Stewart Investors
Sustainable Funds Group

Asia Pacific and Japan Sustainability Strategy

Investment rationales

31 March 2021

Q1

Investment terms

View our list of investment terms to help you understand the terminology within this document.

01 Advantech

Founder owns approximately a third of the company

Company profile:

Advantech is a global leader in industrial computing. Industrial PCs are a small market compared to PCs or smartphones but they are a key element of the infrastructure in the Internet of Things (IoT) ecosystem which bridges across multiple applications and industries.

What we like:

- Advantech's strong brand name, broad product portfolio and leading market share mean they are likely to benefit from the structural growth in smart manufacturing and the IoT.
- This is underpinned by the rising number of connected devices and the expansion of big data which together drives efficiency gains across multiple industries and sectors.
- The net cash balance sheet and strong free cash flow generation provide resilience and funds for future expansion.

Relevant Sustainable Development Goals:

Advantech have been at the forefront of moving from 'industrial specialised' to 'intelligent specialised'.

Advantech is a highly desirable employer in Taiwan, paying above average wages to around 10,000 employees and offering good prospects for career advancement.

Risk:

We believe that risks to the company include weak demand driven by a slower economy and increasing competition.

Areas for engagement:

- Gender diversity.
- Supply chain due diligence.

02 AK Medical

Founders own close to 60% of the company

Company profile:

AK Medical is a leading medical device manufacturer in China focused on the development and sale of orthopaedic implants, with a particular focus on hip and knee joints.

What we like:

- We are very impressed by the management team's focus on quality and innovation.
- Throughout their history, they have made decisions at the expense of short-term profitability in the name of long-term success: a quality we look for in stewards. One example being AK becoming the first player to commercialise 3D printing in the orthopaedic implant sector in China.
- China's penetration of hip and knee surgeries significantly lags that of the developed world.
- The government has introduced a number of supportive policies that should accelerate market share gains for AK at the expense of imported foreign products.

Relevant Sustainable Development Goals:

Improving the health and quality of life for people in China.

Provide a treatment that is now available to those who might otherwise have been medically unfit to work and forced into permanent unemployment.

Risk:

We believe that risks to the company include government pressure to decrease prices and a change in approach to healthcare spending.

Areas for engagement:

- Investment in research and development.
- Working Capital.

03 Bank Central Asia

Hartono family owns 59%

Company profile:

Bank Central Asia is one of the leading banks in Indonesia with a leading deposit base and strong track record of high quality lending.

What we like:

- Bank Central Asia has the strongest deposit franchise in Indonesia that provides a cost of funds advantage over domestic peers and robust net interest margins.
- Since privatisation after the Asian Financial Crisis the bank has been well stewarded by the Hartono family who have inculcated a strong culture of risk awareness which has led to many years of prudent and profitable growth.
- The low levels of banking penetration in Indonesia coupled with market share gains from public sector competition provide substantial growth opportunities.

Relevant Sustainable Development Goals:

BCA facilitates economic stability and progress.

BCA's mortgage loans help people access the ability to own their own home.

Risk:

Like all financial institutions, we believe risks relate to economic cycles and the direction of interest rates.

Areas for engagement:

- Loans to palm oil sector.
- Financial inclusion.

04 Bank OCBC NISP

Lee family own 20% of OCBC

Company profile:

OCBC NISP is a subsidiary of Oversea-China Banking Corporation of Singapore, a bank that has been stewarded excellently by the Lee family for almost ninety years.

What we like:

- Bank OCBC NISP has been trusted by generations of Chinese in Indonesia for decades.
- This benefits the bank with a stable deposit base from which they can cautiously take advantage of the many profitable lending opportunities across Indonesia.

Relevant Sustainable Development Goals:

Bank OCBC NISP facilitates economic stability and progress.

The ten person board is equally split by gender.

Risk:

Like all financial institutions, we believe risks relate to economic cycles and the direction of interest rates.

Areas for engagement:

- Environmental policies on lending.

05 Centre Testing International

Founder owns 23%

Company profile:

A leading comprehensive third-party agency specialising in testing, calibration, inspection, certification and technical services for industrial and consumer products.

What we like:

- Centre Testing's services play an important role in ensuring product quality and safety standards.
- The company benefits from a number of first-mover advantages that position it favourably to grow market share in a fragmented market and profit from China's rising health, environment and product standards.
- The recent addition of a professional CEO who spent decades with one of the world's leading testing and inspection companies adds to our conviction in the company's quality.

Relevant Sustainable Development Goals:

Improving the health and quality of life for people in China.

Their services add value to society by reducing risk, improving efficiency, safety, quality, productivity, as well as advancing speed to market and creating trust.

Risk:

We believe that risks to the company include increasing competition and poor capital allocation as they look to consolidate a fragmented industry. An operational failure damages their reputation and credibility.

Areas for engagement:

- Capital allocation.

06 Chroma ATE

Founders own 20%

Company profile:

A Taiwanese electronic test and measurement instrumentation company.

What we like:

- Chroma's ability to stay at the forefront of this niche industry for over thirty years is testament to the quality and foresight of the founders and management team.
- The company is well-positioned to benefit from the growth of a number of industries with structural tailwinds: electric vehicles, semiconductors and clean energy.
- Owning companies like Chroma allows us to gain exposure to the underlying growth of attractive industries without having to identify which company within each industry will be the long-term winner.

Relevant Sustainable Development Goals:

Chroma's products are critical to the advancement of industries that will play a pivotal role in reducing the carbon intensity of global economies.

Design of energy efficient products.

Risk:

We believe that risks to the company include falling demand driven by economic slowdown or subsidy programmes within emerging industries.

Areas for engagement:

- Gender equality.

07 Cochlear

Free Float - Run by professional management

Company profile:

Founded in 1981, Cochlear has grown to become a market leader in implantable hearing solutions and has commanded roughly 65% of global market share consistently for the last decade.

What we like:

- Cochlear's significant investment in research & development has created a strong technological advantage and their strong brand is built on trust.
- The business is well placed to support an increasingly aging population in developed markets whilst further growth opportunities exist within emerging markets.
- The service business accounts for more than a quarter of sales which provides recurring cash flows that are set to increase alongside the growing base of implant recipients.

