



Stewart Investors

# Stewart Investors Asia Pacific Leaders Sustainability Fund (UK OEIC)

# Q1

1 January - 31 March 2024



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## Risk factors

This document is a financial promotion for the Stewart Investors Asia Pacific Leaders Sustainability Fund in the UK 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 Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.

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.

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

**If you are unsure of the terminology used in this report, please seek independent financial advice.**

# Stewart Investors Asia Pacific Leaders Sustainability Fund

## Portfolio overview

31 March 2024

### Investment philosophy

Our core investment principles

- Long term
- Absolute return mindset
- Bottom-up
- Sustainability
- Quality

### Investment objective and policy

The Fund aims to achieve capital growth over the long term (at least five years).

The Fund mainly invests in shares of large and mid-sized companies based in or where the majority of their activities take place in the Asia Pacific region excluding Japan and that are listed on exchanges worldwide. These companies generally have a total stock market value of at least US\$1 billion. The Fund invests in shares of high quality companies which are positioned to contribute to, and benefit from, sustainable development.

Investment decisions around high quality companies are based on three key points: (i) Quality of management. (ii) Quality of the company including its social usefulness, their environmental impacts and efficiency and responsible business practices. (iii) Quality of the company's finances and their financial performance. Sustainability is a key part of the approach.

The Fund may invest up to 10% in other funds. The Fund will only use derivatives to reduce risk or to manage the Fund more efficiently in limited cases.

### Fund information

Fund launch date	01 December 2003
Fund size (£m)	6432.1
UK's investment association sector	Specialist
Benchmark	MSCI AC Asia Pacific ex Japan Net Index*
Number of holdings	42
Fund manager(s)	David Gait/Sashi Reddy
Research rating ^	Morningstar®:Silver Square Mile:Responsible AA RSM:Rated
Fund yield	0.8%

\* The benchmark for this Fund has been identified as a means by which investors can compare the performance of the Fund and has been chosen because its constituents most closely represent the scope of the investable assets. The benchmark is not used to limit or constrain how the portfolio is constructed nor is it part of a target set for Fund performance. Given the diverse nature of the constituent funds within the Specialist IA sector the manager does not compare performance of this Fund with its IA sector.

^ This does not constitute an investment recommendation and is not indicative of future results. Methodology available on rating provider's website.

### Available share classes

ISIN	Sedol	Share class
GB0033874214	3387421	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class A (Accumulation)
GB00B5750V20	B5750V2	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class B (Income)
GB0033874768	3387476	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class B (Accumulation)
GB00B5453722	B545372	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class A (Income)
GB00BQB6BW70	BQB6BW7	Stewart Investors Asia Pacific Leaders Sustainability Fund USD Class B (Accumulation)
GB00BPK40282	BPK4028	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class Z (Accumulation)

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

■ **Bottom-up:** analysis of a company focused principally on its management, franchise and financials rather than the broader industry in which it operates, or macroeconomic factors, such as economic growth.

# Performance

31 March 2024

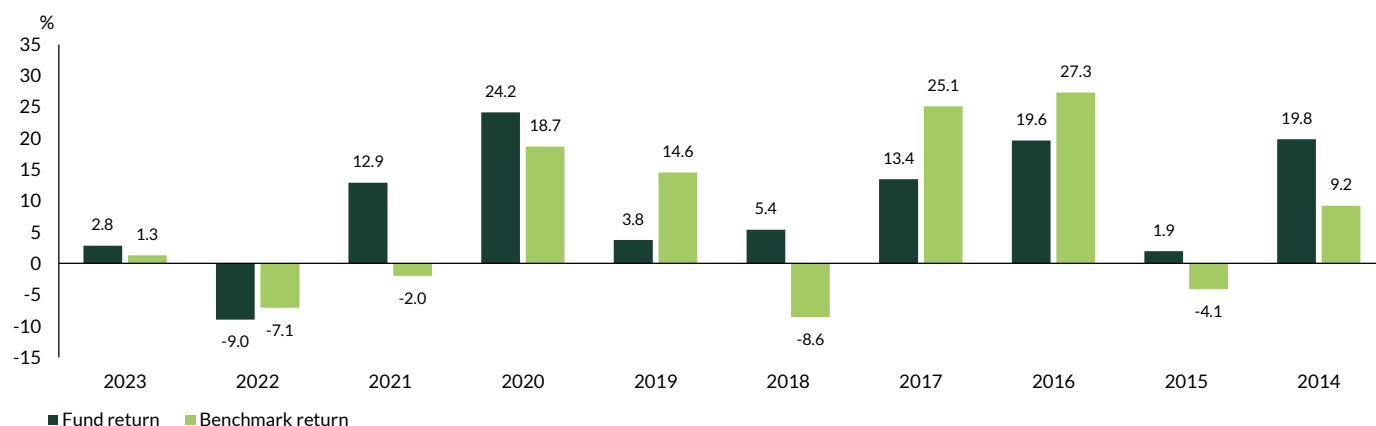
## Annual performance (% in GBP) to 31 March 2024

