

# Global Emerging Markets Leaders Sustainability Strategy



Stewart Investors

## 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 Australian clients. 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	AUD 1,626 million**
Lead portfolio manager	Jack Nelson
Investment team	11 analysts
Number of companies	25-60 (current 44)
Active share	88%
Investment horizon	5-10+ years
Name turnover (since launch)	24% p.a.
Market capitalisation	> USD1 billion
Comparator benchmark	MSCI Emerging Markets Index
Annual management charge	Standard fee: 0.65% Seed fee discount available

## 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.

\* Source: Stewart Investors as at 30 September 2023. Data shown for a representative Stewart Investors Global Emerging Markets Leaders Sustainability account. Since launch date for turnover: 24 November 2021. Key facts 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.

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

## 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	5.8	0.8
Tata Consultancy Services	India	Information Technology	5.6	0.6
Mahindra & Mahindra	India	Consumer Discretionary	4.9	0.3
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.8	6.1
Unicharm	Japan	Consumer Staples	4.5	–
Hoya	Japan	Health Care	3.8	–
Infosys	India	Information Technology	3.6	0.9
Jerónimo Martins	Portugal	Consumer Staples	3.4	–
EPAM Systems	USA	Information Technology	3.1	–
Kotak Mahindra Bank	India	Financials	3.0	0.4
			<b>42.7</b>	<b>9.0</b>

Source: Stewart Investors as at 30 September 2023. Data shown is for a representative Stewart Investors Global Emerging Markets Leaders Sustainability account and the MSCI Emerging Markets Index. 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. References to specific securities should not be construed as investment advice or a recommendation to buy or sell the same.

## Performance objective – capital protection and growth

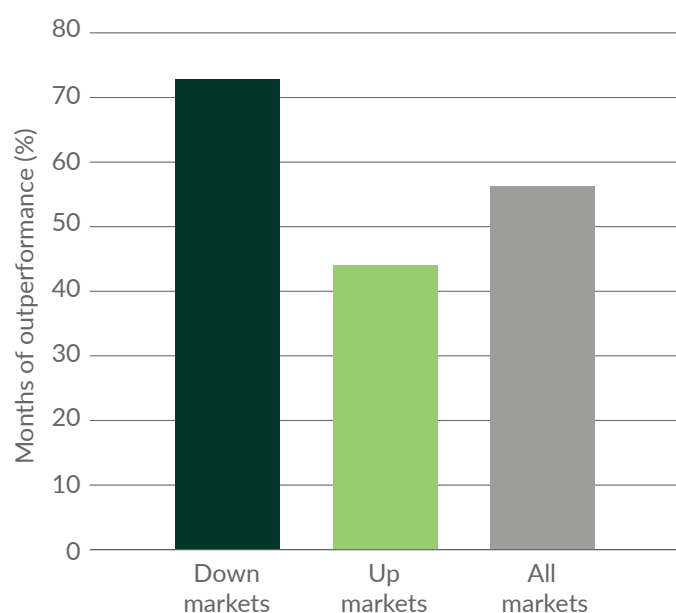
Our investment philosophy focuses on delivering strong absolute returns over cycles. This focus means that we define risk as the loss of clients' capital rather than in terms of deviation from any benchmark index. As a result, our performance is likely to lag steeply rising markets, but deliver better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

Annualised performance over periods AUD - composite performance gross of fees %	Since launch	10 years	7 years	5 years	3 years	1 year	6 months	3 months
Stewart Investors Global Emerging Markets Sustainability	11.3	8.4	7.4	5.9	4.4	9.7	3.6	-2.0
MSCI Emerging Markets Index	7.4	6.3	6.2	3.3	2.2	11.7	1.9	0.3
Relative (arithmetic)	3.9	2.1	1.2	2.6	2.2	-2.0	1.7	-2.3

Annualised performance over periods AUD - composite performance gross of fees %	Since launch	1 year	6 months	3 months
Stewart Investors Global Emerging Markets Leaders Sustainability	7.0	9.7	2.1	-2.3
MSCI Emerging Markets Index	4.9	11.7	1.9	0.3
Relative (arithmetic)	2.1	-2.0	0.2	-2.6

Stewart Investors Global Emerging Markets Sustainability  
Investment style - downside protection  
Composite outperformance since launch (AUD gross of fees)



Past performance is not a reliable indicator of future results.

Source: Stewart Investors and FactSet as at 30 September 2023 in AUD. Data shown for the Stewart Investors Global Emerging Markets Sustainability and Global Emerging Markets Leaders Sustainability Composites, and MSCI Emerging Markets Index. Investments in funds that make up the Composite may produce different performance returns to the Composite returns. Composite performance data is calculated on a total return basis and gross of tax. 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. If a client placed AUD100,000 under management and a hypothetical gross return of 10% was achieved, the investment assets before the effect of fees and expenses would have grown to AUD259,374 in 10 years. However, if fees and expenses to the value of 1% were incurred, investment assets would have grown to AUD234,573, or an annual compounded rate of 8.9%. 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 March 2009 and 1 April 2020 respectively.

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:

**Natalie Kulakoff**

Email: [natalie.kulakoff@stewartinvestors.com](mailto:natalie.kulakoff@stewartinvestors.com)

Phone: 048 866 8596

**Kate Machin**

Email: [kate.machin@stewartinvestors.com](mailto:kate.machin@stewartinvestors.com)

Phone: 042 952 8840

Or visit our website [stewartinvestors.com](https://stewartinvestors.com)

## Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. Before making any investment decision you should conduct your own due diligence and consider, with a financial advisor, the appropriateness of this information having regard to your individual investment needs, objectives and financial situation. Any person who acts upon, or changes their investment position in reliance on, the information contained in these materials does so entirely at their own risk.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication but the information contained in the material may be subject to change thereafter without notice. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

Some of the information within has been compiled using data from a representative account. This information relates to an existing strategy and has been provided to illustrate our expertise in the strategy. This material is provided for information purposes only and does not constitute a recommendation, a solicitation, an offer, an advice or an invitation to purchase or sell any fund and should in no case be interpreted as such. Past performance is not indicative of future performance.

Past performance is not indicative of future performance. All investment involves risks and the value of investments and the income from them may go down as well as up and you may not get back your original investment. Actual outcomes or results may differ materially from those discussed. Readers must not place undue reliance on forward-looking statements as there is no certainty that conditions current at the time of publication will continue.

### About First Sentier Investors

References to 'we', 'us' or 'our' are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group, Inc (MUFG). Our investment team operates under the trading name of Stewart Investors which is part of the First Sentier Investors Group.

This material may not be copied or reproduced in whole or in part, and in any form or by any means circulated without the prior written consent of Stewart Investors.

This material is communicated by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (FSI AIM).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products 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.

The ongoing annual fees and costs comprises the management fees and costs (including the investment management fee, the responsible entity fee, estimated recoverable expenses and estimated indirect costs); and transaction costs. Please refer to the amounts shown in the 'Fees and other costs' section in the relevant Fund's Product Disclosure Statement.

© First Sentier Investors Group

All rights reserved.