Relevant Sustainable Development Goals:

The WHO has estimated that over 460 million people – over 5% of the world's population – live with disabling hearing loss, which includes 1 in 3 people over the age of 65. With prevalence rates rising, the global cost of unaddressed hearing loss has been estimated at $750 billion per year.

Cochlear collaborates with the world's leading clinicians and researchers to improve patient outcomes and enhance lives, including funding the Cochlear Centre for Hearing and Public Health in partnership with John Hopkins Bloomberg School of Public Health.

Risk:

We believe Covid-19 offers some short-term headwinds for the company due to delayed elective procedures however, we believe the longer term prospects are attractive. Other risks relate to product safety, tightening healthcare budgets and advances in gene therapy.

Areas for engagement:

- Gender diversity.
- Product pricing/Increasing universal access.

08 CSL

Free Float - Run by professional management

Company profile:

CSL is a high quality global franchise that rose to prominence almost 100 years ago when it developed an influenza vaccine during the Spanish Flu pandemic.

What we like:

- The company has a dominant market position in blood plasma derivatives, for which there are no alternatives. It operates one of the world's largest plasma collection networks and is the chosen national plasma fractionator in several Asian countries.
- CSL is also one of the largest global providers of influenza vaccines. It is well placed to capitalise on growth opportunities created by the growing demand for vaccines and plasma-derived products in emerging markets where access to treatment is improving.
- CSL is a highly cash generative company with a reputation for consistently paying impressive dividends to shareholders.
- Management is strong, stable and focused on the safety and security of all CSL products.

Relevant Sustainable Development Goals:

CSL provides blood plasma biotherapies used for treating rare diseases, supporting organ transplants and developing vaccines, and anti-venom serums. During the H1N1 pandemic, CSL donated 1.453 million doses of vaccines to the WHO (World Health Organisation) to help at risk low income countries.

CSL promote research and scientific collaboration and partnerships among academic, and industry research participants. These partnerships often result in shared knowledge, intellectual property or products.

Risk:

We believe that risks for the company include changing government regulations, healthcare reforms, collection processes and product safety.

Areas for engagement:

- Publication of donor data (especially social data) and ensuring proper regulation of their collection practices.

09 Cyient

Founders own 23%

Company profile:

Cyient provides engineering and software design services. Their skills and solutions span multiple industries from aerospace and semiconductors to utilities and medical technology.

What we like:

- Cyient has a strong reputation for solving engineering and IT design problems.
- Their human and financial resources (net cash balance sheet) and strong track record of innovation has enabled them to build a high level of trust with over 3,000 clients worldwide.
- They should be well placed to continue to benefit from growing levels of research & development outsourcing globally.

Relevant Sustainable Development Goals:

Develops new products across multiple industries.

Cyient employs and trains 10,000 people in quality, knowledge driven jobs.

Risk:

We believe risks to the company include exposure to clients that are sensitive to economic cycles and may suffer from delayed new orders and protracted payment terms.

Areas for engagement:

- Accounts receivable.
- Minimising high employee turnover.
- Gender diversity.

10 Dabur

Founding family own 60%. Run by professional management

Company profile:

Dabur is a leading Indian consumer goods company with interests in hair care, oral care, health care, skin care, home care and foods.

What we like:

- Dabur's 130 year history of building valued brands, deep distribution networks and large-scale manufacturing networks have been critical in their ability to generate attractive margins and returns, which are then re-invested back into growth.
- A net cash balance sheet and emerging franchises outside of India provide both resilience and options on further growth.
- Their foods and healthcare businesses are particularly well-positioned to benefit from renewed consumer interest in these categories.

Relevant Sustainable Development Goals:

Natural, health based products.

Leading the drive on reduced and recyclable packaging.

Risk:

We believe that risks to the company include rising competition, weak consumer spending and a cultural drift under a new CEO.

Areas for engagement:

- Reverse factoring.
- Reverse auctions for supplies.
- Colour and weight changes in packaging to improve recyclability.

11 Dr. Lal Pathlabs

Lal family own 42%

Company profile:

One of India's leading medical diagnostics companies, running clinics which administer tests to help determine health conditions.

What we like:

- The powerful combination of family steward and professional management at Dr. Lal's has been vital in ensuring the company's culture and brand is renowned for quality.
- India has significantly underinvested in the diagnostics industry which is an important part of reducing costs elsewhere in the healthcare industry. We believe Dr. Lal can both improve access to healthcare and support the Indian healthcare system to develop in a financially sustainable manner.
- The low base of healthcare penetration and the fragmented nature of the Indian diagnostic industry provides the opportunity for sustainable growth.

Relevant Sustainable Development Goals:

Providing high quality diagnostics to a wider number of people in an efficient and cost effective manner.

Dr. Lal uplifts communities through supporting projects for natural resource conservation, waste management, water management, sanitation and vocational training.

Risk:

We believe risks to the company include new entrants into the industry or existing competitors focusing on price to grow market share.

Areas for engagement:

- Sustainability report and targets.

12 Dr. Reddy's Laboratories

Founding family own c.30%. Professionally managed

Company profile:

Dr. Reddy's is an entrepreneurial generic pharmaceutical company that is committed to providing affordable and innovative medicines. They offer a wide portfolio of products including active pharmaceutical ingredients (API), custom pharmaceutical services, generics and biosimilar.

What we like:

- Under a new, professional CEO, the balance sheet has improved and they are increasingly focusing on parts of the market where they can create significant value.
- This transformation comes with renewed commitment to best-in-class manufacturing standards and improved levels of cash flow that we are confident will continue to grow over the long term.
- The provision of affordable healthcare in both developed and developing markets provides Dr. Reddy's with a long runway of growth.

Relevant Sustainable Development Goals:

The provision of cheaper, high quality medicine.

Strong focus on human capital.

Risk:

We believe that an emerging risk is a resetting of industry supply chains following disruption highlighted by the Coronavirus outbreak.

Areas for engagement:

- Operational standards.

13 Elgi Equipments

Founder owns 32%

Company profile:

Elgi is a leading industrial air compressor manufacturer in India. The company has a product portfolio of over 400 compressed air systems with over sixty years of heritage and reputation.

