Stewart Investors
Sustainable Funds Group

Global Emerging Markets 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 Alibaba

Alibaba is controlled by a partnership of 38 employees and ex-employees who own 40% of the company. They also have the power to appoint a majority of the members of the Board of Directors

Company profile:

Alibaba is China's dominant e-commerce company. Its platforms connect hundreds of millions of consumers and tens of millions of businesses. It is using the cash flows from this to build high growth and potentially highly profitable businesses in fintech, payments and cloud computing.

What we like:

- Alibaba is the dominant e-commerce platform in China, capturing 21% of all Chinese retail sales.
- With 50 billion transactions annually on their platform, the scale they benefit from gives them an advantage over their competitors. They continue to reinvest in their logistics network to maintain this advantage. Alibaba's management has also used the cash flows from their core business to invest into new legs of growth in fintech and cloud services, which offer long-term growth potential.

Risk:

We believe risks for the company include more regulation by the Chinese government on how much money their platforms are allowed to make, competition from aggressive new entrants like Pinduoduo, and the possibility that new businesses like cloud struggle to gain profitability over a longer period than expected.

Relevant Sustainable Development Goals:

Controlling an estimated 21% of all of China's retail sales, Alibaba provides a key portal for small and medium-sized enterprises (SMEs) to access a wider range of end consumers to increase their own product sales.

Alibaba is the leading provider of cloud infrastructure in China, which is essential infrastructure for the productive growth of businesses in the long term.

Areas for engagement:

- Accounting transparency around some key audit matters including accounting treatment of unlisted subsidiaries.
- Governance risks which might arise from related party transactions with unlisted subsidiaries like Ant Financial.

04 Avast

The co-founders of the business, Pavel Baudis and Eduard Kucera, continue to steward the company, maintaining 35% ownership. They have also professionalised the management team, who own a further 5%

Company profile:

Avast is the world's largest antivirus company, with its products installed on one third of the world's computers outside China.

What we like:

- One of the first movers in security software for computers, Avast has built a brand based on reputation and trust.
- They operate using a 'freemium' model (basic service is free and customers pay for upgrades), and have leading market share by users across the world at 30%. Leveraging off this base, they are steadily growing the number of paid users of their software.
- Under the stewardship of the founders and competent professional managers, Avast is also investing in security software for phones alongside computers.

Risk:

We believe risks for the company include a security breach and intensified competition, particularly from large tech companies that could give away antivirus software for free.

Relevant Sustainable Development Goals:

Avast protects users from 1.5 billion cyber-attacks per month. Installed on 55% of PCs worldwide, they provide essential cybersecurity safety which is necessary for security of people and homes.

50% of Avast's employees are involved in research & development at the company. The innovative solutions they are able to produce are necessary for the cybersecurity infrastructure that Avast can create.

Areas for engagement:

- Privacy concerns and data security.

05 Banco Bradesco

A dual share class system preserves control of the company in the hands of a foundation, which was set up by the bank's founder decades ago. The purpose of the foundation is to receive dividends and funnel these towards educational philanthropy, while ensuring Bradesco is run for the long-term. Management tend to be extremely long-standing; the Chairman has been with the company for 52 years.

Company profile:

Bradesco is a financial conglomerate in Brazil, providing banking and insurance services to over 70 million people.

What we like:

- Bradesco has an enviable market position in Brazil as one of the two leading private sector banks in a concentrated market structure. Its state owned competitors are less well-run, and this favourable environment enables Bradesco to earn an attractive return on equity over time.
- The company's culture, ethos and purpose is very clearly defined. It is focused on sustainability, inclusion and ethics. The company has been a leader in various aspects of sustainable finance such as the Equator Principles governing lending practices to environmentally sensitive projects.

Relevant Sustainable Development Goals:

Responsible finance is a very important ingredient in the sustainable economic development of emerging markets. Bradesco is an exemplary case of a long-term minded financial institution supporting the broad development of consumers and companies in a developing country in a way which is inclusive and progressive.

The Bradesco foundation, the company's controlling shareholder, is dedicated to inclusive education. The company's dividends support 47,000 students, 87% of whom come from impoverished backgrounds, and 1.8mn distance learning students.

Risk:

We believe the main short-term risk is the Brazilian economy, since banks' operational performance largely mirrors that of the underlying economic conditions. The main long-term risk is the banking environment in Brazil is getting more competitive, due to the efforts of the regulator as well as the entrance of numerous fintech companies.

Areas for engagement:

- Bradesco needs to be proactive in dealing with digitally-based competitors. They seem to be working hard here, and we feel this is essential to preserve their competitive position over the next decade.
- Gender diversity in both senior management and the Board of Directors.

06 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.

07 BRAC Bank

Owned and stewarded by BRAC, the Bangladeshi development organisation, which is the largest non-governmental organisation (NGO) in the world by some measures.

