



Stewart Investors  
Sustainable Funds Group

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

# Q1

Quarterly Investment Report  
1 January - 31 March 2021



Image location: Jaipur, India

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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 Switzerland 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 2021

### Investment Philosophy

Our investment approach founded in 1988 is based on:

- Stewardship
- An absolute return mindset\*
- Bottom-up analysis\*
- Long-term thinking
- Searching for quality companies
- Finding sustainable and predictable growth
- Strong valuation disciplines

### 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. 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 benefit from, and contribute to, the sustainable development of the countries in which they operate. 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 may use derivatives to reduce risk or to manage the Fund more efficiently.

### Fund Information

Fund Launch Date	01 December 2003
Fund Size (£m)	7077.0
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®:Gold Square Mile:Responsible AA RSM:Rated
Fund Yield	0.6%

\* 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)
GB00B5453722	B545372	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class A (Income)
GB0033874768	3387476	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class B (Accumulation)
GB00B57S0V20	B57S0V2	Stewart Investors Asia Pacific Leaders Sustainability Fund GBP Class B (Income)

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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 2021

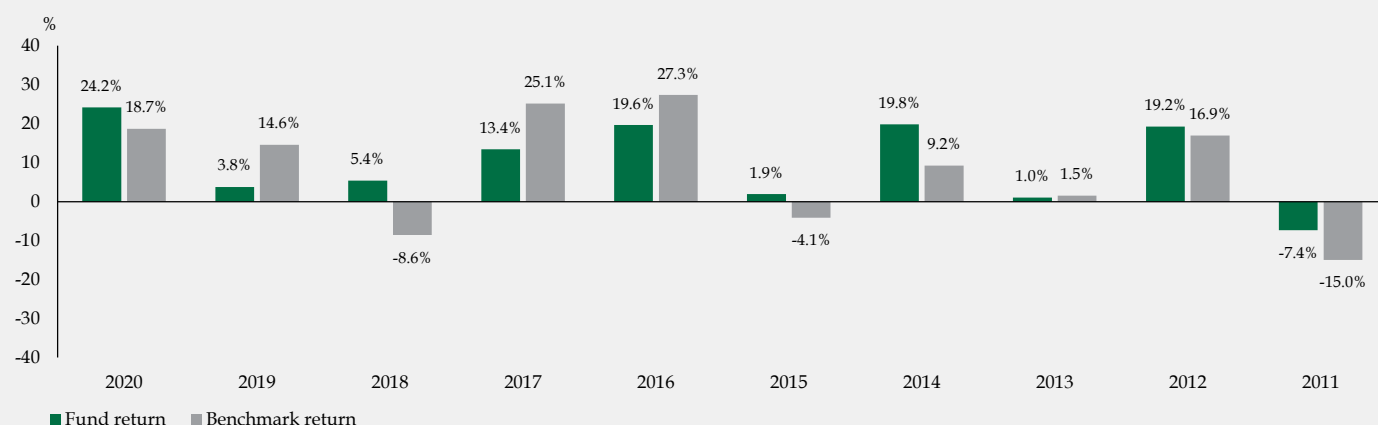
## Annual Performance (% in GBP) to 31 March 2021

	12 mths to 31/03/21	12 mths to 31/03/20	12 mths to 31/03/19	12 mths to 31/03/18	12 mths to 31/03/17
Stewart Investors Asia Pacific Leaders Sustainability Fund	40.7	-9.3	10.3	0.3	26.0
MSCI AC Asia Pacific ex Japan Net Index	42.6	-10.9	3.9	7.6	35.9

## Cumulative Performance (% in GBP) to 31 March 2021

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
Stewart Investors Asia Pacific Leaders Sustainability Fund	854.1	159.0	77.9	40.7	40.7	0.0	11.8	0.0
MSCI AC Asia Pacific ex Japan Net Index	546.2	113.7	92.9	31.9	42.6	1.8	14.7	1.8

## Calendar Year Performance (% in GBP) to 31 March 2021



**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 2021. 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 2021

## Major Activity

A surge in markets at the start of the year, after a strong 2020, presented us with valuation challenges. High-quality companies in India were popular during the quarter leading us to sell out of **Asian Paints** (India) on valuation concerns. We remain extremely confident in the quality and the long-term outlook of the business. However, we believe investor enthusiasm has run ahead of the company's attributes and we took the decision to sell our position.