What we like:

- After many years of investment Elgi can now compete with global multinationals on both quality and efficiency.
- The culture is impressively long-term and ambitious for the size of the company.
- Their time horizon and focus on quality should allow Elgi to continue to gain global market share and benefit from increased industrial and infrastructure expenditure in India and around the globe.

Relevant Sustainable Development Goals:

Innovates new environmentally-friendly products across multiple industries.

A flat, innovation focused culture that is renowned for its high quality engineers.

Risk:

We believe risks to the company include delayed industrial spending.

Areas for engagement:

- Sustainability report and targets.

14 Fisher & Paykel Healthcare

100% Free Float

Company profile:

A world-leading designer, manufacturer and marketer of products and systems in respiratory care, acute care, surgery and the treatment of obstructive sleep apnoea.

What we like:

- A world-class franchise with an outstanding reputation and leading market share across all of their markets.
- Cash flows are resilient thanks to 85% of sales coming from consumable products, while significant investment every year into research and development (R&D) cements technological leadership.
- Their products have a material role in improving quality of life for patients and reducing healthcare costs: a very attractive proposition for healthcare providers globally.

Relevant Sustainable Development Goals:

The provision of innovative healthcare devices that improve the health and quality of life for people all over the world.

Committed to improving environmental management system, reducing greenhouse gas (GHG) emissions and carbon disclosure project.

Risk:

We believe that risks to the company include reduced healthcare budgets and stretched resources from expansion overseas.

Areas for engagement:

- Gender equality.
- Circular economy.

15 Godrej Consumer Products

Family - Founded by Ardeshir Godrej in 1897, with the Godrej family still owning 62% - Adi Godrej is Chair of the Godrej Group and Nisa Godrej is Chair of Godrej Consumer

Company profile:

Godrej Consumer has established itself as a leading emerging markets consumer goods company. The company is a leading supplier of household insecticides, helping millions of people in tropical climates curtail the spread of malaria and other diseases.

What we like:

- The Godrej family, with a 62% stake in the company, provide long-term stewardship and continue to be actively involved in the business.
- The franchise is highly cash-generative, ambitious and innovative, with products launched in the last five years accounting for 70% of revenues and 20% of global growth. Revenues are split evenly between India and international markets, with positive growth momentum in Asia, Africa and Latin America.
- The business culture is built on integrity and trust and the impressive 'Godrej Good and Green' strategy offers a vision for a more inclusive and sustainable India.

Relevant Sustainable Development Goals:

Godrej's personal care products and household insecticides help curtail the spread of malaria and other diseases. In 2016, they commissioned a project to help eliminate mosquito borne endemic diseases, by improving the knowledge and awareness of communities through behaviour change campaigns.

They have ambitious goals to reduce energy use, waste and address the issue of plastic packaging. By 2025, they aim to reduce packaging consumption per unit of production by 20%; ensure that 100% of their packaging material is recyclable, reusable, recoverable or compostable and use at least 10% Post-Consumer Recycled content in their plastic packaging.

Risk:

We believe that risks for the company include international expansion, Mergers & Acquisitions (M&A) and debt. Another risk is issues around financial quality, including the use of complex reverse factoring arrangements and Mauritian tax structures.

Areas for engagement:

- Debt levels. Improving financial quality by reconsidering use of complex tax structures e.g. Mauritian tax structure.

16 HDFC

Free Float - Run by professional management

Company profile:

HDFC is the leading provider of housing loans in India and is one of the strongest and most trusted brands in the country.

What we like:

- Founded in 1977 by the late and visionary Shri H.T. Parekh, HDFC has a strong value system and a vital role to play in addressing the widening rural-urban wealth divide in India.
- The company is well positioned to serve the country's growing mid-pyramid housing finance segment which is still under-penetrated and under-supplied.
- The HDFC franchise has been built on making small loans and the maintenance of consistently high asset quality, with very low default rates and a low cost:income ratio. The ethos and track record of conservative mortgage lending has permeated the company's approach to establishing and operating its insurance, general banking and asset management businesses.

Relevant Sustainable Development Goals:

53% of HDFC's banking outlets are situated in rural or semi-urban areas and their Sustainable Livelihoods Initiative provides financial services and financial literacy training to people at the bottom of the pyramid. This initiative has helped more than 8.1 million households since inception.

Their Sustainable Livelihood Initiative focuses particularly on supporting underprivileged women in rural parts of India. The bank 'firmly believes that by empowering women, we empower family, society and in the ultimate analysis, the nation'.

Risk:

We believe that risks for the company include increasing competition, changes to capital requirements and property price collapses.

Areas for engagement:

- Integration of Environmental, Social and Governance (ESG) principles into lending processes.
- Improving sustainability reporting.

17 Hoya

Family - Founded in 1941, by the Yamanaka brothers - the current CEO is the third generation of the founding family, who continue to own c.2% of the company today

Company profile:

Founded in 1941 in Tokyo, Hoya is a leading global med-tech company, manufacturing lenses for eyeglasses, contact lenses, medical devices as well as key components for semiconductor devices and other electronic equipment.

What we like:

- The current CEO is the third generation of the founding family, who continue to own a small proportion of the company today.
- The business strategy has been to focus on niche industries where they can be a dominant player and use the cash flows from the mature IT business to invest further in life care.
- Hoya have fostered a strong and unique culture, with the majority of employees coming from overseas.
- The business generates strong cash flows, is net cash and benefits from long-term structural growth from an aging population and better access to healthcare in emerging markets.

Risk:

We believe that risks for the company include management succession, cyclicality of the semiconductor and IT business, and increasing competition.

Relevant Sustainable Development Goals:

Hoya's lens business helps improve vision which dramatically improves people's quality of life as well as supporting mental well-being. Hoya also donates one euro for each pair of Hoyalux iD premium multifocal lenses sold to OneDollarGlasses, a charity organisation dedicated to helping people to receive affordable glasses that can improve their quality of life.

Correcting people's vision advances socio-economic development through increased participation and productivity by allowing children to flourish at school and adults to succeed in the workplace.

Areas for engagement:

- Gender diversity.
- Improved sustainability reporting.

18 Hualan Biological Engineering

Founder owns 46%

Company profile:

A biopharmaceutical company engaged in the research, development, production and commercialisation of blood plasma products. Also the largest manufacturer of influenza vaccines in China.