Company profile:

BRAC Bank is a commercial bank in Bangladesh. It is focused on financing the 'missing middle' - small and medium entrepreneurs who need finance in order to scale up their businesses.

What we like:

- Controlled by the world's largest NGO, BRAC, the bank is primarily a lender to small and medium-sized enterprises (SMEs) with an average loan size of $10K.
- It has a clear social mission of inclusivity and to 'be impactful by being big'; SMEs in Bangladesh make up 99% of all firms and three quarters cannot access formal credit.
- It developed bKash, a mobile payments system which has proved so successful that it is now the worlds largest such scheme, enabling millions of people in rural areas without access to bank branches to access simple savings products.

Relevant Sustainable Development Goals:

BRAC Bank specialises in sustainable lending to the 'missing middle' - SMEs who require access to financing in order to scale up their businesses and create jobs and income in Bangladesh.

bKash is an inclusive mobile money platform operated by BRAC Bank. It is used by over 20m people per day in Bangladesh and widens access to basic financial services.

Risk:

We believe risks for the company include unexpectedly high loan losses in times of economic stress, and potential new regulations which could hamper the company's ability to operate profitably.

Areas for engagement:

- Opportunity exists to encourage the company to extend its existing good practice around incorporating sustainability into lending criteria.

08 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.

09 Clicks

Free Float - Run with a strong management culture focused on sustainable growth and the long-term success of the business

Company profile:

Clicks is the leading drug retail chain in South Africa. It has a very strong competitive position and is in the process of consolidating the market.

What we like:

- Clicks is the leading pharmacy retail chain in South Africa, benefiting from structural tailwinds of growth around formalisation of this sector in the country.
- This is an industry that benefits from economies of scale, where the largest company in the sector is able to pass on cost savings to end customers which in turn drives continued market share gains.
- Stewarded by focused and competent managers, Clicks continues to expand carefully in a market where the majority of drug dispensaries are still independent retailers.

Relevant Sustainable Development Goals:

Clicks has 25% market share in retail pharmacies and are committed to building out an integrated healthcare network.

Given Clicks' presence in South Africa, they are the largest employers of pharmacy staff in the private sector in the country. Continuing to build this talent, they offer bursary and internship programmes to attract pharmacy graduates.

Risk:

We believe risks for the company include regulation to protect small operators which could impact the ability of the company to continue to open stores, or around price controls which would adversely affect their margins.

Areas for engagement:

- Metrics used for executive remuneration.
- Board diversity.
- Sale of junk food.

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 EPAM Systems

Founder-manager Arkady Dobkin remains the steward with 5% ownership. He continues, in his role as CEO, to provide the vision for long-term growth

Company profile:

EPAM Systems is an Eastern European IT services company, focused on the rapidly-growing market segment of digital transformation.

What we like:

- Founder Arkady Dobkin has built this IT outsourcer on the back of engineering talent and long-term relationships established with clients.
- The top 10 clients for EPAM are blue chip companies who have been on their register for more than 12 years.
- Building from this base, they have conservatively expanded to new sectors while maintaining a solid balance sheet through this expansion.

Relevant Sustainable Development Goals:

EPAM helps to strengthen digital infrastructure and enhance productivity and efficiency in developed and developing countries.

EPAM is an enabler of efficiency and innovation, and employs engineers across Eastern Europe. They are committed to developing engineering talent, supporting programmes across schools and universities.

Risk:

We believe risks for the company include how far the company's clients may choose to delay digital transformation spending in times of difficulty, as well as rising competition from traditional IT vendors.

Areas for engagement:

- Executive remuneration and shareholder dilution.

13 Glodon

Founder, Diao Zhizhong, owns c. 20% of the business and continues to be heavily involved in management.

Company profile:

Glodon is the leading provider of construction software in China.

What we like:

- Glodon's multi-decade dominance in the construction software market is a function of a very capable, aligned and long-term steward continually reinvesting in technology and distribution.
- The business model is highly cash generative and there remains vast opportunity for growth in both growing software spend by the construction industry as well as evolving their product offering into the lucrative design software space.

Relevant Sustainable Development Goals:

The building and construction sector is responsible for 36% of global energy consumption and 39% of energy-related carbon emissions. Glodon's software plays a material role in enabling the construction industry to improve energy and material productivity.

Glodon's software allows its customers to make net-zero energy buildings, reduce embodied carbon and develop smart and sustainable cities.

Risk:

We believe risks for the company include exposure to a cyclical industry and an inability to evolve product categories.

Areas for engagement:

- Understand the growth ambitions of MNC (Mobile Network Code) software players in China.

14 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.