## Comment

Strong investor enthusiasm at the start of the year gave way to fears of intensifying inflation and increasing bond yields. After a strong run, these fears impacted the valuations of Asian equities generally and caused a retracement in highly-rated companies, particularly in the healthcare and technology sectors. The pull back in healthcare valuations meant we were able to make a new investment in this area and top up on our existing holdings in **Dr. Reddy's Laboratories** (India), **CSL** (Australia) and **Cochlear** (Australia).

## Review & Outlook

The fund provided a positive return over the 12 months to 31 March 2021 but underperformed its benchmark index.

On the positive side, **Mahindra & Mahindra** (India: Consumer Discretionary) rose on robust sales growth, particularly boosted by domestic tractor sales, and **Taiwan Semiconductor** (Taiwan: Information Technology) performed well over the period as it delivered strong earnings growth on surging demand for semiconductor chips.

Detractors over the period included Indian IT infrastructure company **Tata Communications** which fell on the news the Indian government was disposing of its entire 26% stake in the company. However, the parent Tata Sons has recently increased its share of the business and, coupled with the appointment of a new CEO from Tata Consulting Services, we take this as a sign of confidence in the company's future prospects. **Hualan Bio** (China: Health Care) declined as Asian healthcare companies bore the brunt of investor concerns around inflation and increasing bond yields.

As we hopefully move beyond COVID-19 throughout 2021 and beyond, at Stewart Investors we are optimistic about the opportunities for long-term returns through owning high-quality companies in the Asia Pacific. We believe a combination of sustainability tailwinds combined with high-quality business models are a powerful formula for long-term success and paired with our disciplined, independent investment approach, we expect we can continue to protect and grow clients' investments over the long term.

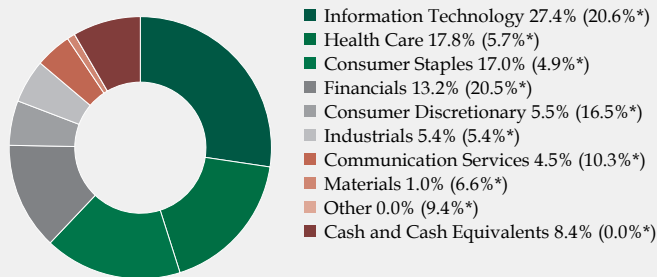
# Portfolio Allocation and Stock Holdings

31 March 2021

## Ten Largest Holdings as at 31 March 2021

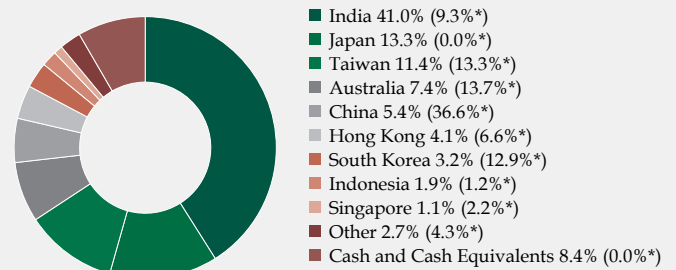
Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	5.5	0.1
CSL	Australia	Health Care	5.2	1.1
Hoya Corp.	Japan	Health Care	5.1	0.0
Tata Consultancy Serv. Ltd	India	Information Technology	5.1	0.5
Unicharm Corporation	Japan	Consumer Staples	5.0	0.0
Housing Development Finance Corporation Limited	India	Financials	4.9	0.7
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.4	6.1
Tech Mahindra Limited	India	Information Technology	4.1	0.1
Dr. Reddy's Laboratories Ltd	India	Health Care	3.5	0.1
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	3.3	0.3