What we like:

- The company's leadership in intellectual property intensive industries is the result of continued investment in quality control and a relentless focus on innovation.
- Going forward, increased diagnoses rates should drive demand for plasma-based therapies.
- Consumption of immune system boosting therapies and haemophilia products are roughly 14x and 8x larger in the US than in China. This suggests a significant growth opportunity for Hualan.

Risk:

We believe that risks to the company include an operational accident harming government trust in the business.

Relevant Sustainable Development Goals:

Improving the health and quality of life for people in China.

One mission is to provide employees with a good working environment and compensation.

Areas for engagement:

- Related party transactions with subsidiaries.
- No sustainability report. Corporate Social Responsibility (CSR) not updated since 2016.

19 Info Edge

Founder Sanjeev Bikhchandani owns 26%

Company profile:

Info Edge dominates online classified advertising in recruitment, matrimony, real estate and education in India.

What we like:

> Prudent, patient and ambitious management whom have conservatively built dominant franchises in key online classified advertisements and are well placed to benefit from the rapidly expanding acceptance and use of online services in India.

Relevant Sustainable Development Goals:

Enabling access to jobs, matrimony and real estate are core elements of a stable community.

85% of the annual corporate social responsibility budget, which is 2% of profits, are spent on educational endeavours.

Risk:

We believe risks to the company include rising competition from larger overseas brands.

Areas for engagement:

> Bonus share issuance.

> Sustainability reporting on operations.

20 Infosys

Founder stewarded board

Company profile:

Infosys is an Indian global consulting and IT services company.

What we like:

> Alongside a founder stewarded board, we believe a new professional management team can ensure Infosys maintains its strong position in helping clients evolve their business models so as to be fit for purpose in the 21st century.

> Infosys has a high quality net cash balance sheet as well as cash flows that are resilient and enjoy long-term structural growth from increasing corporate spend on digitizing their businesses.

Relevant Sustainable Development Goals:

Infosys plays a critical role in helping companies to transform their business models in the face of advances in software and computing technology as well as multiple sustainability headwinds.

Infosys believes in lifelong learning for its employees and invests substantial amounts into continuingly re-skilling their workforce.

Risk:

Slowdown in technology spends.

Areas for engagement:

> Diversity and succession.

21 Koh Young Technology

Founder owns 19%

Company profile:

Koh Young designs, innovates and manufactures 3D measurement and inspection solutions.

What we like:

- Customers of Koh Young use its equipment to detect and diagnose defects in their manufacturing processes.
- Many such customers – in automotive, electronics and advanced manufacturing industries – are producing high value items which require accuracy at minute scale to ensure production runs smoothly with minimal waste.
- The company consistently invests well over 10% of sales in research and development and 90% of sales are outside Korea, indicating the quality of the products. They also service devices producing a recurrent revenue stream.

Relevant Sustainable Development Goals:

Develops more accurate machines for inspection to save cost and improve quality for customers.

One of the most employee-friendly working cultures in Korea with an appreciation of the importance of health and stress.

Risk:

We believe risks relate to the underlying cyclicality of customers' orders and increased competition as peers invest in 3D technology.

Areas for engagement:

- Sustainability reports and targets.
- Greater financial transparency.

22 Kotak Mahindra Bank

Founder owns around 30%

Company profile:

Founded in 1986 in Mumbai, Kotak Mahindra Bank is one of India's leading full-service financial conglomerates, offering retail banking, securities, investment banking, insurance, microfinance and asset management services.

What we like:

- Long-term stewardship is provided by promotor and managing director Uday Kotak while most of the management team have served the company for more than 15 years.
- Built on principles of simplicity and prudence, Kotak Mahindra is regarded as one of the most efficient and high-performing banks in India.
- The business is well positioned to capture growth opportunities from rising income levels and greater penetration of banking services (still only 50% of the population) in India.

Relevant Sustainable Development Goals:

Kotak Mahindra Bank offer low cost products and services for the unbanked and under-served sections of society, particularly in rural India. For example, they offer deposit accounts with no minimum balance requirements and simple know-your-customer (KYC) on-boarding.

Its microfinance business lends primarily to rural women involved in agricultural communities. They have also established the Kotak education foundation, which focuses on supporting the educational needs of underprivileged boys and girls.

Risk:

We believe that risks for the company include succession, competition from the granting of new banking licenses and capital losses in riskier areas of the business, such as investment banking and asset management.

Areas for engagement:

- Integrating Environmental, Social and Governance (ESG) principles in their lending procedures.
- Risks relating to the investment banking business.

23 Mahindra & Mahindra

74% Free Float and now run by the 3rd generation of the family

Company profile:

One of India's most respected and successful industrial groups.

What we like:

- The heart of the group is the country'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.

Relevant Sustainable Development Goals:

Provider of affordable finance and financial products for rural communities.

Agricultural machinery improves productivity and supports India's sustainable development.

Risk:

We believe the company faces risks of continued capital allocation to weak businesses such as autos and commercial vehicles and an inability to transition quickly to an electric vehicle world.

Areas for engagement:

- Better capital allocation and diversification away from businesses with sustainability headwinds.
- Diversity in senior management.

24 Mainfreight

Founder, Chair and cultural steward, Bruce Pelsted, owns 16% of the company. Senior management also own material stakes.

Company profile:

Mainfreight is a full service logistics provider based in New Zealand with operations across Australasia, Europe, Americas and Asia.

What we like:

- In a people-heavy, relationship-dependent business like logistics our experience is that the great operators have truly unique, long-term, cultures. Mainfreight has one of the strongest, most tangible, cultures we have come across. On top of their impressive track record and attractive fundamentals we believe Mainfreight's culture should allow them to continue to flourish in New-Zealand while growing in the, much larger, fragmented markets of Asia and the US.

Relevant Sustainable Development Goals:

Mainfreight is focused on improving energy efficiency at its facilities and offers services that allows their customers to improve their own energy efficiency targets.

Mainfreight plays a crucial role in monitoring the flow of goods through national borders.

Risk:

We believe succession and a lack of scale in Asia and North America are potential risks for the business.

Areas for engagement:

- Improving gender diversity.