15 Guaranty Trust Bank

Fully free float, Guaranty Trust Bank is stewarded by a set of conservative managers who remain focused on risk and the long-term success of the bank

Company profile:

Guaranty Trust Bank is a leading commercial bank in Nigeria. It is conservatively and honestly managed, and has a business model built on a low cost deposit franchise funding low risk lending to large corporates.

What we like:

- Guaranty Trust is an entrepreneurial bank in Nigeria with high levels of integrity. The banking crisis of 2008/09 in Nigeria demonstrated very clearly who was lending well and who was lending badly. GT Bank passed with flying colours.
- Management continue to demonstrate their prudence and competence, navigating the crises that Nigeria endures and maintaining profitable growth at the bank.
- They have consistently chosen to focus on quality growth through cycles rather than chasing short-term profits.

Relevant Sustainable Development Goals:

GT Bank partners with the Development Bank of Nigeria (DBN) to disburse N25 billion to entrepreneurs in Nigeria's micro, small and medium enterprises (MSMEs) sector. This is the single largest disbursement by DBN to any financial institution in Nigeria.

GT Bank remains committed to increasing access to financial services to the underserved and unbanked population. They have been widening their Agent Banking network steadily over the years to increase the deposits they receive from the underbanked. While the absolute number is still low, these deposits have increased 86% year on year.

Risk:

We believe risks for the company include unexpectedly high loan losses in times of economic stress, and potential new regulations which could hamper the company's ability to operate profitably.

Areas for engagement:

- A significant portion of the company's loan book is to oil and gas companies, which we have engaged with the bank on for some years.

16 Hangzhou Robam

Robam was founded by Ren Jiahua, and the Ren family continues to own 55% of the company

Company profile:

Robam is a producer of kitchen equipment, focused on gas hobs and extractor fans. It is a high-end brand which competes on functionality rather than price.

What we like:

- The Ren family's stewardship has ensured that Robam remains focused on their core expertise and their conservatism comes through in a historically net cash balance sheet.
- Robam primarily makes gas stoves and range hoods, controlling about 40% market share in the higher-end segment.
- The Ren family has maintained a focus on this higher-end segment, choosing to find avenues of quality growth rather than chasing volume. This has enabled them to preserve their brand identity through spending on innovation and marketing, rather than competing head on with the likes of Midea and Gree on cost.
- Other signs of stewardship include a zero debt balance sheet for the past ten years and consistently putting profits ahead of short-term market share gains.

Relevant Sustainable Development Goals:

Robam's main product, range hoods, are found in 35 million households across China. These products are essential in eliminating smoke and potentially hazardous particles from kitchens.

The other major product line for Robam, gas hobs, are a more sustainable option than alternatives. The main alternative to gas, electric hobs, are less environmentally friendly, especially in countries like China where the energy mix used to create the power for them is dominated by coal.

Risk:

We believe risks for the company include a growing proportion of sales through property developers, which are sometimes highly leveraged businesses which can get into trouble during economically hard times.

Areas for engagement:

- Recyclability and take-back schemes for end of life of appliances.
- Supply chain environmental standards and labour practices.

17 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.

Hong Kong Exchanges & Clearing

Hong Kong Exchanges & Clearing is a free float company, run by experienced professional managers.

Company profile:

Hong Kong Exchanges & Clearing (HKEX) operates the Hong Kong stock exchange, including the crucial StockConnect mechanism by which overseas investors are able to invest in mainland Chinese companies.

What we like:

- Hong Kong Exchange is a legal monopoly. Its unique position as China's gateway to overseas capital gives the Exchange an ability to attract the listings of many major Chinese companies who wish to list in a jurisdiction outside of Chinese capital controls, in order to be able to raise money from global investors.
- Hong Kong Exchange operates StockConnect, a mechanism by which overseas investors can invest in mainland companies listed in Shanghai or Shenzhen. There is increasing participation by global investors in mainland Chinese equities ('Northbound') as well as huge demand from mainland Chinese retail investors to own shares in Hong Kong-listed companies ('Southbound'). These flows are a strong long-term source of liquidity demand.
- A major issue with listed stock exchanges globally is the extent to which they have compromised the interests of some stakeholders in allowing activities like high frequency trading to take place. In the case of HKEX, thanks to a short-term transactions tax on in Hong Kong, this nefarious activity is minimal.

Relevant Sustainable Development Goals:

The function of a financial market is to allow companies to raise capital with which to invest, grow and develop. Access to financial services and credit (SDG target 9.3) is directly served by Hong Kong Exchange & Clearing.

Financial exchanges are a key part of the infrastructure required for economies to develop. Those countries without them, and without ready access to capital, find it far harder to deliver sustainable economic growth and accordant socioeconomic benefits to populations.

Risk:

We believe the main short-term risk for the company is the level of HK$ turnover, which is a function of the market capitalisation of HK-listed companies, whilst the main long-term risk for the company is competition from mainland Chinese exchanges.