	12 mths to 31/03/24	12 mths to 31/03/23	12 mths to 31/03/22	12 mths to 31/03/21	12 mths to 31/03/20
Stewart Investors Asia Pacific Leaders Sustainability Fund	4.6	-1.7	4.0	40.7	-9.3
MSCI AC Asia Pacific ex Japan Net Index	3.0	-3.0	-6.6	42.6	-10.9

## Cumulative performance (% in GBP) to 31 March 2024

	Since inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
Stewart Investors Asia Pacific Leaders Sustainability Fund	919.9	138.5	36.4	6.9	4.6	1.1	5.8	1.1
MSCI AC Asia Pacific ex Japan Net Index	503.5	96.4	18.6	-6.6	3.0	3.0	6.4	3.0

## Calendar year performance (% in GBP) to 31 March 2024



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 return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 01 December 2003. All performance data for the Stewart Investors Asia Pacific Leaders Sustainability Fund Class B (Accumulation) GBP as at 31 March 2024. Source for fund - Lipper IM / Stewart Investors. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - MSCI, income reinvested net of tax.

# Commentary

31 March 2024

## Major Activity

During the quarter we initiated three new positions in **Samsung C&T** (South Korea: Industrials), **Techtronic Industries** (Hong Kong: Industrials) and **MediaTek** (Taiwan: Information Technology).

Samsung C&T is the holding company for Samsung Biologics with sizeable positions in group companies such as Samsung Electronics (c.5%). Samsung Biologics is a world leader in affordable healthcare. Samsung Electronics is a global leader in consumer electronics and chip manufacturing.

In its core business, the company is aiming to invest into areas with strong demand tailwinds such as renewable energy and battery recycling. The group aims to improve governance practices by returning excess cash to shareholders, cancelling treasury shares, improving profitability in core assets and articulating a clear strategy for future capital allocation.

Techtronic Industries is dominant internationally in an array of cordless, hand, measuring and trade power tools for both home and commercial use. They have ownership of strong brands in consolidated areas which results in pricing power. The company is positioned well to grow organically and by acquisition.

MediaTek is a fabless (outsourced production) semiconductor company. They are leaders in integrated chip system solutions which are estimated to power over two billion devices a year from smartphones to home entertainment, connectivity and the internet of things (IoT) products.

We exited Altium (Australia: Information Technology) and **HDFC Life** (India: Financials). We sold Altium after it was approached by Japanese listed Renesas Electronics for acquisition at 37% premium to the prevailing market price. HDFC Life was sold to fund better ideas elsewhere. We reduced **Pigeon** (Japan: Consumer Staples) as we have lost conviction in the speed and extent of the evolution of the franchise.

We took advantage of lower valuations in China and continue to build positions in Midea (China: Consumer Discretionary), **Shenzhen Inovance Tech** (China: Industrials), **Glodon** (China: Information Technology) and **WuXi Biologics** (China: Health Care). We also topped up the holding in **Samsung Electronics** (South Korea: Information Technology).

To finance new investments and our latest additions, and to control position size we trimmed holdings in **Tata Consumer Products** (India: Consumer Staples), **Mahindra & Mahindra** (India: Consumer Discretionary), **Godrej Consumer Products** (India: Consumer Staples), **Tech Mahindra** (India: Information Technology) and **Bank Central Asia** (Indonesia: Financials).

## Comment

Over most three-month periods, there should be relatively little change in the portfolio. We aim to build resilient portfolios of high quality companies with diversified streams of cash flows that have the ability to grow in value over the long term. High quality companies at reasonable valuations tend not to come along too often. In the absence of such opportunities, we are very comfortable long-term owners of companies in the portfolio.

Top-down concerns around inflation, interest rates and slowing growth continue to grab the headlines with markets moving materially on incremental data flow and Central Bank commentary. Sound bites on geopolitical tensions between the United States and China seem to ebb and flow which amplifies volatility in many Chinese equities.

After a long wait, we are finally beginning to see a focus on the quality of businesses' balance sheets. The Chinese economy, most notably the property sector, is very clearly under pressure. Markets have so far assumed a fiscal response similar to previous episodes of economic malaise however, President Xi Jinping continues to show he holds a greater interest in preserving the longevity of the Chinese Communist Party than satisfying the market need for stimulus.

