



Asia Pacific All Cap Update

This document is a financial promotion for the Stewart Investors Asia Pacific Fund for retail and professional clients in the UK and professional investors 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.**
- **Currency risk:** The Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund.
- **Emerging market risk:** Emerging markets may not provide the same level of investor protection as a developed market; they may involve a higher risk than investing in developed markets.

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.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for the fund.

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

Following our letter of 19 March 2020, we would like to provide further details about the transition of the Stewart Investors Asia Pacific Fund, as it becomes the Stewart Investors Asia Pacific and Japan Sustainability Fund. These changes officially take effect on 22 May 2020.

Who is managing the Fund?	Name	Strategy	Benchmark	Lead Manager	Co-Manager
Upon the departure of Ashish Swarup from Stewart Investors in September 2019, the Stewart Investors Sustainable Funds Group took over the management of the Fund. The Stewart Investors Sustainable Funds Group is the same team who oversee the Stewart Investors Asia Pacific Sustainability Fund, Stewart Investors Asia Pacific Leaders Fund and Pacific Assets Trust - David Gait, Doug Ledingham, Sashi Reddy and Chris McGoldrick.	Stewart Investors Asia Pacific and Japan Sustainability Fund	All cap	MSCI Asia Pacific Index	Doug Ledingham	David Gait
	Stewart Investors Asia Pacific Leaders Fund	Leaders (companies with free float over USD 1.5bn)	MSCI AC Asia Pacific ex-Japan Index	David Gait	Sashi Reddy
	Stewart Investors Asia Pacific Sustainability Fund	All cap	MSCI AC Asia Pacific ex-Japan Index	David Gait	Sashi Reddy
	Pacific Assets Trust	All cap	MSCI AC Asia ex-Japan Index	David Gait	Doug Ledingham

The Fund is managed with the same philosophy and process that is applied to all funds managed by the Sustainable Funds Group - a long-term, benchmark-agnostic approach that aims to protect and grow clients' capital by owning a concentrated portfolio of high-quality companies well-positioned for sustainable development.¹

When investing with a long-term time horizon, sustainability and quality become critical to wealth preservation and growth. Understanding how a company is positioned relative to the many development challenges facing our planet today forms a key part of how we think about growth and risk.

We believe poorly positioned companies are likely to face consumer pressure (from greater awareness) and regulatory constraints as governments globally become more responsive to the need for a better model of development - one that allows human development within the limits of a finite planet. We consider examples of poorly positioned companies to include cigarette companies, carbon-heavy resource companies or consumer companies selling alcohol or sugar-intensive products.

Quality is critical if businesses, and shareholders, are to benefit from the long-term tailwinds² enjoyed by an advantageous position. There are many companies or sectors that, although being well-positioned to contribute to sustainable development, have untrustworthy or incompetent management teams, franchises incapable of generating economic returns or balance sheets loaded with debt. Popular examples today might include manufacturers of electric vehicles, providers of plant-based meat and solar panel manufacturers.

By choosing to invest in high quality franchises run by high quality people that are well positioned to benefit from sustainable development, we can own companies that have a higher likelihood of delivering attractive long-term absolute returns³ with less risk.

What is the attraction of an Asia Pacific including Japan mandate?

Over the last 30 years, we have looked to own the very best quality Asian companies, regardless of place of listing, incorporation or index membership. This is an investment-led decision as we believe it makes no sense to constrain our investment universe by following narrow definitions of geography decided by index providers. For example, clients in our Asian funds with the capacity to invest

in Australia have benefited from an expanded universe of quality companies beyond a narrow definition of Asia. Yet despite the greater pool of companies, we have never made any concessions to our philosophy or process in order to own Australian companies or to match a 'benchmark weighting'. Of the c.2,000 listed companies in Australia, we have owned only a handful.

In 2015, we began owning Japanese companies in our Asian funds if their economic exposure to Asia (ex Japan) was greater than 50%. As of 11 May 2020, our Asian funds own four Japanese companies, with between 12% and 15.5% total exposure to companies listed in Japan. Again, our ability to invest beyond the index providers' definition of Asia has allowed clients to own China's largest paint company, China's largest baby product company, Asia's largest personal hygiene company and a leading supplier to Asia's semiconductor and eye-care industries. These companies have been material contributors to performance over the last five years and protected capital year-to-date during a very volatile environment with three of the companies in positive territory and all four outperforming the MSCI Japan, MSCI AC Asia Pacific and MSCI AC Asia Pacific ex-Japan indices⁴.

The ability to invest directly in Japan will allow clients to own high quality Japanese companies far earlier in their Asian growth journeys, as well as accessing a greater pool of domestic companies with attractive growth opportunities.