Areas for engagement:

- Diversity of backgrounds on the Board of Directors, which is dominated by Hong Kong based financial specialists. This is moving in the right direction. Conflicts of interest embodied in amendments to listing rules to enable more companies to list in Hong Kong.

19 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.

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.

Risk:

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

Areas for engagement:

- Gender diversity.
- Improved sustainability reporting.

20 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.

21 Integrated Diagnostics

Founder-managed by entrepreneur Dr Hend El-Sherbini

Company profile:

Integrated Diagnostics operates a chain of diagnostic centres, providing a range of tests to identify illness and aid medical diagnoses. The company served 7.5 million patients last year across Egypt, Jordan, Sudan and Nigeria.

What we like:

- Integrated Diagnostics derives most of its revenue from its home market of Egypt, where it dominates the organised laboratory market with over 50% market share.
- Diagnostics laboratories are an economies of scale business; the largest players are able to drive down costs – particularly by negotiating discounts on medical inputs from medical suppliers – and thereby offer cheaper prices and continue gaining market share.
- While the company has a large presence amongst organised laboratories, in Egypt 90% of the market is made up of independent, stand-alone labs, giving Integrated Diagnostics ample opportunity to grow.
- The company operates in a much underserved market and in a country with huge unmet healthcare needs, and has also entered Sudan, Jordan and most recently Nigeria.

Relevant Sustainable Development Goals:

Integrated Diagnostics conducted 30.5 million tests for 7.5million patients in FY19, for an average price of $4.57 per test. These tests help aid early diagnosis of a range of illnesses, which is essential to treatment and survival rates.

The company operates 452 branches across Egypt, Nigeria, Sudan and Jordan. Over 40% of revenue is from walk-ins of members of the public. The company's business model widens access to healthcare services among ordinary people in less developed countries. Access to good health underpins people's ability to work, save, invest and lift themselves out of poverty.

Risk:

The company operates in high risk jurisdictions which we believe could be subject to political or economic disruption at any time.

Areas for engagement:

- Some accounting choices around capitalising intangibles.
- Relationships with politicians early in the company's history.

22 Kasikornbank

Lamsam family own 4%

Company profile:

Kasikornbank provides personal and commercial banking, international trade finance and asset management. It is the third largest bank in Thailand by deposits with 16% market share.

What we like:

- Kasikornbank has an attractive risk-aware culture with an institutional memory of previous crises.
- Strong underwriting ability and a robust capital base, position the bank to benefit from a rebound in the Thai economy.
- The company are in the early stages of their journey to incorporate environmental factors into their lending practices but, so far, progress has been positive.

Relevant Sustainable Development Goals:

Kasikornbank facilitates economic stability and progress.

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

Risk:

We believe that, like all financial institutions, risks relate to economic cycles and the direction of interest rates.

Areas for engagement:

- Non environmentally-sound lending.

23 Kingmed Diagnostics Group

Founder Liang Yaoming owns c.40%

Company profile:

Kingmed Diagnostics is a leading independent clinical testing laboratory in China.

What we like:

- Diagnostic testing plays a critical role in healthcare systems globally and we have seen in the evolution of this industry in other nations that early leaders have been difficult to unseat as scale creates competitive cost structures.
- The founder of Kingmed and the management team exhibit a number of attractive qualities that are likely to continue to set them apart: adherence to quality, ambition to operate by global standards and a focus on long-term success at the expense of short-term profitability.
- We believe Kingmed's pole position at this early stage in the industry's evolution should see them cement their advantage over peers which will allow attractive levels of profitable growth for an extended period of time.

Relevant Sustainable Development Goals:

The provision of innovative healthcare devices that improve the health and quality of life for people in China and beyond.

High-quality testing infrastructure plays an important role in the development of a sustainable health care system.

Risk:

We believe that risks to the company include corporate governance failing to keep pace with franchise improvements.

Areas for engagement:

- Sustainability report in English.

24 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.

25 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.

26 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.

27 Mahindra Logistics

Mahindra & Mahindra own 58%

Company profile:

Mahindra Logistics is a relatively new business (founded in 2000) for the Mahindra group but it is already a leading provider of third party logistic (3PL) services across India.

What we like:

- India presents a huge opportunity given its inefficient and unorganised logistics infrastructure.
- The company is backed by the Mahindra group, who are among the highest quality stewards in our investible universe with substantial experience of nurturing businesses.

Relevant Sustainable Development Goals:

Pooling/sharing of logistical services using fuel efficient vehicles.

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

Risk:

We believe risks to the company include a widespread economic slowdown and delays to spending on infrastructure to improve logistics efficiency.

Areas for engagement:

- Sustainability report with clearly defined targets.