## Review & Outlook

The Fund provided a positive return over the 12 months to 31 March 2024 and outperformed its benchmark index.

Positive contributors included family-owned, Indian conglomerate **Mahindra & Mahindra** (India: Consumer Discretionary) which continues to deliver attractive levels of growth alongside continued investment to build a more robust franchise, beverages and foods business **Tata Consumer Products** (India: Consumer Staples) after management continued to reiterate to investors the prospect for margins to improve further, and the world's largest independent semiconductor foundry **TSMC** (Taiwan: Information Technology) which rose as markets began to anticipate the clearing of memory inventories and a restocking cycle to drive demand for logic chips. Their increased artificial intelligence (AI) segment revenues also benefitted from general enthusiasm for AI and chipmakers.

Detractors to performance included leading provider of construction software **Glodon** (China: Information Technology) which faced top-down concerns around economic growth and construction activity in China, personal hygiene and baby care products provider **Unicharm** (Japan: Consumer Staples) due to concerns around competition in the Southeast Asian disposable diaper market as birth rates decline plus a slowdown in growth in East and Southeast Asia in 2023, particularly stagnating consumption in China, and global biologics contract research, development and manufacturing company, **WuXi Biologics** (China: Health Care) which continued to suffer from challenging market conditions in China and rising geopolitical tensions between the United States and China.

Although high quality companies in China continue to be priced at a premium, we are beginning to see more reasonable valuations appear. We continue to meet and analyse a growing list of Chinese names in the face of the growing negativity.

We believe companies with exposure to domestic Indian growth, especially the return of capital expenditure and infrastructure spend, are some of the most attractive assets to own today.

Given the large number of elections in 2024, including more voters than ever recorded in history, it is likely geopolitics will further influence volatility.

Our views on investment opportunities in Asia have not changed; we continue to look to invest in high quality companies that are aligned with sustainable development. We look for stewards who are low profile, competent, long-term decision makers, franchises free from political agendas and financials that are resilient, not frail. Our focus is on quality and we remain indifferent to many of the large, well-known companies, regardless of lower valuations.

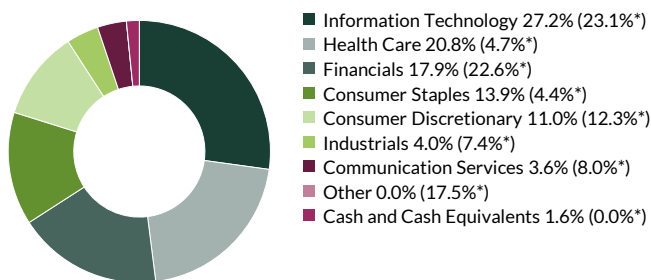
# Portfolio allocation and stock holdings

31 March 2024

## Ten largest holdings as at 31 March 2024

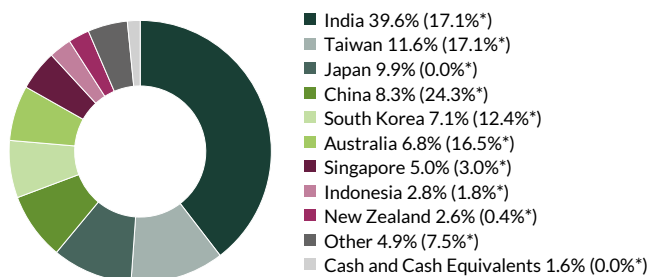
Stock name	Country	Sector	Portfolio weight (%)	Index weight (%)
Mahindra & Mahindra	India	Consumer Discretionary	7.6	0.3
HDFC Bank	India	Financials	5.6	0.7
Samsung Electronics Co., Ltd.	South Korea	Information Technology	5.6	3.9
Hoya Corporation	Japan	Health Care	5.2	0.0
Oversea-Chinese Banking Corporation	Singapore	Financials	5.0	0.5
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.3	8.1
Kotak Mahindra Bank Limited	India	Financials	4.3	0.3
Tata Consultancy Serv. Ltd	India	Information Technology	3.8	0.6
CSL	Australia	Health Care	3.8	1.2
Unicharm Corporation	Japan	Consumer Staples	3.7	0.0