25 MANI

Matustanis family own 30%

Company profile:

Mani is a manufacturer of medical instruments for surgical, dental and ophthalmic procedures. The company combines innovative research & development (R&D) with low cost manufacturing systems in Vietnam, Myanmar and Laos.

What we like:

- Mani's reputation for quality and superior products has allowed it to develop leading positions in a number of niche surgical areas.
- With the introduction of a new professional CEO who is focusing on establishing a sales culture to match their manufacturing capabilities, we believe Mani to be very well positioned to benefit from the structural growth of the dental and ophthalmic industries in China and India.

Relevant Sustainable Development Goals:

Essential, high quality medical products.

A focus on nurturing human capital through engagement, training and development.

Risk:

We believe risks to the company include government pressure on healthcare budgets.

Areas for engagement:

- Capital allocation.
- Improving the diversity of the Board.

26 Marico

Family - Founded in 1971 by Harsh Mariwala who remains the Chair - the family owns c.53%

Company profile:

Marico can trace its roots back to 1971 when its founder Harsh Mariwala graduated and joined the family business, Bombay Oil Industries.

What we like:

- Mr Mariwala had envisioned a branded Fast Moving Consumer Goods (FMCG) market for coconut oil and refined edible oils in small consumer packs, and set up a nationwide distribution for the Parachute brand.
- Over the years, Marico branched into shampoos, deodorants, skin care and healthy breakfast oats. It also set up copra collection centres to procure directly from farmers, increasing farmers' margins by eliminating intermediaries (they also pay their raw material suppliers within a day).
- Today Marico continues to expand within India and is also steadily building a business in Bangladesh and other emerging markets across South East Asia, Africa and the Middle East.
- We believe that the company should benefit from strong sustainability tailwinds as it contributes to improved personal hygiene and healthier foods.
- It also operates responsibly with a broad and inclusive commitment to serving all stakeholders and improving the lives of ordinary people.

Relevant Sustainable Development Goals:

Marico's products help to improve the health, hygiene and well-being of more people, mostly in India and South Asia, Southeast Asia, Africa and the Middle East, by providing hair, skin and other personal care products, coconut and other edible oils, health foods and fabric care products.

Marico support farmers in their supply chain through productivity improvement programmes, research and training to help improve overall agricultural yields. They also provide ongoing financial, agricultural extension and cooperative establishment support to increase supply chain resilience and socioeconomic position of smallholder farmers.

Risk:

We believe that risks for the company include copra prices, changing consumer preferences and views on the health giving qualities of coconut oil.

Areas for engagement:

- Gender diversity.
- Reducing plastic packaging.

27 MediaTek

Founder owns 5%

Company profile:

MediaTek is the world's fourth largest global fabless (outsources production) semiconductor company that designs chips for wireless communications and home entertainment. Their chips are estimated to power more than 1.5 billion devices a year and over 2 billion TVs around the world.

What we like:

- MediaTek has an enviable history of reinvention.
- The firm attracts high quality design engineers from universities in Taiwan and steeps them in a culture of innovation, creation and invention.
- Sales are focused on the large market in China rather than western markets like many of its Taiwanese peers and so MediaTek is somewhat isolated from the US-China tensions.
- MediaTek is well placed to benefit from the roll out of 5G technology and the many opportunities that higher bandwidth and faster internet access implies.

Relevant Sustainable Development Goals:

MediaTek trains and employs 17,000 people.

Optimising energy efficiency of chips.

Risk:

We believe risks to the company include political risk and technological substitution.

Areas for engagement:

- Gender diversity.
- Supply chain due diligence.

28 Naver

Founder Hae-Jin Lee owns 4%

Company profile:

Naver is the dominant internet search business in South Korea. Naver also provides messaging services to customers worldwide.

What we like:

- Management are successfully building on their reputation and cashflows from their dominant search engine to develop the franchise into a customer-to-customer e-commerce and payment platform in a determined and conservative manner.
- As seen in most markets, Covid-19 has accelerated the structural trend of consumers and businesses, shifting their time and money online. Naver has been a major beneficiary of this development with growth in users expanding at very healthy rates. We believe that this is a trend that is unlikely to reverse.

Relevant Sustainable Development Goals:

Telepresence reduces need for travel.

Sought after employer (https://www.navercorp.com/en/naver/award).

Risk:

We believe risks to the company include stronger competition from Google and/or a greater focus on South Korea by larger competition from China.

Areas for engagement:

- Gender diversity.
- Capital allocation.
- Sustainability report.

29 Philippine Seven

President Chain Store Corporation Taiwan own 52%

Company profile:

Philippine Seven operates around 3,000 7-Eleven convenience store franchises.

What we like:

- The Filipino retail market remains in its infancy with traditional small, family-owned or independent businesses making up 70% of the market and convenience stores only 3%.
- The 7-Eleven franchise is trusted and respected around the world and is likely to flourish in the Philippines as the retail format matures and economies of scale flourish.
- Over time and across countries, convenience stores have proven themselves to be very resilient businesses as they provide necessities to millions of consumers with minimal credit risk.

Relevant Sustainable Development Goals:

Providing convenient, affordable everyday necessities.

Invest in fostering an inclusive culture and provides first-class retail-level training and recruitment.

Risk:

We believe risks to the company include a slowing economy and growing competition from other convenience store formats.

Areas for engagement:

- Distribution of tobacco and products rich in sugar.

30 Pigeon

Founding family own 9% - Run by professional management

Company profile:

Pigeon is one of the best known and most trusted Japanese baby care brands, selling infant, mother and elderly care products, as well as offering childcare services.

What we like:

- Pigeon offers a unique business model that creates consumer trust and loyalty via early brand exposure in pregnancy, reinforced by engagement with healthcare professionals and partnerships with medical facilities and lactation consultants.
- The company actively promote breastfeeding in line with WHO (World Health Organisation) guidelines and offer seminars and breastfeeding advice in hospitals and maternity clinics.
- With a leading market share in Japan and expanding sales in China and throughout Asia, we believe Pigeon is well placed to benefit from structural long-term growth as income levels rise worldwide.
- The business has a solid, net cash balance sheet, strong cash flows, high margins and reasonable returns on capital.

