



Reasons to invest in Europe

Even investors who get excited about investing in European equities can understand why many people don't. A great many savers think their investment options are limited to the average market return provided by an index-tracking fund. And the average returns of European index investments look very average, over almost any time period.

But in investment – as in life – Europe is full of variety. To see Europe as a singular, passive investment option is to overlook the extraordinary range of investment opportunities it offers.

The Sustainable Funds Group at Stewart Investors invests its clients' capital in high quality companies that are well-positioned to contribute to, and benefit from, sustainable development. The team are long-term, bottom-up stock pickers, who focus on selecting the very best companies and creating portfolios that can grow and protect their clients' money.

The group has invested in listed European companies for a decade. The European companies they have chosen have made a significant positive contribution.

So what is it about investing in European companies that gets the team fired up?

World-leading sustainability companies

First, Europe is home to a large universe of about 6000 listed companies. Among these the team has found what it considers to be some of the highest quality and very best sustainability companies in the world – companies that are solving difficult problems, meeting vital needs, and helping society do more with less.

Some of these companies are world leaders in their fields, especially in healthcare, manufacturing, clean energy and information technology. These companies often have big addressable markets, and many of them have a strong presence in markets around the world, including the fastest-growing emerging market economies.

Exceptional people, exceptional cultures

Second, the team like companies with exceptional people and cultures. Europe is home to a good many companies run by outstanding management teams, but also controlled by stable owners and long-term thinking stewards, including foundations, families and founding entrepreneurs. And these well-stewarded companies, with great franchises and strong cultures, often have healthy balance sheets and the sorts of favourable financial characteristics the team prizes.

Sustainability tailwinds

Finally, the policy environment in Europe is quite often forward-looking and favourable for sustainable investment. Complaints about stifling regulations and bureaucracy are not uncommon, but of course these things are not unique to Europe.

On the plus-side, social norms, policy incentives and regulations in European countries are often ambitious and helpful for companies that want to lead in developing sustainable technologies and solutions. And because it is known for its high standards, European products are respected and highly sought after, all over the world.

In short, Europe has some world-beating companies, with exceptional people and cultures, and very positive sustainability tailwinds. These things make for exciting investment opportunities, but the team believes it pays to be highly selective about which European companies get included in portfolios.

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