28 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.

29 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.

30 MercadoLibre

MercadoLibre is run by its founder, Marcos Galperin, who retains the positions of Chairman and CEO. He provides long-term vision and stability

Company profile:

MercadoLibre is the leading Latin American e-commerce platform. It is following a well-worn path of establishing itself as the dominant marketplace and using this position to extend its franchise into payments and then fintech.

What we like:

- MercadoLibre has established a strong position as the leading online marketplace in Latin America.
- The company's entrepreneurial management culture is very long-term in nature and reminiscent of Silicon Valley.
- The company is building a digital ecosystem spanning payments to logistics which serves as a platform for small businesses across the entire region.
- Some of its most promising businesses in the long-term include widening access to financial services in a region where the unbanked population remains very large.

Relevant Sustainable Development Goals:

MercadoLibre operates Latin America's largest e-commerce platform. The business, spanning marketplaces, payments, logistics and credit, creates many opportunities.

MercadoLibre's platform, with four million sellers, empowers small businesses across the region to reach end markets they otherwise would be unable to. MercadoPago, their payments system with 37 million active users, contributes hugely to digital economic inclusion among a very large unbanked population.

Risk:

Given the company is at a relatively early stage of its life cycle, we believe there is a risk that due to intense competition the company may choose not to make money in order to compete.

Areas for engagement:

- Executive remuneration and shareholder dilution.

31 Natura

The three co-founders - Antônio Luiz da Cunha Seabra, Guilherme Peirão Leal, and Pedro Luiz Barreiros Passos – collectively own c.39% of the company. They are co-Chairs of the Board of Directors.

Company profile:

Natura is a Brazilian beauty and personal care group, with operations across Latin America and the world. Product groups include skincare, haircare, cosmetics, fragrances and personal care. The group operates a cross distribution strategy which has traditionally been built around door-to-door salespeople, but is moving quickly into both retail and online distribution.

What we like:

- Natura was founded with an ethos of sustainability at its heart. The company's founders and senior managers are passionate believers and advocates in sustainable development, the need to balance profitability with providing for other stakeholders including employees and the environment.
- Natura is a world leader in its approach to a whole range of sustainability issues, ranging from biodiversity in sourcing, fair treatment of staff, and environmental design of products and packaging.
- In 2014, Natura became the world's first publicly listed B Corp, joining a select group of companies legally committed to drive positive change in society through sustainable business practices.

Relevant Sustainable Development Goals:

Natura's products are often derived from natural ingredients which are sourced from the Amazon rainforest. The company has established relationships with 5600 families and 4300 small farmers, 81% in the Amazon, to source such materials. The company says they "define a fair price for the ingredients jointly with the communities, employing participative methodologies." Through such sourcing programs, the company supports biodiversity and helps to preserve 1.8mn hectares of Amazon rainforest.

The group employs 6.3mn door-to-door sales people, known as 'consultants', who essentially run their own businesses distributing products. Natura is committed to a 'dignified income for all' and has a living wage program in place. The vast majority are women, thereby encouraging female entrepreneurship, empowerment and participation in the economy. 48% of senior managers are female.

Risk:

The company has undertaken a number of acquisitions in recent history, most notably of The Body Shop and Avon. Integration is ongoing and appears to be proceeding well. However, these businesses pose both cultural and operational challenges and could cause unexpected problems in future.

Areas for engagement:

- Continue to understand capital allocation priorities and operational challenges in The Body Shop and Avon International divisions.

32 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.

33 Nestlé Nigeria

As a subsidiary of a multi-national corporation (MNC), Nestlé Nigeria is effectively run as an associate of Nestlé SA. We believe the management of the Nestlé group to be high quality

Company profile:

Nestlé Nigeria's largest categories include infant nutrition, cooking aids (like stock cubes) and Milo powdered drinks. The company's distribution reach, local scale and vertical integration give it a dominant position in its core categories.

What we like:

- Nestlé is the dominant consumer company in Nigeria.
- Its brands span all price points and enable the company to address multiple market segments across a range of categories. This means in good times, they are able to address consumers' needs as they spend more, and in bad times, they are able to retain those customers as they trade down.
- The company has invested in brand-building over many years in Nigeria which has given it a high degree of pricing power, reflected in high gross margins and very high returns on invested capital.

Relevant Sustainable Development Goals:

Nestlé Nigeria provides a range of food and beverage products which are primarily 'everyday' products targeting not just the affluent but the mass market. For instance, its largest single category is seasoning.

One of Nestlé Nigeria's strengths is the high degree of localisation of its supply chain. Around 80% of its inputs are sourced within Nigeria, which is far higher than its multinational peers which tend to import a majority of materials. This localisation policy reduces risk from exposure to currency fluctuations and helps to develop the local economy upstream from the company's production.