Relevant Sustainable Development Goals:

Pigeon's products and advice services help support mothers and babies to successfully breastfeed and they have also developed specialised feeding products for low-birth-weight and babies with special needs. This includes nipples for babies with weak suckling strength and bottles for babies with cleft lips and palates.

Pigeon's nursing products, including bottles and weaning products as well as their child care services help support mothers in returning to work.

Risk:

We believe that risks for the company include replicating the business model overseas and increasing competition. However, we believe their conservative financial approach and focus on innovation and quality bode well for future success.

Areas for engagement:

- Gender diversity on the Board.
- Access to products for families on lower incomes.

31 Shenzhen Inovance Tech

Founders own 49%

Company profile:

Manufacturer and distributor of industrial automation control products, power inverters and components for electric vehicles and trains.

What we like:

- Shenzhen Inovance is a leading provider of industrial automation.
- The company was founded by a partnership of engineers that developed their passion for engineering and business at Emerson Electric.
- The partners have successfully developed a culture of engineering excellence that promotes customer-focused innovation.
- In addition to a large domestic market where Inovance is able to take market share, the company has a strong history of leveraging their engineering skills in new industrial areas as well as developing their overseas capabilities.

Relevant Sustainable Development Goals:

Innovation in electric vehicles, trains and smart factories.

Provide strong training and career prospects.

Risk:

We believe risks to the company include an increase in accounts receivables and bad debts from slowing economic momentum.

Areas for engagement:

- Working capital management.
- Future ownership and governance structure.

32 Silergy Corp

Founders own 25%

Company profile:

Silergy is a designer and manufacturer of analog integrated circuits focused on power management.

What we like:

- Silergy is one of China's leading analog chip players that is well placed to benefit from the growing ubiquity of semiconductors in the industrial and automotive sectors.
- Amidst ongoing US-China trade tensions, there is a strong tailwind to many Chinese businesses benefiting from localisation, Silergy's ability to grow quickly whilst generating attractive returns mean it is likely to gain market share in what is currently a very fragmented market.
- Their technology plays an important role in improving energy efficiency and reducing energy consumption thus contributing to sustainability outcomes.

Relevant Sustainable Development Goals:

Innovates new environmentally-friendly products across multiple industries.

Design of energy efficient products.

Risk:

We believe risks relate to the underlying cyclicality of end demand as well a deterioration in relationship with key suppliers.

Areas for engagement:

- Supply of engineering talent.
- Reporting on their positive energy efficiency impact.

33 Sundaram Finance

Santhanam family own 36%

Company profile:

Sundaram Finance is a leading and trusted provider of loans for vehicle and property financing, which also provides insurance.

What we like:

- Sundaram is a leading player in many markets with long-term structural growth.
- Their impressive sixty year track record has allowed them to build a strong brand with borrowers and a reputation for safety with their lenders.
- Their asset quality is consistently one of the best in India which increases the resilience of the franchise to economic cycles and builds inter-generational customer trust.

Relevant Sustainable Development Goals:

Finances entrepreneurial endeavour.

Sundaram help entrepreneurs access critical financing to support and grow their businesses.

Risk:

Like all financial institutions, we believe risks relate to economic cycles and the direction of interest rates.

Areas for engagement:

- Preferential lending rates for environmentally friendly vehicles.
- Sustainability reporting.

34 Syngene

77% owned by Biocon

Company profile:

Syngene is an Indian contract research and manufacturing company. It provides drug discovery and production services to large pharmaceutical companies.

What we like:

- Over 25 years, they have established a strong track record and reputation, reflected in their working with 8 out of 10 of the largest pharmaceutical companies in the world.
- Syngene's 4000 scientists help make the development of new medicines cheaper and more efficient.
- The advantages of outsourcing these services to India means Syngene is likely to continue to be able to deliver healthy growth.

Relevant Sustainable Development Goals:

Improves the accessibility of life-saving innovation worldwide.

Provide outsourcing services of the drug discovery, testing and commercialisation process(es) to companies in order to optimise their research and development spending.

Risk:

We believe risks to the company include competition with world-leading companies that specialise in single service elements and a lack of IP ownership when servicing clients.

Areas for engagement:

- Broadening client base.

35 Taiwan Semiconductor (TSMC)

87% Free Float, 6% owned by the Taiwan government and the rest is employees

Company profile:

TSMC is the world's largest independent semiconductor foundry, offering the most advanced semiconductor process technology available in the world (currently 5-nanometer capabilities). The company manufactures and sells integrated circuits that are used in a wide variety of end products including smart phones, PC's, automotive electronics and industrial equipment.

What we like:

- TSMC has roughly 50% of the market share in global foundry, which is more than double the level of its nearest competitor, Samsung.
- The company benefits from economies of scale, 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 and development (R&D).

Relevant Sustainable Development Goals:

TSMC chips are a core component of innovative technologies helping to improve lives across various domains (e.g. smart phones, electric and autonomous vehicles, Internet of Things (IoT)). They spend c.9% of sales on R&D and have over 34,000 global patents.

TSMC pay above average wages (in the top 25% of the industry) and the average monthly salary of direct labour in TSMC's facilities in Taiwan is 3 times higher than minimum wage.

Risk:

Risks relate to technology maturity (Moore's law), trade wars (particularly between China and the US), increasing competition and a general economic slowdown.

Areas for engagement:

- Due diligence in their supply chain (including 3TG conflict minerals).
- Gender diversity.

36 Tata Communications

49% owned by the Tata Group

Company profile:

Tata Communications is a provider of basic network and digital infrastructure for enterprise customers.

What we like:

- Tata Communications is part of the renowned Tata Group, whose stewardship and code of ethics instils a strong sense of commitment to sustainability, community and the ethos of the group.
- The company is well positioned to evolve into designing and managing complex IT networks of corporations.
- An improving balance sheet, alongside better margins and lower capex can be a powerful driver of cash flows.

Relevant Sustainable Development Goals:

Provider of basic network and digital infrastructure for over 7,000 enterprise customers globally.

Tata's communications network spans more than 500,000 kilometres of subsea fibre and more than 210,000 kilometres of terrestrial fibre.

Risk:

We believe risks for the company include an inability to turnaround a primarily utility type culture; and risks posed by the Indian government as a regulator and shareholder.

Areas for engagement:

- Diversity in senior management.
- Roadmap to 100% renewable energy consumption.

