



Stewart Investors  
Sustainable Funds Group

Stewart Investors Sustainable Funds Group

# Worldwide Leaders Sustainability Strategy

## Investment rationales

31 December 2020



## Investment terms

View our list of [investment terms](#) to help you understand the terminology within this document.

# 01. Adobe Inc. - Almost fully Free Float

## Company profile:

Adobe has a leading position in software to create digital media content and document publishing.

## What we like:

- Adobe's platform enables high margin recurring revenue and it is not easy for customers to switch away.
- Its founders are still on the board and the long-term horizons are evident in the decision by the CEO to transition from a licensing model to a subscription one a few years ago.
- The company continues to invest quite significant amounts in research and development (R&D).

## Risk:

We believe that risks for the company include the usual data, security and privacy risks that are present in any software company. There are also specific risks from its low tax rate and a near monopolistic position that might result in anti-trust scrutiny.

## Relevant Sustainable Development Goals:



Adobe's products are key to digital content creation and empowering businesses to go digital. The company spends c.17% of sales on R&D.



Adobe have 22,000 employees and regularly make the list of best places to work in most countries they operate in (<https://tinyurl.com/y36s5c8z>).

## Areas for engagement:

- The size of remuneration, with total shareholder return metrics and the low tax rate.

# 02. Alcon - Free Float - Run by professional management

## Company profile:

Alcon is a US-listed manufacturer of prescription contact lenses, equipment for eye surgery and other eye-care products. The business has been operating for over 70 years under various ownership structures, but has recently been spun out from Novartis and is now a standalone company.

## What we like:

- We believe Alcon's competitive advantage is derived from its strong brands, reputation for high quality products, established relationships with eye surgeons and health care professionals, as well as its global scale in manufacturing and distribution.
- The company has the largest installed base of surgical equipment in the world, providing a 'one stop shop' for health care professionals.
- They also benefit from sustainability tailwinds due to favourable demographics.
- Revenues should be resilient through the cycle. Margins have been weaker in the last few years due to increased investment in research & development, manufacturing and the workforce, which should benefit the business in the longer term.

## Risk:

We believe that risks for the company include product liabilities, disruption from new technology and increased competition.

## Relevant Sustainable Development Goals:



Alcon's suite of surgical equipment and eye care products help to improve vision which in turn dramatically improves people's quality of life as well as supporting mental well-being.



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. Alcon partner with organisations to provide training and equipment to surgeons in emerging markets and have developed portable machines for procedures where there is no water or electricity. As a result, hundreds of thousands of underserved patients have received quality eye care services they might not have otherwise received

## Areas for engagement:

- Debt levels.
- Internal controls, historical allegations of fraud and price fixing.

## 03. ANSYS - Free Float - Run by professional management

### Company profile:

Ansys is a global leader in engineering simulation and software. It has a large customer base spanning diverse industries and a track record of conservative and responsible stewardship.

### What we like:

- The company's software enables researchers and engineers to simulate and predict how new product designs will perform and behave in real world environments.
- By facilitating a shift from hardware to software-based design, innovation and testing, the company is helping improve efficiency, reduce innovation costs and time, and improve safety and reliability.
- Ansys is contributing to a shift towards a more circular economy by enabling product developers to minimise wastage and optimise product design, performance and the use of materials.
- The company is three times the size of its nearest competitor in terms of sales and three-quarters of its business is repeatable.
- Ansys is debt-free and spends more than 15% of its revenue on research & development.

### Risk:

We believe that risks for the company include a scaling back of IT spending in an economic downturn and technological breakthroughs which render the company's competitive advantage obsolete.

### Relevant Sustainable Development Goals:



Ansys' software can develop thousands of designs for products in the same time it takes to make one physical prototype, driving innovation across multiple industries. They are facilitating a shift from expensive hardware to efficient software-driven design & safety testing and contributing to the circular economy by allowing developers to optimise product design, performance, reliability and efficient use of materials.



Their software contributes to a shift towards a more circular economy by enabling product developers to minimise wastage and optimise product design, performance and the use of materials. Sustainability examples include: fuel efficiency in vehicles, improving wind turbine design and enhancing water pump efficiency.

### Areas for engagement:

- Diversity on the Board.
- Complex remuneration structures.
- Increasing revenues from the defence industry.

## 04. Arista Networks - Entrepreneur - Founder owner, Andy Bechtolsheim, owns c.17% of the company and CEO owns c.5%

### Company profile:

Arista is a global leader in networking hardware and software solutions that are used to enable high speed internet connections and cloud computing.

### What we like:

- Arista is a well-regarded technical founder chaired young company with a high quality management team that has executed very well.
- It is an innovator that enables the internet and cloud to become faster and more efficient.
- The business has strong tailwinds from digitalisation, adoption of the cloud and 5G.

### Risk:

We believe risks include concentration of sales with key customers, including Microsoft and increasing competition.

### Relevant Sustainable Development Goals:



Arista's products and software enables the internet to be quicker and more reliable aiding innovation and greater productivity. Arista Networks serves cloud, enterprise and service provider customers and is essential to the continued operation of critical infrastructure.



Arista assists with economic growth, supporting technological innovation and supporting the connectivity of individuals and businesses.