## Sector Breakdown



\*Index Weight

## Country Breakdown



\*Index Weight

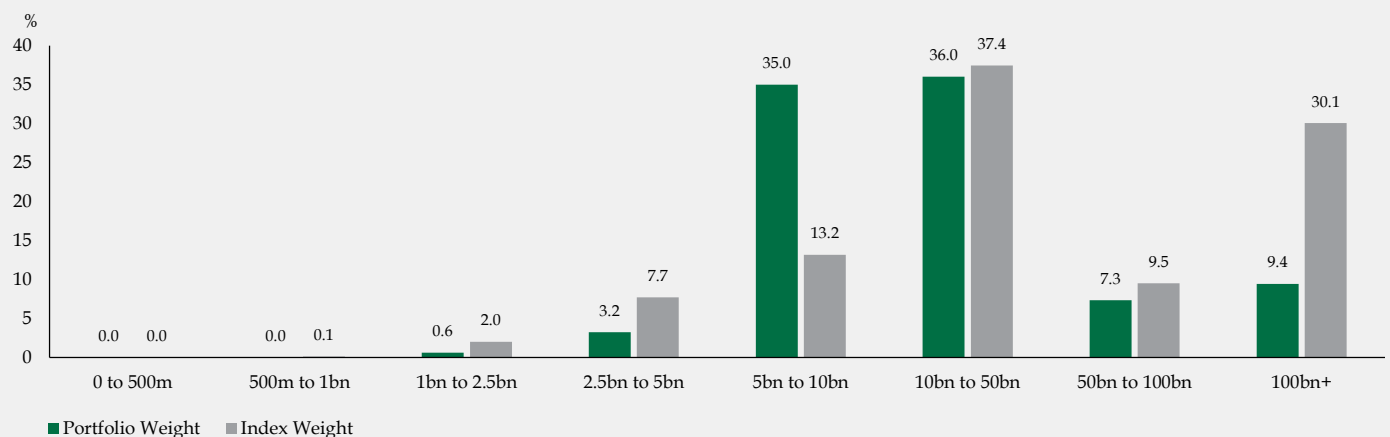
Sector and Country classifications provided by Factset and Stewart Investors.

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 2021

## Top 5 contributors to absolute performance

3 months to 31 March 2021

Stock Name	Country	Sector	Value added (bps*)
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	Information Technology	58
NAVER Corp.	South Korea	Communication Services	53
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	51
Tata Consultancy Services Limited	India	Information Technology	47
MediaTek Inc	Taiwan	Information Technology	39

12 months to 31 March 2021

Stock Name	Country	Sector	Value added (bps*)
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	445
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	Information Technology	403
Shenzhen Inovance Technology Co Ltd A	China	Industrials	348
Tata Consultancy Services Limited	India	Information Technology	279
Tech Mahindra Limited	India	Information Technology	256

## Bottom 5 contributors to absolute performance

3 months to 31 March 2021

Stock name	Country	Sector	Value added (bps*)
Hoya Corp.	Japan	Health Care	-87
Unicharm Corporation	Japan	Consumer Staples	-66
Dr. Reddy's Laboratories Ltd.	India	Health Care	-47
CSL	Australia	Health Care	-40
Kotak Mahindra Bank Limited	India	Financials	-36

12 months to 31 March 2021

Stock name	Country	Sector	Value added (bps*)
Tata Communications Limited	India	Communication Services	-13
Hualan Biological 'A' CNY1	China	Health Care	-4
President Chain Store Corporation	Taiwan	Consumer Staples	-4
Pigeon Corporation	Japan	Consumer Staples	-3
Biocon Ltd	India	Health Care	0

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 2021

## Portfolio Risk Analysis - Ex-Post 3 Years Annualised to 31 March 2021

Risk Measure	Value	Risk Description
Information Ratio	0.38	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	11.83%	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	13.68%	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	8.48%	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 2021

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	1.01%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	1.87%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	5.35	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)	2.22	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)	36.44	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)	19.97	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 2021

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