37 Tata Consultancy Services

Foundation - Run by professional management and 72% owned by the Tata Trust

Company profile:

TCS has evolved, prospered and established itself as a leading Asian and global IT and business consulting franchise.

What we like:

- The company is the jewel in the Tata Group crown, and the Tata code of ethics instils a strong sense of commitment to sustainability, community and the ethos of the group.
- A culture of long-term thinking has enabled the management to develop a highly devolved business model to manage growth, cope with scale, and ensure the highest possible level of employee engagement.
- The company is well positioned to benefit from and contribute to innovation and informational, operational and resource efficiencies created by the digital economy.
- TCS has become integral to the functioning of many US and European corporations and earns most of its revenues in hard currencies

Relevant Sustainable Development Goals:

TCS is an enabler of efficiency and innovation, is a large employer and investor in the economy and is one of the largest employers of women in the Indian private sector.

TCS helps to strengthen digital infrastructure and help enhance productivity and efficiency, of a vast array of public sector bodies and corporates in developed and developing countries.

Risk:

We believe that risks for the company include slower revenue and margin growth if corporate IT budgets and projects are scaled back or delayed in a global economic downturn.

Areas for engagement:

- Diversity on the Board and management team.
- Reconsidering the practice of issuing bonus shares.

38 Tata Consumer Products

Tata Sons owns 30%

Company profile:

Tata Consumer Products is an Indian consumer company focused on beverages, pulses, spices and salt.

What we like:

- A recent management transition and renewed focus on India sets the company on a strong trajectory to improve its profitability, returns on capital and balance sheet.
- We believe Tata Consumer Products has a unique opportunity to leverage the Tata brand, known for excellence, to become a diversified world-class consumer products company.

Relevant Sustainable Development Goals:

Focus on four areas - Sustainable Agriculture and Forestry; Energy efficiency and renewability. Ranked 6th in the Carbon Leadership Disclosure Index (CDLI).

Reduced water usage in coffee production by 82%.

Risk:

We believe risks to the company include a failure to realise management synergies.

Areas for engagement:

- Renaming of company from Tata Sons.
- Working conditions in tea plantations.
- Packaging efficiency.

39 Tech Mahindra

Family - 29% owned by Mahindra & Mahindra Limited which is owned by the Mahindra family

Company profile:

Tech Mahindra is a leading provider of digital transformation, consulting and IT services, and is part of the renowned Mahindra Group. The company emerged as a technology outsourcing business in 1986 following a joint venture with British Telecommunications (later BT Group), and became known as Tech Mahindra in 2006.

What we like:

- In 2009, the Mahinda Group bid successfully for the much larger Satyam Computer Services after it collapsed in one of India's highest profile corporate accounting scandals.
- The company now provides an extensive range of IT and networking solutions, including the integration of cleaner energy technologies with existing transmission and distribution infrastructure.
- Tech Mahindra has become a leader in the delivery of smart grid solutions and advanced metering infrastructure in India and are expanding their 5G and IT related offerings.
- They should benefit from the trends towards digitalisation, automation and artificial intelligence.

Relevant Sustainable Development Goals:

Tech Mahindra is an enabler of efficiency and innovation, helping companies to future proof their business via digitalisation and automation.

Tech Mahindra's 'Green and Sustainability' solutions help reduce the ecological footprint of their customers through offerings such as green data centres, enterprise energy and carbon management systems through to smart grids and environmental compliance.

Risk:

We believe that risks for the company include slower revenue and margin growth if corporate IT budgets and projects are scaled back or delayed in a global economic downturn.

Areas for engagement:

- Gender diversity.
- Executive remuneration.

40 Techtronic Industries

Pudwill family own 23%

Company profile:

Techtronic designs, manufactures and markets power tools, outdoor power equipment, accessories, hand tools, layout and measuring tools and floor-care appliances.

What we like:

- Techtronic is dominant internationally in an array of power, hand, measuring and trade power tools for both home and commercial use.
- They have ownership of strong brands in consolidated areas which results in pricing power.
- We believe they are in a good position to grow organically and by acquisition.

Relevant Sustainable Development Goals:

Employs 34,000 people.

No emission cordless drills. 39% reduction in product packaging. +200% increase in battery collection for recycling.

Risk:

We believe risks to the company include lower cost competition from China and economic cyclicality.

Areas for engagement:

- Gender diversity.
- Cobalt in the supply chain.

41 Tokyo Electron Limited

Free Float, with founder Tokyo Broadcasting System still having a residual ownership.

Company profile:

A global leader in the supply of semiconductor production equipment (SPE), manufacturing coating, etching and depositing machinery for the semiconductor and flat panel industries.

What we like:

- The SPE industry is highly consolidated and Tokyo Electron holds ~85% share in the 'photoresist' segment. Photoresist is one of the key steps in the semiconductor manufacturing process where a light-sensitive material is deposited and then the relevant areas are exposed to light.
- The steps in the semiconductor process are relatively straightforward, but certainly not easy and require significant investment to increase production yield, reduce transistor sizes and ultimately lower the cost of semiconductors.
- Tokyo Electron's products play a central role in tomorrow's world of 5G communications, autonomous vehicles, industrial automation and the Internet of Things (IoT), among others, helping to build a more productive and affluent society.
- It is a company with high barriers to entry, a strong culture, and a conservative approach to the balance sheet, with zero debt.

Relevant Sustainable Development Goals:

Tokyo Electron's products are a core component of innovative technologies helping to improve lives across various domains (e.g. 5G communications, smart phones, autonomous vehicles, industrial automation and the Internet of Things). They spend c.9% of sales on research & development (R&D) and have over 18,000 global patents.

They are working to reduce their per-wafer emissions of CO2 and have a target to reduce these emissions by 20% by fiscal year 2025. Their waste-reduction initiatives have resulted in recycling rates at sites in Japan in fiscal year 2020 being 98.9%.

Risk:

We believe risks for the company relate to economic cyclicality, customer concentration (Samsung ¼ of sales) and technological disruption (Moore's law).

Areas for engagement:

- Gender diversity.
- Further promoting the circular economy.

42 Tube Investments

Founding family own 48%

Company profile:

Manufactures and markets bicycles, precision steel tubes and metal formed products in India and internationally.