### Areas for engagement:

- Sustainability considerations in their choice of suppliers.
- Sustainability reporting.

## 05. bioMérieux - Family - The Mérieux family own 59% and Alexandre Mérieux is the CEO/Chairman

### Company profile:

bioMérieux provides instruments and solutions that are used for diagnosing infectious diseases, cancer screening, as well as detecting microorganisms in agri-food, pharmaceutical and cosmetic products.

### What we like:

- bioMérieux are a global leader in microbiology (culturing biological samples, identifying microorganisms and measuring resistance to antibiotics) and are growing quickly in molecular biology, including syndromic tests.
- The company benefits from long-term economic stewardship from the Mérieux family who have dedicated themselves to the healthcare sector for generations.
- Roughly 90% of their revenues come from reagents and services which makes this a resilient and predictable business model.
- Growth opportunities remain from international expansion, further growth and scale from molecular biology and merger & acquisitions.

### Risk:

We believe risks to the company relate to disruptive technologies, product quality issues and competition.

### Relevant Sustainable Development Goals:



bioMérieux' products are used for diagnosing infectious diseases, cancer screening and monitoring, and cardiovascular emergencies.



Innovation has been at the heart of bioMérieux's strategy since the Company's beginnings and is developed through international, multidisciplinary public and private-sector collaborations with academic research organisations, the medical and scientific community, and cutting-edge biotech companies.

### Areas for engagement:

- Diversity in senior management and separate the Chair/CEO role.
- More ambition around circular economy.

## 06. Cadence - 98.5% Free Float, founder Alberto Vincentelli still on the Board

### Company profile:

Cadence along with Synopsys, provides software and hardware tools for computer aided design and engineering to develop chips and integrated circuits. It is also building out a multi-physics simulation business which could provide another avenue of growth.

### What we like:

- Cadence provides tools that are essential to their semiconductor customers, with deep trust based long-term relationships.
- There is also a deep rooted memory of a crisis in its history that keeps the company grounded in its long-term orientation in its investments and research & development (R&D).

### Risk:

We believe that risks for the company include a trade conflict with China, management succession which has gone wrong in the past and the oligopolistic market structure.

### Relevant Sustainable Development Goals:



Cadence's tools help semiconductor designers reduce waste and improve efficiency in both power usage and materials. R&D spending tends to be very high at about 40% of sales.



Cadence have 8,100 employees with over 86% of them in technical roles and regularly makes the top lists of best places to work (<https://tinyurl.com/y3bhxcar>).

### Areas for engagement:

- A total shareholder return based remuneration plan.

## 07. Coloplast - Family - 36% owned by the Louis-Hansen family, Niels Peter Louis-Hansen sits on the Board

### Company profile:

Coloplast is a global leader in ostomy, continence, urology and wound care products which aim to make life easier for people with deeply personal and private medical conditions.

### What we like:

- We believe the business benefits from long-term stewardship from the founding family; the son of the founder remains on the Board and the family own over a third of the company.
- It operates in a niche medical segment, has an excellent reputation for high quality products and has built up long-term brand loyalty from both patients and physicians.
- They continue to expand their product range and are targeting further growth from increasing market share in the US as well as emerging markets, including China.
- The business generates strong cash flows and high returns and is well placed to benefit from structural healthcare trends.

### Risk:

We believe that risks for the company include changes to healthcare reimbursement regimes, product failures and increasing competition.

### Relevant Sustainable Development Goals:



Coloplast's products (colostomy bags, urinary incontinence products and more) make a significant difference to the quality of life of the thousands of people with deeply personal and private medical conditions.



Coloplast partner with local and international organisations to improve access to healthcare and improve conditions for those with intimate healthcare needs. This includes anything from forming end user groups to address quality of life issues, to working with policy makers to improve standards of care and simplify the reimbursement environment for those with intimate healthcare needs.

### Areas for engagement:

- Gender diversity on the Board.
- Recyclability of products/reducing medical waste.

## 08. Constellation Software - Entrepreneur - Founded by Mark Leonard in 1995

### Company profile:

Constellation Software is an international provider of software and services, which acquires, builds and manages a broad portfolio of niche market-leading software businesses. Examples of acquired businesses include anything from clinical research software for the medical industry, to case management for social workers and law enforcement agencies.

### What we like:

- The business funds the majority of its acquisitions from its own free cash flow and focuses on purchasing companies that offer specialised software solutions, with high market share, high switching costs and a diversified customer base.
- It is a low capital intensity and high returns business, with an excellent track record of success.
- The founder, Mark Leonard continues to run the company with a long-term, conservative mindset and in our opinion, shows clear signs of integrity e.g. he takes no salary or bonus from the business.

### Risk:

We believe that risks for the company include unsuccessful acquisitions as well as an economic slowdown, although a slowdown would likely present them with an excellent opportunity to capitalise on lower acquisition purchase prices.

### Relevant Sustainable Development Goals:



Many of the companies that Constellation Software has acquired over the years serve important social needs, such as enhanced public services for cities, information systems for schools and supporting efficient transit systems.