Risk:

We believe risks for the company mostly relate to the Nigerian macroeconomic environment, and in particular the possible devaluation of the Nigerian naira.

Areas for engagement:

- Nutritional content of some products, including Milo.
- Packaging.
- Agricultural practices in supply chains.

34 Network International

A balance of Emirates NDB, MasterCard and impressive independent Board members including a Chairman who is at the Bank of England

Company profile:

Network International is a payments processing company in the Middle East and Africa. They serve 70,000 merchants and 220 financial institutions in over 50 countries.

What we like:

- Network International is an outsourced process provider, supplying essential services to the daily operations of customers, and as such has significant switching costs and pricing power.
- Its business model aids in and benefits from the adoption of digital payments in the region.
- We believe it is a well-governed company likely to continue to benefit from the adoption of fintech in the Middle East and Africa.

Relevant Sustainable Development Goals:

Enabling people with digital financial presence and associated account and card, they become much more able to access financial solutions aimed at the poor, including savings and loans products and insurance. These can help protect people from otherwise very dangerous financial shocks and give people the safety net which helps them invest in housing, education and capital equipment.

By driving the adoption of digital payments throughout the Middle East and Africa Network International helps improve the efficiency of government transfers reaching beneficiaries witahout fraud or theft, farmers getting paid for their products more quickly, or remittances reaching their end destination with fewer fees being taken by middlemen.

Risk:

We believe risks to the company include a cyclical slowdown due to revenues being linked to transactions volume and thus GDP.

Areas for engagement:

- Ownership structure.
- Debt levels.

35 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.

RaiaDrogasil

RaiaDrogasil is controlled by the Galvao, Pippinzi and Pires Oliveira Dias families. There is ample stewardship as well as a check and balance between the three families

Company profile:

RaiaDrogasil is the leading drug retail chain in Brazil. It has a very strong competitive position and is in the process of consolidating the market.

What we like:

- RaiaDrogasil is the dominant drug retail chain in Brazil, with a superb track record of expansion.
- Drug retail is an economies of scale business: since prices are regulated, those companies with the lowest cost - which usually means the largest player - are able to pass on these cost savings to consumers and thereby drive further market share gains.
- Brazil remains a very fragmented market, with almost half of sales from independent stores.
- RaiaDrogasil is likely to continue to be a structural market share gainer for many years.

Risk:

We believe risks for the company include regulation to protect small operators which could impact the ability of the company to continue to open stores, or around price controls which would adversely affect margins.

Relevant Sustainable Development Goals:

RaiaDrogasil is consolidating the Brazilian drug retail market, expanding its market share from 9% to 14% over the last five years. It is creating economies of scale which enable them to widen access to medicine and raise hygiene and safety standards, whilst reducing prices to end users through economies of scale.

RaiaDrogasil employs over 40,000 people. There is a shortage of trained pharmacists in Brazil and so the company trains its own via RD University. In total, the company provides reliable employment to over 40,000 Brazilians, 63% of whom are women.

Areas for engagement:

- Gender diversity in executive management.
- Sale of junk food.

37 Samsung Electronics

The Li family have controlled the Samsung Group for decades, and turned Samsung Electronics into one of the world's most successful companies. In recent years, they have taken a back seat. They have handed over the CEO role to a non-family member, stepped off the Board of Directors and appointed an Independent Chair for the first time

Company profile:

Samsung Electronics is one of the largest companies in the world, as measured by employees, revenues or profits. It is one of very few emerging markets consumer brands in electronics, as well as the largest and lowest cost producer in the global memory chip market.

What we like:

- Samsung Electronics is one of the very few genuine consumer brands to have been built in emerging markets. The company's history is one of continuous evolution and successive shifts into new areas of growth. Today, the company is the largest and lowest cost player in the global memory chip market, which is highly consolidated with only three meaningful players; this is a cyclical industry but one where Samsung has significant competitive advantages.
- The company has an extremely strong balance sheet with approximately USD 80 billion in net cash. We believe it is highly likely over the long-term to build attractive new businesses, quite possibly in processor chips.
- Over the last few years the company has taken very material steps to improve corporate governance practices, in part in response to well-documented governance failings in years gone by on behalf of the Li family. These include handing over most key roles, including that of the CEO and Chair, to non-family members and establishing an independent commission, chaired by a Supreme Court judge, to investigate any corporate malpractice.

Risk:

Samsung is a cyclical business, dependent on consumer spending on electronics as well as global demand for memory chips. These cycles can be unpredictable and tied to broader economic activity and we believe are a risk to the company.

Relevant Sustainable Development Goals:

Samsung Electronics is a leading designer and manufacturer of electronic equipment and memory chips. These devices underpin the entire digital economy and connectivity for billions of people every day. For instance in smartphones, which are increasingly the primary devices through which people - especially in developing countries - access the internet, Samsung has number one market share and shipped almost 300 million devices last year.