What we like:

- The Murugappa family stand out for their stewardship, which has resulted in a careful attitude to risk, fair treatment of minority shareholders and an excellent approach to evolving the sustainability positioning of their businesses.
- Rapid urbanisation, the rise of 'mega' cities with populations over ten million people and the growing focus on healthy lifestyles have all combined to create strong sustainability tailwinds for the bicycle industry.

Relevant Sustainable Development Goals:

The family philosophy is dedicated to helping the vulnerable in society.

Tube's brands are leaders in India's burgeoning cycling industry.

Risk:

We believe risks to the company include economic cyclicality as well as volatility of input prices.

Areas for engagement:

- Gender diversity.
- Sustainability reporting.

43 Unicharm

Family - Founded by Keiichiro Takahara in 1963 and family ownership remains around 31% via the Unitec and Takahara fund - now run by professional management

Company profile:

A high quality Japanese company renowned for product innovation, Unicharm continues to develop its product offering and expand into new categories that promote hygienic lifestyles and well-being.

What we like:

- The company has developed the first technology for extracting high grade recyclable pulp from used disposable diapers and is working hard on a sanitation product recycling system in Japan.
- Unicharm has grown earnings, strengthened its financial position and gained market share domestically and by expanding into a number of Asian countries, particularly Indonesia and China.
- Despite being capital-intensive, over the past 20 years it has nearly always had a strong balance sheet and consistently paid a dividend.
- It is a family owned and managed company, with family members owning roughly 30% of the company's shares.

Relevant Sustainable Development Goals:

Unicharm manufactures and sells everyday personal care items that support the well-being of everyone from babies through to the elderly, including diapers, incontinence pads and feminine personal care products.

In 2015, they launched a disposable diaper recycling program which applies a unique ionisation process that destroys bacteria and generates high-quality pulp that is just as hygienic and safe as virgin pulp. The goal is to make this technology available around the world, thereby meeting a huge environmental and social need.

Risk:

We believe that risks for the company include extreme currency fluctuations, which can affect raw material costs and the value of non-Japanese yen revenues, potential disruptions to the company's significant wood pulp supply chain, and potential environmental liabilities relating to end-of-life product incineration and landfill.

Areas for engagement:

- Contribution to global waste from disposable products.
- Diversity of Board and management.

44 Vinda International

52% owned by Essity and the Li family owns 23%

Company profile:

Vinda is one of the leading household paper and personal hygiene manufacturers in China and throughout Asia.

What we like:

- Vinda has set itself on an ambitious journey away from household tissue paper to becoming a dominant player in China's feminine hygiene and incontinence care markets.
- Success here would not only allow Vinda to earn more attractive returns on its capital but provides exposure to sectors that are significantly underpenetrated relative to developed markets and should enjoy many years of structural growth.
- We believe the combination of local entrepreneur and global multinational stewardship, in the form of Essity, provides an attractive balance of on-the-ground reactivity with global quality and marketing experience.

Relevant Sustainable Development Goals:

Vinda manufacture personal care items that support the hygiene and well-being of everyone from babies through to the elderly, including diapers, incontinence pads and feminine personal care products.

Vinda's selection of high quality equipment and the utilisation of recycled water has resulted in water intensity 30% that of local standards.

Risk:

We believe that risks for the company include raw material costs, potential disruption to the company's significant wood pulp supply chain, and potential environmental liabilities relating to end-of-life product incineration and landfill.

Areas for engagement:

- Contribution to global waste from disposable products.

45 Vitasoy

Founding family own c.20% - Run by professional management

Company profile:

Vitasoy is a Hong Kong-based producer of over 300 healthy plant-based products including soya milk, tea, juice and tofu, with most of its sales from mainland China.

What we like:

- Founded in 1940, this family-owned, professionally-managed company is uniquely well-positioned in the context of changing consumer trends towards health and well-being, increasing demand for protein and increasing water scarcity in China (growing soy beans are significantly less water intensive than meat production).
- The company generates strong cash flows and is financially robust, demonstrating conservative financial stewardship.

Relevant Sustainable Development Goals:

Vitasoy's plant-based beverages offer sustainable nutrition as a healthy alternative to sugar laden carbonated drinks. Soya beans are a rich source of protein, are naturally high in fibre and are cholesterol free.

Growing soy beans is significantly less water intensive than meat production. To produce one pound of beef requires 1,799 gallons of water whereas producing one pound of soybeans requires 216 gallons.

Risk:

We believe that risks for the company include increasing competition from local and multi-national players, US-China trade wars impacting soy bean prices and changing consumer trends i.e. soymilk loses its currently fashionable status.

Areas for engagement:

- Packaging and approach to recycling.
- Further reduction of sugar content in products.

46 Voltronic Power

Founder owns 29%

Company profile:

Voltronic Power is an original design manufacturer of uninterruptable power supplies and solar inverters.

What we like:

- Although Voltronic was founded in 2008, we have known and backed the steward, Alex Hiseh, in his previous successful ventures.
- The franchise is predicated on efficient manufacturing and customer trust.
- There is continued growth from branded owners outsourcing an increasing portion of the design and manufacturing process to Voltronic.

Relevant Sustainable Development Goals:

UPS systems aid efficient energy use. The products sold in 2018 provide customers with a reduction of 420,207 tons of carbon emissions.

Innovative and flat culture that invests heavily in upgrading talent.

Risk:

We believe risks to the company include lower cost competition from China and economic cyclicality.

Areas for engagement:

- Gender diversity.

47 Xero

Founder owns 11% - Run by professional management

Company profile:

Xero is a cloud-based accounting software platform for small and medium-sized businesses.

What we like:

- Xero's long-term time horizon and innovative, customer-focused culture has been critical in them becoming a leader in the cloud-based accounting software industry across Australia, New Zealand and the UK.
- A significant and underpenetrated addressable market offers the opportunity for Xero to continue growing at an attractive rate.

Risk:

We believe risks to the company relate to the fact that existing clients are small and medium enterprises (SMEs) which could be negatively impacted by weaker economic activity.

Relevant Sustainable Development Goals:

Innovating new financial services to help small businesses thrive.

Empowering entrepreneurs.

Areas for engagement:

- Pricing and high turnover of clients in the UK.

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