Constellation Software has acquired two companies, Delta Logic and Equivant which support the legal system by providing justice information to help courts, clerks and law enforcement agencies.

### Areas for engagement:

- Diversity.
- Exposure to the fossil fuel sector.

## 09. Copart - Founder Willis Johnson owns 7.6%, and his son-in-law and successor, Jay Adair, owns another 3.8%

### Company profile:

Copart provides online auctions for vehicles through its virtual bidding system to insurers, fleet operators, and individuals. Historically a business focused on the United States, they have recently begun their journey building businesses internationally.

### What we like:

- A founder led company with family still running the business, Copart has been built with a long-term time horizon evidenced even today in their approach to the international business.
- Working to auction cars that have been written off by insurers, Copart refer to themselves as the “septic tank of the sewer system”, providing a necessary service.
- They run a scalable auction model, that is bolstered by real infrastructure such as salvage yards that are difficult to replicate

### Risk:

We believe that risks to the company include long term environmental risks in salvage yards.

### Relevant Sustainable Development Goals:



Providing infrastructure to auction salvaged vehicles ensures a reduction in total waste for the system.



Auctioning of salvaged vehicles ensures global re-use and recycling on vehicles, parts, and raw materials reducing the additional manufacturing burden for a new car.

### Areas for engagement:

- A deeper understanding of preventive measures the company is taking to address environmental risks in salvage yards.

## 10. Costco - Free Float c.98.5%

### Company profile:

An international chain of membership warehouses, under the “Costco Wholesale” name, that carry quality brand merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources.

### What we like:

- Costco has an attractive long-term culture and time tested business model that looks after all stakeholders well.
- Their warehouses are designed to help small-to-medium-sized businesses reduce costs in purchasing quality merchandise for resale and for everyday business use. Individuals may also purchase for their personal needs.
- Costco continues to generate steady growth through rising market share, international expansion and e-commerce channels.

### Risk:

We believe that risks for the company include irrational competition and the loss of customer base/employee loyalty due to putting profits first.

### Relevant Sustainable Development Goals:



Costco has always placed its employee’s well-being at the centre of its culture. Unlike many peers, Costco staff are paid well above the market and this leads to increased loyalty and better productivity in the long-term.



Costco’s focus on quality of merchandise through limited necessary SKUs (stock keeping units) drives responsible consumption. This also helps the company better control and influence the quality of its supply chains.

### Areas for engagement:

- Diversity in management.
- Reduction in plastic packagings.
- Reduction in exposure to gasoline sales.

## 11. 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.

### Risk:

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

### 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.

### Areas for engagement:

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

## 12. Deutsche Post - 79% Free Float, with the German state owned development bank KfW providing long-term stewardship

### Company profile:

As the world's largest logistics service provider, Deutsche Post provides a much needed service in delivering post and parcels all over the world, with a dominant position in parcels, express and e-commerce.

### What we like:

- Deutsche Post has evolved very well from being just a German postal service a few decades ago, with its DHL business generating more than half the cash flows and driving the growth. This provides the necessary physical transport and delivery of e-commerce.

### Risk:

We believe that risks for the company include its size, spread and complexity mean its carbon footprint is large. Government ownership potentially reducing management accountability, and contract labour related issues and its pension deficit are the other risks.

### Relevant Sustainable Development Goals:



Deutsche Post supports growth by facilitating global trade in a responsible manner. It also employs over 546,000 people.



With one of the largest logistics fleets, it has a significant footprint and commits to reduce all logistics related emissions to zero by 2050. Deutsche Post is making significant investments and has also announced some shorter term goals towards achieving this.

### Areas for engagement:

- Contract labour related issues.
- Diversity.
- Remuneration simplification.

## 13. Edwards Lifesciences - Free Float - Run by professional management

### Company profile:

Edwards Lifesciences develops products that support the large and growing patient populations with cardiovascular disease, to live longer, healthier and more productive lives. Their products include tissue replacement heart valves and repair products, as well as transcatheter heart valves for those patients considered at greater risk for conventional valve replacement.

### What we like:

- We believe the company has a wonderful, patient focused culture, led by a thoughtful and impressive CEO.
- It is a niche healthcare company, focused on alleviating the number one cause of death globally, cardiovascular disease, which kills almost 18 million people each year.
- The majority of their significant research & development spend is focused on heart valves and transcatheter technologies versus their competitors that are more diversified healthcare businesses.
- The company has a net cash position, strong balance sheet, cash-generating abilities and long-term sustainability credentials.

### Risk:

We believe that risks for the company include product failure, increasing competitive pressure and government interventions on pricing.

### Relevant Sustainable Development Goals:



Edwards Lifesciences is dedicated to improving the lives of patients with structural heart disease by developing world leading artificial heart valves, transcatheter therapies and surgical monitoring technologies.



The company collaborates with the world's leading clinicians and researchers to address unmet healthcare needs, working to improve patient outcomes and enhance lives.

### Areas for engagement:

- Access to healthcare for all.
- Payments to doctors.

## 14. Expeditors - Free Float - Run by professional management

### Company profile:

World leading freight forwarding and logistics company.