Working towards the environmentally sustainable production, use and end of life of electronics is part of Samsung's sustainability approach. The company has reduced greenhouse gas emissions 59% in five years through the use of 1,356GWh of renewable energy in production, and has collected 3.55 million tonnes of e-waste over the past decade.

Areas for engagement:

- Diversity of Board of Directors, primarily the relative absence of non-Koreans.
- Labour conditions.
- Supply chains, including around conflict minerals.
- E-waste and other recycling options.

38 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.

39 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.

40 SPAR Group

SPAR's management team are almost universally very long-tenured, and those managers have a track record of acting as effective stewards. The company is overseen by the SPAR International Guild, which co-ordinates SPAR at a global level and acts as a cultural anchor.

Company profile:

SPAR is a South African wholesaler. They own logistics facilities and supply fresh produce to thousands of independently-owned retail stores, which are operated by entrepreneurs as franchisees under brands like SPAR. The group derives around two thirds of its revenue from Southern Africa, and the remainder from various European operations in Switzerland, Ireland, the UK and Poland.

What we like:

- SPAR is a franchisee network. In their words, "Our model is based on a voluntary retail network. We partner with people who want to work with us....Their success is essential to our overall sustainability, particularly in tough economic conditions." This model is inherently co-operative rather than confrontational, and has served the group well for many years.
- Based on small local stores, SPAR's cash flows are resilient and well-diversified across geographies.
- The long-tenured management team have a good track record, including of turning around acquisitions, and have opportunity to repeat this in their newest geography, Poland.

Risk:

We believe the company's balance sheet remains stretched following a number of recent acquisitions. Whilst SPAR's business model of focus on local shopping is very resilient, there is a risk that weak consumer spending combined with leverage could have a detrimental impact on earnings.

Relevant Sustainable Development Goals:

SPAR's operations across various countries support 4,350 independent retailers: entrepreneurs who own their stores, serve their local communities and generate jobs.

As small, local stores, SPAR's produce is skewed towards fresh food and groceries. A core pillar of the company's strategy is to ensure people "have access to nutritious food at affordable and competitive prices... We make a positive impact on the health of consumers, especially in areas related to healthier eating habits" (https://investor-relations.spar.co.za/pdf/SPAR_IAR_2020_Final_Spreads.pdf)

Areas for engagement:

- Continue to understand the process around international expansion, priorities for further capital allocation and engage with management on exposure to sales of alcohol and tobacco.

41 Square Pharmaceuticals

Chowdhury family own 35%

Company profile:

Square Pharmaceuticals started making EASTON's Syrup under the leadership of the late Samson H Chowdhury. Under the same family stewardship, the franchise has developed into the largest pharmaceutical company in Bangladesh.

What we like:

- Square Pharmaceuticals is the dominant manufacturer of pharmaceuticals, basic chemicals, Agrovet and pesticides, as well as herbal medicines in Bangladesh.
- The company is delivering access to safe and reliable medicines at the lowest possible cost to some of the poorest and most vulnerable people in Bangladesh, as well as exporting efficacious, low cost medicines overseas.

Risk:

- We believe risks to the company include an operational accident destroying trust in the franchise.
- Government interference on pricing.

Relevant Sustainable Development Goals:

Promoting low cost efficacious medicines to the vulnerable.

Focused on equal opportunities.

Areas for engagement:

- Sustainability report.
- Greater climate awareness.

42 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.

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.

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.

Areas for engagement:

- Broadening client base.

43 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).

Risk:

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

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.

Areas for engagement:

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

44 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.

45 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.

46 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.

Risk:

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

Relevant Sustainable Development Goals:

Employs 34,000 people.

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

Areas for engagement:

- Gender diversity.
- Cobalt in the supply chain.

47 Tencent

Tencent is controlled by its founder and CEO Ma Hauteng (Pony Ma), an entrepreneur with an impeccable track record of respecting minority shareholders' interests, running his business with a long-term mindset, and allocating capital prudently.

Company profile:

China's dominant consumer internet company

What we like:

- Tencent's core asset is its superapp, Weixin, which is used by 1.2bn people and enables users to do everything from shop, chat, pay bills, obtain a loan, store documents, or run a business from within the app. This represents a central plank of required infrastructure in today's digital economy, and radically reduces customer acquisition costs for Tencent and affiliates in adjacent businesses.
- In the past, the company has monetized its huge userbase primarily through online games, which we felt was not the highest quality of earnings or the most socially useful. However, the company is now pivoting to what it calls 'industrial internet', and games have fallen to 29% of revenue as of Q4 2020. Growing more quickly are areas like cloud technology and fintech which explicitly help support Chinese companies' digitalization efforts.
- The company's scale and technology enables it to have an outsized impact on real world problems. For instance, Tencent's digital healthcare solutions are used in 300 hospitals, its education tool 'Smart Campus' helps 18,000 schools to run more effectively, whilst Tencent Education has helped 400 million people to study online.

