

Global Emerging Markets Leaders Sustainability Strategy



Stewart Investors



Risk factors

This document is a financial promotion for the Global Emerging Markets Leaders Sustainability Strategy intended for **retail and professional clients in the UK, and for professional clients only in Switzerland, the EEA and elsewhere where lawful.**

Investing involves certain risks including:

- > **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**
- > **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- > **Currency risk:** the strategy invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the strategy and could create losses. Currency control decisions made by governments could affect the value of the strategy's investments and could cause the strategy to defer or suspend redemptions of its shares.

Where featured, specific securities or companies are intended as an illustration of investment strategy only, and should not be construed as investment advice or a recommendation to buy or sell any security.

All information included in this material has been sourced by Stewart Investors and is displayed as at 31 December 2023 unless otherwise specified and to the best of our knowledge is an accurate reflection as at this date.

If you are in any doubt as to the suitability of our strategies for your investment needs, please seek investment advice.

About Stewart Investors

We are an active, long-only equity investment business with stewardship and sustainability at the heart of our investment philosophy and culture since 1988. As a team, we have been managing explicit sustainability portfolios since 2005 and a Global Emerging Markets Sustainability All-Cap Strategy since 2009.

Due to capacity constraints of the all-cap strategy and strong demand and desire to offer clients an emerging markets sustainability solution, we launched the Global Emerging Markets Leaders Sustainability Strategy in April 2020. This strategy is now available to clients in the UK. Leaders simply means that the strategy is focused on companies with a market cap over USD1 billion.

Investment aim

To generate long-term, risk-adjusted returns for our clients by investing in the shares of high-quality companies that are particularly well positioned to contribute to, and benefit from, sustainable development.

Key facts

| | |
|--------------------------|-----------------------------|
| Strategy launch | April 2020 |
| Strategy size* | USD 1,163 million |
| Lead portfolio manager | Jack Nelson |
| Investment team | 11 analysts |
| Number of companies | 25-60 (current 47) |
| Active share | 86% |
| Investment horizon | 5-10+ years |
| Name turnover | 12% p.a. |
| Market capitalisation | > USD 1.5 billion** |
| Comparator benchmark | MSCI Emerging Markets Index |
| Annual management charge | Standard fee: 0.65% |
| Currencies available | GBP, USD |

Investment philosophy

- > **We are stewards.** Our role is to allocate society's capital to productive uses, in accordance with our [Hippocratic Oath](#).
- > **We are long term.** Our time horizon is measured in years, not weeks, and we value companies accordingly.
- > **We invest only in companies contributing to a more sustainable future.** We engage constructively as owners to help companies on their sustainability journeys.
- > **We invest only in high-quality companies.** We invest in companies with exceptional cultures, strong franchises and resilient financials.
- > **We believe capital preservation is important for capital growth.** We define risk as the possibility of the permanent loss of client capital.

This philosophy is proven across strategies and business cycles for nearly four decades.

*Includes portfolios inherited from St Andrews Partners on 1 April 2022.

**Exceptions to this in special circumstances. Ability to invest in companies with a market cap as low as US\$1bn.

Data shown for a representative Stewart Investors Global Emerging Markets Leaders Sustainability account.

10 years to 31 December 2023 for turnover. Parameters shown are guidelines only and not hard risk limits. This information is provided for illustrative purposes to demonstrate Stewart Investors' activity within the strategy for the period shown. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results.

Sustainability in emerging markets

We seek to invest in high-quality companies that produce necessary products and services in a responsible manner. We believe that incorporating [sustainability](#) considerations into our stock picking helps us in two ways.