### What we like:

- A unique long-term culture fostered by its founders, evidence of which is still clear in their conservative attitude to their balance sheet and a unique approach to remuneration.
- The company recently transitioned to its second CEO after 35 years under its founder.
- An attractive asset light business model that can adapt quickly to evolution in its industry.
- Growth opportunities through consolidation of a fragmented industry and an increasing need for more sustainable logistics solutions.

### Risk:

We believe that risks for the company include potential technology disruption, increasing competition from large supply chain companies and a dilution of culture post the founders leaving the business.

### Relevant Sustainable Development Goals:



Best-in-class logistics technology allows the calculation of the most efficient travel routes as well as freight consolidation, saving time, resources and carbon-emissions. They offer clients carbon footprint reporting, supply chain carbon diagnostic reports as well as working with groups of customers to create carbon savings through shared supply chain optimisation.



Expeditors play a crucial role in monitoring the flow of goods through national borders.

### Areas for engagement:

- Diversity in management.
- Leading the industry on sustainable logistics.
- Increased investment in sustainability and better sustainability reporting.

## 15. Fanuc - Free Float now but some family members remain on the Board

### Company profile:

Founded in Japan in 1958, Fanuc has grown to become the largest maker of industrial robots in the world, focusing on computer numerical control (CNC) systems, lasers and robot systems.

### What we like:

- The company boasts world leading technology and is set to benefit from structural tailwinds from industrial Internet of Things (IoT) trends.
- It has very high technical barriers to entry, long-term relationships with customers, a strong brand and a reputation for quality.
- It has a unique culture and strong commitment to its principles, including belief of simple design, innovation, concentration and a sense of urgency to always stay ahead of competition.
- It is a cash generative business with a consistently net cash balance sheet. Their products support stricter control of product quality, enhance factory efficiency and support industries with a lack of key skilled workers.

### Risk:

We believe that risks for the company include cyclicalities in end markets, economic slowdowns and increasing competition.

### Relevant Sustainable Development Goals:



Fanuc is a world leader in industrial automation supporting efficiency and innovation in a wide variety of industries including automotive, electronics, consumer etc.



Fanuc manufacture high quality products with a 'lifetime guarantee' where Fanuc provide repairs and support services for as long as the company owns the product.

### Areas for engagement:

- Increase transparency of financial accounts.
- Gender diversity.

## 16. Fastenal - Fully Free Float, it has a long-tenured management team who exude a culture of stewardship in how they run the business

### Company profile:

A leading distributor of industrial and construction supplies.

### What we like:

- A long-tenured team, with many senior managers having worked in the business for more than 15 years. They have preserved a conservative approach to the business, as well as a steadfast focus on looking after all stakeholders.
- They maintain leading market share as a distributor of maintenance and repair supplies by developing strong relationships with their customers. The market still remains quite fragmented, so Fastenal also benefits from structural tailwinds around consolidating market share.
- The conservative approach is seen in the management of a solid balance sheet, that has not changed very much over the past two decades, with very little leverage on the balance sheet.

### Risk:

We believe the company faces risks related to the industrial and construction cycle, as well as the rise of aggressive competitors.

### Relevant Sustainable Development Goals:



Fastenal works to provide repair and maintenance supplies to industrial companies in a cost efficient and timely manner.



Many of Fastenal's products are tailored to repair and maintenance ensuring longer life cycles of end products.

### Areas for engagement:

- Disclosure around diversity, and initiatives taken to improve this.

## 17. Fortinet - Entrepreneur - Founded and run by brothers Ken and Michael Xie who own 14%

### Company profile:

Fortinet is a US-listed cybersecurity company that develops and markets hardware and software services, such as firewalls, anti-virus, intrusion prevention and endpoint security.

### What we like:

- The company was founded in 2000 by two entrepreneurial brothers Ken and Michael Xie, who have over 30 years of experience in the industry and still own roughly 14% of the company. The brothers continue to provide long-term, competent stewardship and remain actively involved in the business.
- Listed in 2009, Fortinet has grown at an average of 24% per annum and is the second largest cybersecurity company by revenues.
- The company is set to benefit from continued structural growth tailwinds, including the rollout of 5G broadband, increasingly distributed enterprises, and greater volumes of data and transactions.
- Their focus on network security combined with consistently high research & development, helps them maintain a technological advantage.
- The business has robust cash generation, the balance sheet has zero debt, and more than half of assets are cash or equivalents.

### Risk:

We believe that risks for the company include potential data/security breaches, competition and technological disruption.

### Relevant Sustainable Development Goals:



Fortinet provides necessary defences and protections in an increasingly virtual world. Fortinet's global threat map (<https://threatmap.fortiguard.com/>) records cybersecurity threats encountered and resisted. In the US alone, it records 170,000 malicious website accesses, 545,000 network intrusion attempts and 140,000 malware programs are blocked per minute.



Fortinet play a crucial role in protecting a wide range of customers including financial services, telecommunication companies, education, healthcare, government and retail.

### Areas for engagement:

- Understand more about sharing of data, e.g. with the US government.
- Gender diversity.

## 18. Halma - Free Float - Run by professional management

### Company profile:

Halma's history dates back to 1872, originally operating as a tea company. Today it has transformed into an impressive group of nearly fifty industrial businesses focused on protecting and improving the quality of life for people worldwide.

