

Worldwide Leaders Sustainability Fund top 10 portfolio holdings

as at 31 December 2024



Stewart Investors

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1. Fortinet

USA, information Technology – Cybersecurity hardware and software services.

The company was founded in 2000 by two entrepreneurial brothers Ken and Michael Xie, who have over 30 years of experience in the industry and are large company shareholders. The brothers continue to provide long-term, competent stewardship and remain actively involved in the business.

Listed in 2009, Fortinet has grown at an average of 24% per annum over the last 10 years and is a global leader in their segment. Their products include firewalls, anti-virus, intrusion prevention and endpoint security.

The company is set to benefit from continued structural growth tailwinds, including the rollout of 5G broadband, increasingly distributed enterprises, and greater volumes of data and transactions. Their focus on network security combined with consistently high research & development, helps them maintain a technological advantage.

The business has robust cash generation, the balance sheet has zero debt, and more than half of assets are cash or equivalents.

2. Mahindra & Mahindra

India, industrial group operating in 22 countries.

The heart of the group is the company's dominant tractor franchise. There are few companies better placed to contribute to, and benefit, from India's sustainable development than this, since rural productivity will hinge on greater farm mechanisation.

We are backing a well-regarded steward to allocate capital successfully in nurturing new businesses using existing cash flows. As such, the group is utilising its scale, reputation and capital to cultivate a range of businesses ranging from clean energy to IT-outsourcing and social housing development to inclusive financial services.

The group's palpable sense of purpose and stellar track record give us a lot of comfort on the group's quality, and we can easily imagine Mahindra evolving into a much more diversified conglomerate in ten years' time.

2. Watsco

USA, air conditioning, heating and refrigeration equipment and related parts and supplies.

Watsco is the largest distributor of air conditioning, heating and refrigeration equipment in North America.

The company is founder-stewarded with a long-term mindset at the heart of everything they do.

Their performance based long-term remuneration in restricted stock that only vests on retirement.

Around 70% of the demand for their products is from the replacement market, which is a key enabler of repair and maintenance. The business has robust cash generation, the balance sheet has zero debt, and more than half of assets are cash or equivalents.

4. bioMérieux

France, equipment for diagnosing infectious diseases and screening for cancer.

bioMérieux are a global leader in microbiology (culturing biological samples, identifying microorganisms and measuring resistance to antibiotics) and are growing quickly in molecular biology, including syndromic tests. They provide instruments and solutions that are used for diagnosing infectious diseases, cancer screening, as well as detecting microorganisms in agri-food, pharmaceutical and cosmetic products.

The company benefits from long-term economic stewardship from the Mérieux family who have dedicated themselves to the healthcare sector for generations.

Around 90% of their revenues come from reagents and services which makes this a resilient and predictable business model.

Growth opportunities remain from international expansion, further growth and scale from molecular biology and merger & acquisitions.

5. TSMC

Taiwan, world's largest independent semiconductor foundry.

TSMC has a world-class franchise, manufacturing semiconductor processing chips for and designed by integrated circuit companies. They are market leaders in global foundry, offering the most advanced semiconductor process technology available. The processing chips are essential for a wide variety of end products including smart phones, computers, automotive electronics, artificial intelligence and industrial equipment.

The company benefits from economies of scale, engineering expertise, leading-edge technology, excellent operational execution and high levels of trust from their clients.

Their balance sheet is consistently net cash, cash flows remain strong through the cycle and they continue to invest significantly in research & development.

6. HDFC Bank

India, India's second-largest financial institution after its merger with sister non-bank mortgage lender HDFC.

Founded in 1977 by H.T. Parekh, HDFC Bank is a conservatively managed financial institution that plays a vital role in addressing India's widening rural-urban wealth divide.

The mortgage business is well positioned to serve the country's growing mid-pyramid housing finance segment, which is still under-penetrated and under-supplied.

The Bank continues to capture growth opportunities from rising income levels and greater penetration of banking services.

The HDFC franchise has been built on consistently high asset quality, low default rates and a low cost-to-income ratio.

7. Arista Networks

USA, global leader in networking hardware and software solutions.

Arista is a well-regarded technical founder-chaired young company with a high-quality management team that has executed well.

The company is an innovator that enables the internet and cloud technology to become faster and more efficient. Globally, they have over 9,000 cloud customers.

The business has strong growth tailwinds from digitalisation, artificial intelligence (AI), adoption of the cloud and 5G.

8. Costco Wholesale Corporation

USA, international chain of membership warehouses.

Costco has an attractive long-term culture and a time-tested business model that attaches value to looking after all stakeholders well.

Their warehouses carry quality brand merchandise which they typically sell at substantially lower prices than conventional wholesale or retail sources. Their mission is to help lower costs for small-to-medium-sized businesses that wish to purchase quality merchandise for everyday business use and for resale. Individuals may also purchase items for their personal needs.

The company continues to generate steady growth by increasing its market share, international expansion, and penetration of e-commerce channels.

9. Copart, Inc

USA, online auctions for vehicles.

A founder-led company with family still stewarding the business, Copart has been built with a long-term time horizon evidenced even today in their approach to the international business.

The company provides online auctions for vehicles through its virtual bidding system to insurers, fleet operators, and individuals. Historically a business focused on the United States, they have expanded the businesses internationally. Working to auction cars that have been written off by insurers, Copart refer to themselves as the 'septic tank of the sewer system', providing a necessary service.

They run a scalable auction model, that is bolstered by real infrastructure such as salvage yards that are difficult to replicate.

10. Deutsche Post AG (DHL Group)

Germany, world's largest logistics service provider.

DHL Group is a logistics conglomerate with world leading positions in express, air freight forwarding and e-commerce parcels. Its evolution from German mail has been an extraordinary transformation.

They have demonstrated quality stewardship of a complex business over the years. Their infrastructure, safe balance sheet and leadership in sustainable logistics puts them in a good position to take further market share from competitors.

The company have taken action to reduce the environmental intensity of their services and aspire to do even more. A quality, affordable and reliable logistics network is necessary for sustainable development.

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