- > Developing countries will not be able to follow the same resource-intensive and consumption-driven model of development taken by today's developed countries. We are looking for companies that are well positioned to meet the challenge of sustainable development. We have strong conviction that such companies face fewer risks and are better placed to deliver positive, long-term returns to shareholders.
- > Sustainability is a particularly useful approach to gauge the quality of companies. We believe managers and owners who treat their employees, the environment and society at large well are more likely to allow minority shareholders to participate in the success of the business; in contrast, we believe those who are willing to cut corners are likely to act in unscrupulous ways if given the opportunity. Incorporating sustainability in this way aids our bottom-up stock picking process. In emerging markets, insisting on robust governance is crucial to risk mitigation since corporate governance standards are often poor.

While we don't carry out negative screening, the output of our bottom-up approach means that we do not invest in companies with material exposure to harmful products, including weapons, tobacco, alcohol, gambling and fossil fuels. Nor do we believe we need to invest in such companies to deliver the long-term, sustainable returns our clients expect. Visit our [website](#) to view our position on harmful and controversial products and services, and our climate change statement.

Top 10 holdings - high conviction

We have a bottom-up approach and aim to invest only in well-stewarded, high-quality companies with sustainability at the heart of all investment considerations. Our portfolios are high conviction (top 10 holdings typically 30%-50%) and are completely benchmark agnostic.

| Company | Country | Sector | Portfolio (%) | Index (%) |
|-----------------------------|-------------|------------------------|---------------|-------------|
| HDFC Bank | India | Financials | 5.7 | 0.8 |
| Taiwan Semiconductor (TSMC) | Taiwan | Information Technology | 5.0 | 6.7 |
| Tata Consultancy Services | India | Information Technology | 4.6 | 0.6 |
| Samsung Electronics | South Korea | Information Technology | 4.2 | 4.1 |
| Unicharm | Japan | Consumer Staples | 4.2 | – |
| Mahindra & Mahindra | India | Consumer Discretionary | 4.1 | 0.3 |
| Jerónimo Martins | Portugal | Consumer Staples | 3.4 | – |
| Infosys | India | Information Technology | 3.4 | 0.9 |
| EPAM Systems | USA | Information Technology | 3.1 | – |
| Kotak Mahindra Bank | India | Financials | 2.9 | 0.4 |
| | | | 40.4 | 13.8 |

Data shown is for a representative Stewart Investors Global Emerging Markets Leaders Sustainability account and the MSCI Emerging Markets Index. Any stocks held/listed in non-index countries have economic activity >50% from developing economies. This information is provided for illustrative purposes to demonstrate Stewart Investors' activity within the strategy for the period shown. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints and those of a similarly managed fund or mandate would affect results. Numbers may not add to totals due to rounding.

Our interactive [Portfolio Explorer](#) tool allows you to explore strategies, companies, countries and sustainability issues of interest in four views – map, Sustainable Development Goals, climate solutions and human development pillars.



For more information please contact:
enquiries@stewartinvestors.com

Performance review

Our investment philosophy focuses on delivering strong absolute returns over cycles. This focus means that we define risk as the loss of clients' capital rather than in terms of deviation from any benchmark index. As a result, our performance is likely to lag steeply rising markets, but deliver better results in falling markets. We believe this approach has served clients well over time and over cycles.

Given that the Global Emerging Markets Leaders Sustainability Strategy is a newer strategy we have also included the performance of the Global Emerging Markets Sustainability (All-Cap) Strategy for historical context of the wider investment strategy, team and approach.