### What we like:

- Halma's underlying businesses are global or national leaders in non-cyclical, niche markets and fit into one of four segments: infrastructure safety, medical, environmental and analysis, and process safety.
- The company has a consistent track record of sticking to its proven mergers & acquisitions (M&A) philosophy, which results in consistently generating excess cash flows which are used to purchase more businesses.
- The company is also set to benefit from structural growth tailwinds including urbanisation, growing safety regulation, increasing demand for healthcare, energy and water, whilst at the same time, expanding into emerging markets.

### Risk:

We believe that risks for the company relate to the levels of debt on their balance sheet, poor execution in M&A or product related failures.

### Relevant Sustainable Development Goals:



Halma's technology helps to diagnose and treat disease earlier and more accurately; to improve road safety and to reduce water and air pollution.



Halma's products and services help to ensure access to clean drinking water; to ensure efficient and effective wastewater treatment; and to maintain robust water and wastewater networks, minimising leakage and maintaining pressure.

### Areas for engagement:

- Circular economy design of products.
- Transparency of underlying businesses.

## 19. 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. 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.

### Risk:

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

### 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'.

### Areas for engagement:

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

## 20. 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, cyclicalities 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:

- Diversity at Board level.
- Improved sustainability reporting.

## 21. Illumina - Free Float - Run by professional management

### Company profile:

Illumina is the world leading maker of gene sequencing technologies that are used by scientists and researchers across life sciences, oncology, reproductive health, agriculture and other emerging segments.

### What we like:

- From diagnosing rare diseases to understanding the biodiversity in our ecosystems, Illumina is helping to unlock the power of the genome.
- Their technology advancements have helped to reduce the cost of sequencing a human genome from \$1million in 2007 to less than \$1,000 today and they are pushing to reduce this to just \$100 per person.
- Illumina's technology also makes it possible to track the transmission of contagious diseases, develop therapies and vaccines, and make the world safer and more secure.
- The company has an innovative and ethical culture and a high quality supervisory and ethics board. It earns significant recurring revenues from the sale of consumables and services and is benefitting from the growth in preventative healthcare and personalised medicine.

### Risk:

We believe risks to the company relate to competition, regulations and the potential for misuse/unethical use of patient data.

### Relevant Sustainable Development Goals:



Illumina's products and services are bringing down the cost of genome sequencing and is therefore reducing healthcare costs, whilst improving healthcare outcomes.



Illumina's innovations are enabling advancements in life science, genomics, molecular diagnostics, agriculture and even supporting conservation biology.

### Areas for engagement:

- Minimising the risk of potential unethical uses for data (e.g. racial profiling, insurance etc).
- Circular economy (machine design and consumables).

## 22. Infineon Technologies - Free Float - Run by professional management

### Company profile:

Infineon Technologies is a world leader in semiconductor solutions across four segments: Automotive, Industrial Power Control, Power & Sensor Systems and Digital Security. In the automotive segment, they are the market leader in applications for e-vehicles, autonomous vehicles and connected cars. In Industrial Power Control their semiconductors provide solutions for smart and efficient energy generation, including wind and solar power and in Power Management their semiconductors make devices and lighting more energy efficient and smarter.

### What we like:

- The business is well positioned for a sustainable future, particularly in relation to clean energy and safer, more efficient transport.
- The business was spun off from Siemens in 1999 and is led by an experienced and long-tenured management team.
- They continue to invest in research & development, in developing their manufacturing facilities and have recently completed a large acquisition, making them one of the top 10 semiconductor manufacturers globally.

### Risk:

We believe risks to the company relate to cyclicalities in end markets, competition and the success of their recent acquisition.

### Relevant Sustainable Development Goals:



Sustainable cities require optimally connected mobility systems and Infineon's semiconductors are used in both local public transportation within trains, subway trains, trams, high speed networks, as well as in electric and autonomous vehicles



Semiconductors from Infineon enable a more efficient production of electricity from renewable energy sources. They offer increased efficiency in all stages of energy production: in generation, transmission and in particular in the use of electric energy.

### Areas for engagement:

- Gender diversity.
- Labour rights (union related issue in Malaysia).

## 23. 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.

### 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.

### 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.

### Areas for engagement:

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

## 24. 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.

### 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.

### Relevant Sustainable Development Goals:



Provider of affordable finance and financial products for rural communities.



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

### Areas for engagement:

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

## 25. Microsoft - Almost fully Free Float, run by a strong team of professional managers.

### Company profile:

Globally dominant provider of productivity software.

### What we like:

- Microsoft has a steady stream of cash flows from their dominant position in productivity software. This is a position that has been nurtured over the past decades and is not easy to disrupt.
- They are using these cash flows to build strong businesses in areas like cloud services, which should continue to enjoy structural growth tailwinds in the years ahead.
- This steadiness of franchise goes hand in hand with a strong core management team that looks after a net cash balance sheet and continued investment in research and development.

### Risk:

We believe Microsoft faces risks related to the fashion element that comes from gaming, as well as risks around their exposure to defence contracts.