Risk:

We believe as a large company in China, the approach of the government and anti-trust authorities is a significant risk. Managing relations with the government is a difficult task, and the company must always be mindful of alignment with the long-term aims of Beijing. We believe China is a country without meaningful rule of law. There's always a risk that if Pony Ma falls foul of politicians in China that Tencent could be targeted for punitive action.

Relevant Sustainable Development Goals:

Tencent's core function is helping people to communicate and access information, knowledge and education. This is the main contribution of the company's core assets, even though these services are usually not monetized – they are given away free – and therefore do not get measured when we analyse the company's contribution by looking at segmental revenues.

Much of Tencent's business now focuses on business services and fintech. This segment provides cloud computing, financial services, payments infrastructure and software to companies of all sizes in China. It is estimated by Renmin University that Tencent has helped create 22 million jobs.

Areas for engagement:

- Data security, and specifically how the company balances its responsibilities under China's cybersecurity laws with respecting the privacy of users.
- Tencent, as a large operator of data centres, has a huge opportunity to become a first mover in China in setting out to operate these in-line with world leading environmental standards.

48 TOTVS

Stewarded by the company's founder Laercio Consentino, who retains a sizeable economic stake (1.1% of the company, https://ri.totvs.com/en/the-company/ownership-breakdown/).

Company profile:

TOTVS is an Enterprise Resource Planning (ERP) software company. It is focused on small and medium sized businesses (SMEs) and in this segment of the market has held 50% market share for many years.

What we like:

- TOTVS' enterprise resource planning (ERP) software helps small and medium-sized enterprise (SME) clients to improve the efficiency of their businesses, ranging from supply chain to human resource management. Increased use of technology has historically proved critical in helping countries boost labour productivity and escape the 'middle income trap' (when development stalls), which is a key development challenge for Brazil.
- TOTVS has transitioned from license sales to delivering software as a service (Saas), which has resulted in a high-margin subscription-like business model with very stable cash flows.

Relevant Sustainable Development Goals:

TOTVS provides Enterprise Resource Planning (ERP) software, which is designed to help make businesses more efficient and help them grow. TOTVS targets the 638,000 small and medium sized enterprises in Brazil with between 10 and 500 employees, and has 50% market share in this segment.

TOTVS' growth initiatives are focused on fintech solutions geared towards SMEs. Using data gathered through their software offerings, they are in a position to help arrange credit and other financial services to help small and medium enterprises scale up their businesses.

Risk:

We believe risks for the company include large tech companies producing their own products and greater competition, for instance through SMEs migrating away from the use of traditional ERP software altogether.

Areas for engagement:

- Gender diversity.

49 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.

50 Unilever

Free Float - Run by professional management

Company profile:

Unilever is a world leading consumer goods business with more than 140 years' experience building brands with an impressive footprint in emerging markets.

What we like:

- The comprehensive and ambitious Unilever Sustainable Living Plan links sales and profit growth with embedded goals for improving the health and wellbeing of more than one billion people and reducing the company's environmental impact by half.
- The Plan also aims to enhance livelihoods for millions through partnerships with smallholder farmers and suppliers of raw materials, employees and communities.
- The Plan includes initiatives such as a vast hand washing and hygiene education programme linked to the company's soap business, sizing and packaging products more efficiently, and training vendors in emerging markets in book keeping skills.
- The combination of iconic, purpose-led brands (12 brands have sales of >£1 billion a year) and essential everyday products gives Unilever pricing power and the capacity to generate consistent cash flows.

Risk:

We believe that risks for the company include excessive leverage, balance sheet deterioration and an overreliance on share buybacks to generate shareholder returns.

Relevant Sustainable Development Goals:

Many of Unilever's best-known brands, including Lifebuoy, Domestos and Signal are helping people take action to improve their health and well-being. For example, Lifebuoy's handwashing campaign has already reached over 1 billion people through schools, health clinics, community outreach and TV campaigns since 2010.

They have committed to ensure 100% of their plastic packaging will be fully reusable, recyclable or compostable by 2025, leading the way towards a more circular plastics economy. They have committed to source 100% of palm oil from physically certified sustainable sources and to have zero net deforestation associated with five commodities – palm oil, soy, paper and board, tea and beef .

Areas for engagement:

- Negative social connotations of the Fair and Lovely brand.
- Levels of debt and use of buybacks.

51 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.

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.

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.

Areas for engagement:

- Contribution to global waste from disposable products.

52 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.

53 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.

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