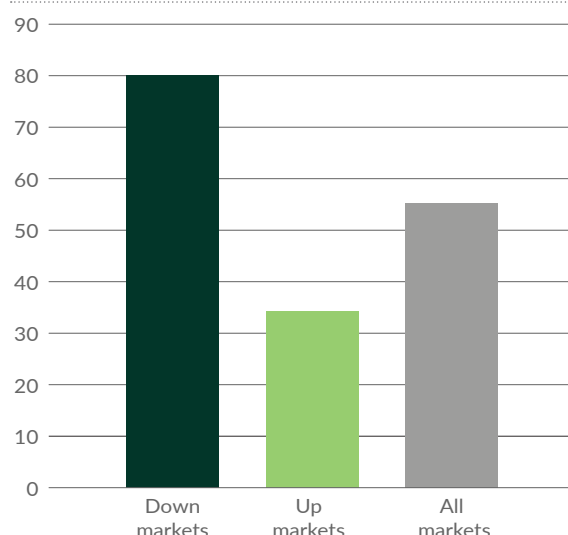
| Discrete annual performance USD – composite performance % | 12 months to 31-Dec-21 | 12 months to 31-Dec-22 | 12 months to 31-Dec-23** |
|----------------------------------------------------------------------------------|------------------------|------------------------|--------------------------|
| Stewart Investors Global Emerging Markets Leaders Sustainability (gross of fees) | 3.8 | -19.5 | 14.3 |
| Stewart Investors Global Emerging Markets Leaders Sustainability (net of fees) | 3.0 | -20.2 | 13.4 |
| MSCI Emerging Markets Index | -2.2 | -19.7 | 10.3 |

| Annualised performance over periods USD – composite performance % p.a. | Since launch annualised |
|----------------------------------------------------------------------------------|-------------------------|
| Stewart Investors Global Emerging Markets Leaders Sustainability (gross of fees) | 11.0 |
| Stewart Investors Global Emerging Markets Leaders Sustainability (net of fees) | 10.1 |
| MSCI Emerging Markets Index | 8.2 |

| Discrete annual performance USD – composite performance % | 12 months to 31-Dec-19 | 12 months to 31-Dec-20 | 12 months to 31-Dec-21 | 12 months to 31-Dec-22 | 12 months to 31-Dec-23 |
|--------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Stewart Investors Global Emerging Markets Sustainability (gross of fees) | 12.0 | 22.8 | 3.9 | -18.8 | 15.0 |
| Stewart Investors Global Emerging Markets Sustainability (net of fees) | 11.0 | 21.7 | 3.1 | -19.5 | 14.0 |
| MSCI Emerging Markets Index | 18.9 | 18.7 | -2.2 | -19.7 | 10.3 |

| Annualised performance over periods USD – composite performance % p.a. | Since launch | 10 years | 5 years | 3 years | 1 year |
|---------------------------------------------------------------------------|--------------|----------|---------|---------|--------|
| Stewart Investors Global Emerging Markets Sustainability (gross of fees) | 12.0 | 5.2 | 5.9 | -1.0 | 15.0 |
| Stewart Investors Global Emerging Markets Sustainability (net of fees) | 11.0 | 4.3 | 5.0 | -1.8 | 14.0 |
| MSCI Emerging Markets Index | 7.9 | 3.0 | 4.1 | -4.7 | 10.3 |

Global Emerging Markets Sustainability
Investment style - downside protection
Composite outperformance (GBP net of fees)



These figures refer to the past. Past performance is not indicative of future performance. For investors based in countries with currencies other than GBP, the return may increase or decrease as a result of currency fluctuations.

Source: Stewart Investors. Data shown for the Stewart Investors Global Emerging Markets Leaders Sustainability and Global Emerging Markets Sustainability Composites, and MSCI Emerging Markets Index. Composite performance is shown on a gross and net of fees basis. Gross performance figures do not reflect the deduction of investment fees and expenses. A client's return will be reduced by the effect of investment fees and expenses. Net performance figures are calculated by subtracting a model annual management fee of 0.80% from the gross performance figures for the Global Emerging Markets Leaders Sustainability Composite and 0.85% for the Global Emerging Markets Sustainability Composite. No other expenses or costs have been taken into account when calculating the net performance. Outperformance shown versus the MSCI Emerging Markets Index. Index returns are shown on a total return basis and gross of tax. Since launch relates to inception of the composites on 1 April 2020 and 1 March 2009 respectively. **Under Financial Conduct Authority regulations, we are required to show performance for five complete 12-month periods however, performance for this strategy does not exist for all five 12-month periods.

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