### Relevant Sustainable Development Goals:



Microsoft is the dominant provider of the basic software that powers organisations world over. The cloud infrastructure is also a fundamental piece of network connectivity.



Microsoft's software tools are aimed at driving productivity and efficiency in business and educational environments.

### Areas for engagement:

- Use of debt to buy back company stock.
- Gender diversity.

## 26. Nestlé - Fully Free Float, run by a strong team of professional managers

### Company profile:

Nestlé is a 150 year old global leader in food and beverages and has a vast product portfolio and leading brands in many product categories. It also has many listed subsidiaries that are generally very well regarded in their conduct and performance and set high local standards.

### What we like:

- Nestlé takes a very long-term approach with a culture based on innovation, decentralisation and exemplary performance.
- Nestlé prides itself on its research and development driven solutions including in packaging.
- The company continues to evolve its portfolio towards better consumer health. This was most recently evidenced by its decision to sell a significant part of its ice creams and the Herta cold cuts businesses and the acquisitions in personal nutrition and wellness.

### Risk:

We believe Nestlé faces risks of sustainability headwinds in bottled water, plastic packaging and responsible sourcing.

### Relevant Sustainable Development Goals:



As the largest listed food products company and with its global reach, Nestlé plays a key role in improving nutrition, and sustainable agriculture with its sourcing policies.



With better understanding of the link between nutrition and health, there is a high focus on transitioning the product portfolio.

### Areas for engagement:

- Plastic packaging and responsible sourcing.

## 27. Novozymes - Foundation - Run by professional management - 27% owned by the Novo Nordisk Foundation

### Company profile:

Novozyymes was founded in 2000 as a spin-out of the pharmaceutical company Novo Nordisk. The company develops enzymes (proteins that trigger biochemical reactions) that enable customers in the food and beverage, pharmaceutical, home and laundry care, agricultural and bioenergy sectors to do more with less.

### What we like:

- Sustainable development benefits include safer foods free from carcinogens and allergenic ingredients, more cost effective drug production and more nutritious animal feed and animal health treatments based on probiotics instead of antibiotics.
- Other benefits include stronger and longer lasting textiles made with less water and chemicals, tougher laundry detergents that work better at lower temperatures and more efficient waste water treatments.
- Novozymes is a well stewarded franchise with a triple bottom line enshrined in its articles of association.

### Risk:

The company invests heavily and consistently in research and innovation. Although its customer base is broad and diversified, its revenues are impacted by fluctuations in the end markets of its customers.

### Relevant Sustainable Development Goals:



Novozyymes' enzymes enable more sustainable food production systems and improved nutrition by increasing crop yields and disease resistance; helping to maintain soil quality and reduce chemical inputs in farming.



Their enzymes reduce the consumption of water, energy and chemicals used in the production of pulp, paper and textiles, leather tanning, laundering of clothes and washing of dishes.

### Areas for engagement:

- Diversity.
- Dependence on bio-fuels.

## 28. Philips - 100% Free Float

### Company profile:

A healthcare conglomerate with leading market shares in their core areas: respiratory kit and patient monitoring systems.

### What we like:

- Philips is a leader in sustainability thinking and approach, and its culture is moving towards more accountability.
- They have entrenched market shares and have an emerging markets focus through affordability.
- They are leaders in a diversified set of products and are becoming more focused.

### Risk:

We believe that the company faces the risk of a rise in competitive intensity, the potential loss of focus on quality and innovation and an inability to maintain the balance between their obligation as a healthcare company and profits.

### Relevant Sustainable Development Goals:



Philips' products are lifesaving in nature. A focus on affordability means Philips aims to positively impact the well-being of a larger section of society in the future than they do today.



Philips is leading the industry in increasing the circularity of its products through recycling, refurbishing, reusing and repurposing its products. This will have a material impact on the resource intensity of the business and for the industry at large.

### Areas for engagement:

- Improved gender diversity in top management.
- Better accounting choices.
- Simpler remuneration structure.

## 29. Schindler - The Schindler family maintains majority voting control of the company through a dual share class structure and has stewarded the company over five generations

### Company profile:

A Swiss multinational company which manufactures escalators, moving walkways and elevators.

### What we like:

- Over a century of operation, Schindler has developed a broad installed base of elevators and escalators and have a steady stream of service revenue from this. They also benefit from tailwinds around increased demand for their products in urbanising cities in developing markets.
- Schindler has long maintained a conservative approach to the financial quality of the business. The family here has watched over a net cash balance sheet for the past 15 years.
- The continued presence of family stewards who maintain voting control in the company, has ensured the preservation of institutional memory, with strong recollections of past cycles and the way the company responded to these periods. Professional managers bring further operational focus to the business.

### Risk:

We believe that the company faces the risk of slowing demand for their products through an economic recession. This is also a product where the brand relies on trust, and so, the outside risk of an accident remains present.

### Relevant Sustainable Development Goals:



Elevators and escalators are required infrastructure for movement on a daily basis.



We believe Schindler's products are essential infrastructure for rapidly evolving cities.

### Areas for engagement:

- Improved diversity of management and the Board to represent the global nature of their business.

## 30. Synopsys - Almost fully Free Float

### Company profile:

Synopsys along with Cadence, provides software and hardware tools for computer aided design and engineering to develop chips and integrated circuits.

