Worldwide Sustainability Fund top 10 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. Halma

UK, information Technology.

Halma's underlying businesses are global or national leaders in non-cyclical, niche markets and fit into one of three segments: safety, environment and health.

The company has a consistent record of sticking to its proven mergers & acquisitions (M&A) philosophy, which results in consistently generating excess cash flows which are used to purchase more businesses.

The company is also set to benefit from structural growth tailwinds including urbanisation, growing safety regulation, increasing demand for healthcare, energy and water, whilst at the same time, expanding into emerging markets.

3. 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.

4. Roche

Switzerland, biologic drugs for cancer, MS, rare diseases, plus in-vitro diagnostics.

The business benefits from the long-term stewardship from the Oeri and Hoffman founding families, which have majority voting rights and remain active on the Board. The Hoffmans in particular have a history of sustainability leadership, with Luc Hoffman founding the WWF (World Wildlife Fund) and other family members being vocal about climate change and short-term business thinking.

The business has a strong balance sheet, consistently high returns and industry leading spend on research & development.

Their approach to access to medicines for lower and middle income countries is improving and they are increasingly moving into higher growth segments such as gene therapies.

5. Infineon Technologies

Germany, semiconductors for auto, industrial and power management sectors.

The company is well positioned for a sustainable future, particularly in relation to clean energy and safer, more efficient transport.

The business was spun off from Siemens in 1999 and is led by an experienced and long-tenured management team.

They continue to invest in research & development, in developing their manufacturing facilities and have recently completed a large acquisition, making them one of the top 10 semiconductor manufacturers globally.

6. DiaSorin

Italy, in-vitro (immuno & molecular) diagnostics equipment and reagent kits.

Management are professional, long-term focused stewards who own a large amount of the company following a management buyout.

The franchise has ample barriers to entry in the form of research & development expertise, distribution networks and regulatory hurdles and the company's strong balance sheet demonstrates careful stewardship.

Reagents and consumables form the majority of sales, which are recurring in nature, with typical contracts 3-8 years. Consumable sales are growing due to an expanding installed base and from increasing their testing menu.

The business generates strong cash flow with high returns.

7. Beiersdorf

Germany, skin and personal care plus adhesive products.

The consumer division is best known for its affordable NIVEA skin and body care products, as well as Eucerin, La Prairie and Labello brands. The business is also a global leader in sun care, which has been strengthened by the recent acquisition of Coppertone.

The much smaller industrial division operates independently under the Tesa label and produces tapes and adhesive technologies for the automotive and electronics industry, including, for example, extra-thin adhesive 'foam' tape that can be used to stick parts of mobile phones together and absorb vibrations.

Beiersdorf benefits from the long-term economic stewardship of the Herz family and professional management. The company avoids financial engineering and takes a disciplined and patient approach to acquisitions.

Its strong balance sheet and cash pile should enable it to make competitively-priced acquisitions in a market downturn.

8. Jeronimo Martins

Supermarket operator in Poland (Biedronka), Portugal and Colombia.

The company is over 230 years old and managed by long-term focused stewards, now represented by the fourth generation of the dos Santos family.

In addition to food retail they also operate a number of health and beauty stores, which are expanding online.

Jerónimo has a strong focus on sustainability, including reformulating many of their products to have lower sugar and salt, offering a range of healthy fresh and organic foods, and building strong relationships with local farmers and suppliers.

The balance sheet is robust, and cash flows are strong through the cycle.

9. Edwards Lifesciences

USA, medical products for cardiovascular disease patients.

Edwards Lifesciences is a global leader in heart valves used to treat cardiovascular disease, the number one cause of death globally.

Their products include tissue replacement heart valves and repair products, as well as transcatheter heart valves for higher-risk patients.

The company has a high-quality management team which has a long-term focus, sense of purpose and patient-focused culture.

As a focused and niche player, Edwards Lifesciences benefits from a relatively high investment in research and development versus its competitors, who typically have more diversified end markets.

The company has a net cash balance sheet, high cash flow generation and long-term sustainability credentials.

10. Adyen

Netherlands, facilitator of e-commerce, mobile, and point-of-sale payments.

Adyen has integrated and simplified the payments value chain, enabling it to partner with large merchants which helps to rapidly scale their businesses without the inefficiencies inherent in traditional payment platforms.

The company has been growing extremely quickly, and is a trusted partner to many large global brands, including taking over the E-Bay account from PayPal.

The business has strong cash flows and generates high returns from a low capex business model.

The balance sheet is consistently net cash and the business has been expanding internationally, including working on being granted a banking license in the US.

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