## Sector breakdown



\*Index weight

## Country breakdown



\*Index weight

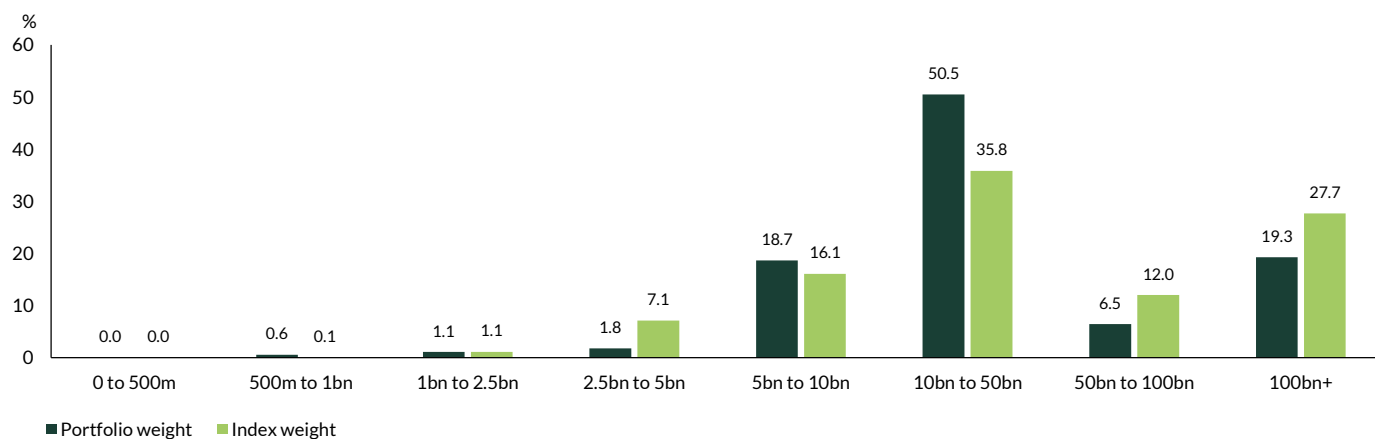
Sector and Country classifications provided by Factset and Stewart Investors.

Cash equivalents may include T-Bills.

## Country classification

The fund aims to invest in companies listed in, incorporated in, or earning the greater part of their revenues or profits in Asia Pacific ex-Japan markets. The Japan exposure shown in the country breakdown represents companies that are listed on the Japanese stock market, but produce the majority of their revenues or profits in Asia Pacific ex-Japan markets.

## Market capitalisation breakdown (GBP)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by Stewart Investors.

# Stock contribution

31 March 2024

## Top 5 contributors to absolute performance

3 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	94
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	84
Tokyo Electron Ltd.	Japan	Information Technology	50
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	46
Godrej Consumer Products Limited	India	Consumer Staples	36

12 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	371
Tata Consumer Products	India	Consumer Staples	146
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	124
Tokyo Electron Ltd.	Japan	Information Technology	100
Cochlear	Australia	Health Care	87

## Bottom 5 contributors to absolute performance

3 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
HDFC Bank INR1	India	Financials	-101
Unicharm Corporation	Japan	Consumer Staples	-52
Wuxi Biologics (Cayman) Inc.	China	Health Care	-52
Infineon Technologies AG	Germany	Information Technology	-42
Silergy Corp.	Taiwan	Information Technology	-38

12 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
Glodon Company Limited Class A	China	Information Technology	-175
Unicharm Corporation	Japan	Consumer Staples	-132
Wuxi Biologics (Cayman) Inc.	China	Health Care	-111
HDFC Bank INR1	India	Financials	-64
CSL	Australia	Health Care	-58

Stock Contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

**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 return may increase or decrease as a result of currency fluctuation.**

This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management fee and other fund expenses) but after the deduction of transactional costs.

Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

\* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by Stewart Investors.

# Risk analysis

31 March 2024

## Portfolio risk analysis - ex-post 3 years annualised to 31 March 2024

Risk measure	Value	Risk description
Information ratio	0.49	The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.
Portfolio standard deviation	11.69%	A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.
Benchmark standard deviation	14.72%	A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.
Tracking error	10.76%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

## Portfolio risk analysis - ex-ante at 31 March 2024

Risk measure	Value	Risk description
Dividend yield (fund)	1.82%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend yield (index)	2.78%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Price to book (fund)	3.49	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to book (index)	1.94	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to earnings (fund)	24.16	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.
Price to earnings (index)	15.90	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.

Data source: Ex-post information is calculated by Stewart Investors, ex-ante information is provided by FactSet.



# Disclaimer

31 March 2024

This material 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 material 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 material.

The benchmarks for our funds have been identified as a means by which investors can compare the funds' performance and have been chosen because the relevant benchmark's constituents most closely represent the scope of the relevant fund's investable assets. The benchmarks are not used to limit or constrain how the funds' portfolios are constructed, nor are they part of a target set for the funds' performance.

We also compare the performance of our funds against their Investment Association sector, except for funds in the Specialist IA sector given the diverse nature of that sector's constituent funds. Please refer to [www.firstsentierinvestments.com](http://www.firstsentierinvestments.com) for details on the benchmarks and IA sectors used.

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