It is also building out a software integrity business which could provide another avenue of growth into customers beyond the semiconductor industry.

### What we like:

- Synopsys provides tools that are essential to their semiconductor customers, with deep trust based long-term relationships.
- A founder led culture, with a leadership position in an oligopolistic industry and a long-term orientation in its investments, and research and development (R&D).

### Risk:

We believe risks for the company are a trade conflict with China, management succession, and the oligopolistic market structure.

### Relevant Sustainable Development Goals:



Tools from Synopsys help semiconductor designers reduce waste and improve efficiency in both power usage and materials. R&D spending tends to be very high at about 35% of sales. The software integrity tools help customers improve productivity and reduce errors in coding.



Synopsys have 13,900 employees with over 80% in an engineering role and over 3,200 patents.

### Areas for engagement:

- Low tax rate.

## 31. Sysmex Corporation - Founding family own 17% with the second generation currently running the company

### Company profile:

A leader in blood testing with half the global market share, now expanding into other areas of diagnostics and testing.

### What we like:

- Global leadership is a key part of diagnostics, with a focus on affordability and quality especially in emerging markets.
- A strong focus on sustainability as a driver of business outcomes, an example being cutting the reagents needed by 1/25th.
- A net cash balance sheet and an ambition to grow beyond their core haematology segment.

### Risk:

We believe that Sysmex faces risks related to distribution in emerging markets, potential reputational damage from quality issues and new ways of testing without the need for drawing blood.

### Relevant Sustainable Development Goals:



Sysmex's products are essential tools for diagnosing the state of a person's health, and planning treatment accordingly. The quality and affordability of these tests is critical for global health.



The high investment in research and development enables better and quicker diagnosis.

### Areas for engagement:

- Board and management diversity.

## 32. Taiwan Semiconductor Manufacturing (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.

## 33. Tata Consultancy Services (TCS)

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.

### 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.

### 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.

### Areas for engagement:

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

## 34. 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 Mahindra 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.

## 35. Texas Instruments - Free Float - Run by professional management

### Company profile:

A global leader in analog semiconductor design and manufacturing.

### What we like:

- Texas Instruments produced the world's first commercial silicon transistor and maintains a cutting edge research and development culture. This is fundamental to the success of the business.
- This research and development culture manifests itself at Texas Instruments being the largest analog integrated circuits (IC) designer, continuing to take market share and now control 30% of the market.
- The company has been refocusing itself on the auto and industrial segments. Both of these areas should have strong structural tailwinds of growth over the next decade through the focus on industrial automation and autonomous driving.

### Risk:

We believe that Texas Instruments faces risks around an economic slowdown, and the impact this will have on the automotive and industrial parts of their business.

### Relevant Sustainable Development Goals:



TI's chips are required infrastructure in all digital and analog communication.



Analog ICs are a key part of economic growth into autonomous vehicles and industrial automation.

### Areas for engagement:

- Succession planning.
- Debt for buybacks.

## 36. Tokyo Electron - 95% 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.

### Risk:

We believe risks for the company relate to economic cyclicity, customer concentration (Samsung 1/4 of sales) and technological disruption (Moore's law).

### 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%.

### Areas for engagement:

- Gender diversity.
- Further promoting the circular economy.

## 37. Unicharm - Family - Founded by Keiichiro Takahara in 1963 and family ownership remains around 31% via the Unitech 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.

### 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.

### 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.

### Areas for engagement:

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

## 38. Veeva Systems - 86% Free Float and founder controlled

### Company profile:

A cloud-computing company focused on pharmaceutical and life sciences industry applications.

### What we like:

- Veeva is a founder run company with a quality long-term culture.
- It is a market leader who continues to invest heavily in making their products drive more efficiency for their customers.
- They benefit from strong tailwinds from low penetration, clear customer benefits and attractive business economics.

### Risk:

We believe that the lack of a poison pill post the expiry of the dual class structure in 2023 is a potential risk for the business and their succession. As well as the end of their Salesforce exclusivity in 2025.

### Relevant Sustainable Development Goals:



Veeva's products make the healthcare industry more efficient saving them valuable money to invest further in the well-being of society.



Veeva is a significant employer with a long-term culture providing attractive benefits and career growth opportunities for its staff.

### Areas for engagement:

- More equitable and reasonable remuneration across senior management.
- Better gender diversity across senior management and Board.

## 39. Watsco - 99% Free Float although founder chairman Alfred Nahmad controls more than half the votes with dual class shares

### Company profile:

The largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in North America.

### What we like:

- The founder's long-term time horizon and company culture.
- Their performance based long-term remuneration in restricted stock that only vests on retirement.
- 70% of the demand for their products is from the replacement market, which is a key enabler of repair and maintenance.

### Risk:

We believe that the cyclical nature of their business and heavy working capital is a potential risk.

### Relevant Sustainable Development Goals:



Sale of necessary and energy efficient products.



By enabling essential equipment to be repaired, Watsco is a significant contributor to the circular economy.

### Areas for engagement:

- Succession.
- Capital allocation.

