companies contributing to a more sustainable future.** We engage constructively as owners to help companies on their sustainability journeys.
- **We invest only in high-quality companies.** We invest in companies with exceptional cultures, strong franchises and resilient financials.
- **We believe capital preservation is important for capital growth.** We define risk as the possibility of the permanent loss of client capital.

This philosophy is proven across strategies and business cycles for nearly four decades.

*Source: Stewart Investors as at 31 December 2023. Data shown for a representative Stewart Investors Indian Subcontinent Sustainability account. Key facts parameters shown are guidelines only and not hard risk limits. This information is provided for illustrative purposes to demonstrate Stewart Investors' activity within the strategy for the period shown. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed mandate would affect results.

What we mean by sustainability

Our process is deeply qualitative, based on fundamental, bottom-up research and analysis of the sustainability positioning of companies. We meet regularly with management teams, conduct site visits, and commission third-party research. Our assessment of company sustainability focuses on:

1. Sustainability positioning of products and services
2. Quality of management and treatment of all stakeholders
3. Operational performance and environmental and social impacts
4. Ability to navigate sustainability headwinds and tailwinds, such as changing regulations and consumer trends

Exclusions
We have a detailed exclusions policy explaining the sectors and sorts of companies we will never invest in.

Engagement
We invest time and energy in engaging and encouraging companies to improve their sustainability practices and product offerings.

Voting
We do not outsource voting decisions or any part of the engagement process; this is a core part of our role.

Visit our website to view our position on harmful and controversial products and services, and our climate change statement.

Top 10 holdings - high conviction

We have a bottom-up approach and aim to invest only in well-stewarded, high-quality companies with sustainability at the heart of all investment considerations. Our portfolios are high conviction (top 10 holdings typically 30%-50%) and are completely benchmark agnostic.

Company	Sector	Portfolio (%)	Index (%)
Mahindra & Mahindra	Consumer Discretionary	8.1	1.6
HDFC Bank	Financials	6.5	4.9
Tube Investments	Consumer Discretionary	6.0	0.4
CG Power	Industrials	5.6	0.3
Kotak Mahindra Bank	Financials	4.6	2.1
Tata Consumer Products	Consumer Staples	3.7	0.6
Aavas Financiers Ltd	Financials	3.6	–
Dr Reddy's Laboratories	Health Care	3.5	0.6
Godrej Consumer Products	Consumer Staples	3.4	0.5
Tech Mahindra	Information Technology	3.4	0.7
		48.4	**11.7**

Source: Stewart Investors at 31 December 2023. Data shown is for a representative Stewart Investors Indian Subcontinent Sustainability account and the MSCI India Index. This information is provided for illustrative purposes to demonstrate Stewart Investors' activity within the strategy for the period shown. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints and those of a similarly managed fund or mandate would affect results. Numbers may not add to totals due to rounding. References to specific securities should not be construed as investment advice to buy or sell the same.

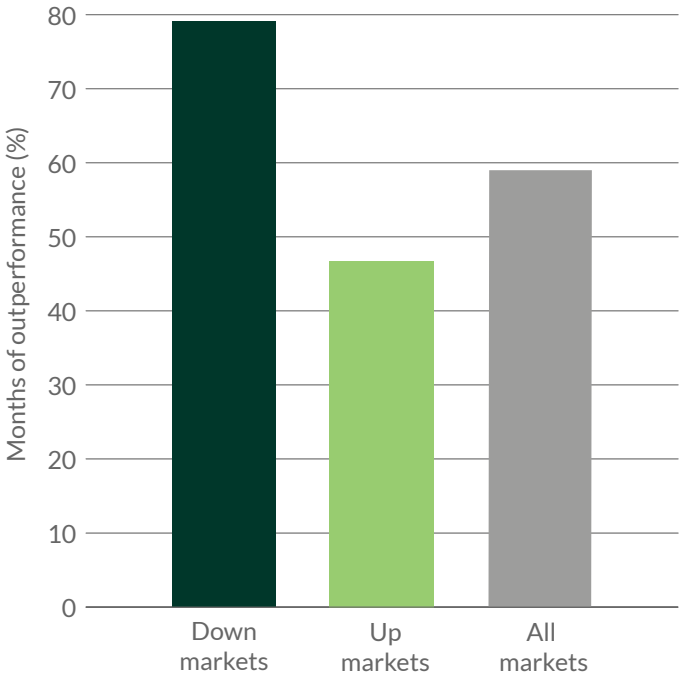
Our interactive Portfolio Explorer tool allows you to explore strategies, companies, countries and sustainability issues of interest in four views – map, Sustainable Development Goals, climate solutions and human development pillars.

Performance objective – capital protection and growth

Our investment philosophy focuses on delivering strong absolute returns over cycles. This focus means that we define risk as the loss of clients' capital rather than in terms of deviation from any benchmark index. As a result, our performance is likely to lag steeply rising markets, but deliver better results in falling markets. We believe this approach has served clients well over time and over cycles.

Annualised performance over periods AUD Composite performance gross of fees - %	Since launch	10 years	5 years	3 years	1 years
Stewart Investors Indian Subcontinent Sustainability	18.8	18.0	15.4	19.8	22.5
MSCI India Index	12.0	13.1	12.8	17.1	20.5
Relative (arithmetic)	6.8	4.9	2.6	2.7	2.0

Investment style - downside protection
Composite outperformance since launch (AUD gross of fees)



Past performance is not a reliable indicator of future results. Investments in funds that make up the Composite may produce different performance returns to the Composite returns.

Source for composite performance: Stewart Investors as at 31 December 2023. Composite performance data is calculated on a total return basis and gross of tax. Performance figures do not reflect the deduction of investment fees and expenses. A client's return will be reduced by the effect of investment fees and expenses. If a client placed AUD100,000 under management and a hypothetical gross return of 10% was achieved, the investment assets before the effect of fees and expenses would have grown to AUD259,374 in 10 years. However, if fees and expenses to the value of 1% were incurred, investment assets would have grown to AUD234,573, or an annual compounded rate of 8.9%. Source for MSCI India Index: FactSet, total returns, gross of tax. Outperformance shown versus the MSCI India Index. Since launch performance calculated from 1 January 2003.

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