How will the Fund be managed?

There will be no change to our process or philosophy. The Fund will continue to be built bottom-up, with a blank sheet of paper as we look to own the highest quality 40-60 companies in the investible universe that offer the most attractive, long-term, absolute returns.

As with any country that sits within our investible universe, there will be no concessions made in order to own Japanese companies. If there is a point in time when we are unable to find any high quality, investible ideas in Japan, we will not allocate any capital there.

What will the Fund look like?

Many of the largest companies in Japan fail to meet our strict quality criteria. As a result, the Fund's Japanese holdings will look, and behave, very differently from the MSCI Japan and MSCI AC Asia Pacific indices. For example, the four Japanese

companies currently owned by our Asian funds cumulatively account for only 2% of the MSCI Japan Index⁵. Of the over c.3,500 listed companies in Japan, we envisage owning five to ten companies in the short to medium-term with minimal overlap with both domestic and regional indices.

The Fund's ex-Japan holdings will have significant overlap with our all-cap Stewart Investors Asia Pacific Sustainability Fund.

Next steps

We are very excited about the opportunity to own a number of high quality Japanese companies that have historically sat outside the investible universe. However, we appreciate that some clients will allocate assets to Japan separately or may even be unsure by what we mean by sustainability.

We would welcome the opportunity to discuss the transition in more detail, so please get in touch with your relationship manager or via [our website](#).

Stewart Investors

May 2020

¹ We define sustainability as positive longevity, and sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs.

² Tailwinds: conditions favourable to a company's growth.

³ Absolute returns: a return provided by a share or portfolio which is not measured relative to another share or benchmark index.

⁴ **These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than GBP, the contribution may increase or decrease as a result of currency fluctuations.**

Source: Stewart Investors. Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management and administration fee) but after the deduction of transactional costs. Contribution data is calculated from the full portfolio and includes cash.

⁵ Source: Stewart Investors investment team.

Important information

This document has been prepared for informational purposes only and is only intended to provide a summary of the subject matter covered and does not purport to be comprehensive. The views expressed are the views of the writer at the time of issue and may change over time. It does not constitute investment advice and/or a recommendation and should not be used as the basis of any investment decision. This document is not an offer document and does not constitute an offer or invitation or investment recommendation 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 material contained in this document.

The benchmark for this Fund has been identified as a means by which investors can compare the Fund's performance and have been chosen because their constituents most closely represent the scope of the Fund's investable assets. The benchmark is not used to limit or constrain how the Fund's portfolio is constructed, nor are they part of a target set for the Fund's performance.

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 whatsoever for any loss arising directly or indirectly from any use of this information.

References to "we" or "us" are references to Stewart Investors. Stewart Investors is a trading name of First State Investments (UK) Limited and First State Investments International Limited.

In the UK, issued by First State Investments (UK) Limited which is authorised and regulated by the Financial Conduct Authority (registration number 143359). Registered office Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB number 2294743. Outside the UK within the EEA, this document is issued by First State Investments International Limited which is authorised and regulated in the UK by the Financial Conduct Authority (registered number 122512). Registered office: 23 St. Andrew Square, Edinburgh, EH2 1BB number SCO79063.

Certain funds referred to in this document are identified as sub-funds of First State Investments ICVC, an open ended investment company registered in England and Wales ("OEIC"). Further information is contained in the Prospectus and Key Investor Information Documents of the OEIC which are available free of charge by writing to: Client Services, Stewart Investors, 23 St Andrew Square Edinburgh, EH2 1BB or by telephoning 0800 587 4141 between 9am and 5pm Monday to Friday or by visiting www.stewartinvestors.com. Telephone calls with Stewart Investors may be recorded. The distribution or purchase of shares in the funds, or entering into an investment agreement with Stewart Investors may be restricted in certain jurisdictions. Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key investor information documents (KIIDs), the instrument of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

First State Investments 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, operating in Australia as First Sentier Investors and as First State Investments elsewhere. 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.

Contact details

Edinburgh

23 St Andrew Square
Edinburgh EH2 1BB
United Kingdom
t. +44 (0) 131 473 2900

London

Finsbury Circus House
15 Finsbury Circus
London EC2M 7EB
United Kingdom
t. +44 (0) 207 332 6500

Singapore

58 Duxton Road
2nd & 3rd Floor
Singapore 089522
t. +65 680 59670

Sydney

Suite 10, Level 3
13 Hickson Road
Dawes Point
Sydney NSW
Australia 2000
t. +61 2 8274 8000

info@stewartinvestors.com
stewartinvestors.com