Source: Stewart Investors investment team company research. Securities mentioned are all of the holdings from a representative Worldwide Leaders Sustainability Strategy account as of 31 December 2020. Reference to specific securities should not be construed as investment advice or a recommendation to invest in any of those companies. Any data referenced is accurate as of 31 December 2020. Holdings are subject to change. The Stewart Investors Sustainable Funds Group supports the Sustainable Development Goals (SDGs). The full list of SDGs can be found on the [United Nations website](#).

## **Important information**

This document has been prepared for general information purposes only and is intended to provide a summary of the subject matter covered. It does not purport to be comprehensive or to give advice. The views expressed are the views of the writer at the time of issue and may change over time. This is not an offer document, and does not constitute an offer, invitation, investment recommendation or inducement to distribute or purchase securities, shares, units or other interests or to enter into an investment agreement. No person should rely on the content and/or act on the basis of any matter contained in this document.

This document is confidential and must not be copied, reproduced, circulated or transmitted, in whole or in part, and in any form or by any means without our prior written consent. The information contained within this document has been obtained from sources that we believe to be reliable and accurate at the time of issue but no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information. We do not accept any liability for any loss arising whether directly or indirectly from any use of this document.

References to “we” or “us” are references to Stewart Investors. Stewart Investors is a trading name of First Sentier Investors (UK) Funds Limited, First Sentier Investors International IM Limited and First Sentier Investors (Ireland) Limited. First Sentier Investors entities referred to in this document are part of First Sentier Investors, a member of MUFG, a global financial group. First Sentier Investors includes a number of entities in different jurisdictions. MUFG and its subsidiaries do not guarantee the performance of any investment or entity referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk including loss of income and capital invested.

Past performance is not a reliable indicator of future results.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

## **Hong Kong and Singapore**

In Hong Kong, this document is issued by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities & Futures Commission in Hong Kong. In Singapore, this document is issued by First Sentier Investors (Singapore) whose company registration number is 196900420D. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. Stewart Investors is a business name of First Sentier Investors (Hong Kong) Limited. Stewart Investors (registration number 53310114W) is a business division of First Sentier Investors (Singapore).

## **Australia**

In Australia, this document is issued by First Sentier Investors (Australia) IM Limited AFSL 289017 ABN 89 114 194 311 (FSI AIM). Stewart Investors is a trading name of FSI AIM.

## **United Kingdom**

This document is a financial promotion. In the United Kingdom, this document is issued by First Sentier Investors (UK) Funds Limited which is authorised and regulated in the UK by the Financial Conduct Authority (registration number 143359). Registered office: Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB, number 2294743.

## **European Economic Area (“EEA”)**

In the EEA, this document is issued by First Sentier Investors (Ireland) Limited which is authorised and regulated in Ireland by the Central Bank of Ireland (registered number C182306) in connection with the activity of receiving and transmitting orders. Registered office: 70 Sir John Rogerson’s Quay, Dublin 2, Ireland, number 629188.

## **Middle East**

In certain jurisdictions the distribution of this material may be restricted. The recipient is required to inform themselves about any such restrictions and observe them. By having requested this document and by not deleting this email and attachment, you warrant and represent that you qualify under any applicable financial promotion rules that may be applicable to you to receive and consider this document, failing which you should return and delete this e-mail and all attachments pertaining thereto.

In the Middle East, this material is communicated by First Sentier Investors (Singapore).

## **Kuwait**

If in doubt, you are recommended to consult a party licensed by the Capital Markets Authority (“CMA”) pursuant to Law No. 7/2010 and the Executive Regulations to give you the appropriate advice. Neither this document nor any of the information contained herein is intended to and shall not lead to the conclusion of any contract whatsoever within Kuwait.

### **UAE - Dubai International Financial Centre (DIFC)**

Within the DIFC this material is directed solely at Professional Clients as defined by the DFSA's COB Rulebook.

### **UAE (ex-DIFC)**

By having requested this document and / or by not deleting this email and attachment, you warrant and represent that you qualify under the exemptions contained in Article 2 of the Emirates Securities and Commodities Authority Board Resolution No 37 of 2012, as amended by decision No 13 of 2012 (the "Mutual Fund Regulations"). By receiving this material you acknowledge and confirm that you fall within one or more of the exemptions contained in Article 2 of the Mutual Fund Regulations.

### **United States of America**

In the United States, this document is issued by First Sentier Investors International IM Limited, as SEC registered investment adviser. Stewart Investors is the trading name of First Sentier Investors International IM Limited. This material is solely for the attention of institutional, professional, qualified or sophisticated investors and distributors who qualify as qualified purchasers under the Investment Company Act of 1940 (hereafter the "1940 Act"), as accredited investors under Rule 501 of SEC Regulation D under the US Securities Act of 1933 ("1933 Act"), and as qualified eligible persons as defined under CFTC Regulation 4.7. It is not to be distributed to the general public, private customers or retail investors.

### **Other jurisdictions**

In other jurisdictions where this document may lawfully be issued, this document is issued by First Sentier Investors International IM Limited which is authorised and regulated in the UK by the Financial Conduct Authority (registration number 122512). Registered office 23 St. Andrew Square, Edinburgh, EH2 1BB number SC079063.