Stewart Investors

Stewart Investors Sustainable Development Funds

Investment Strategy Outline 2016

Contents

About us

Since the launch of the Asia Pacific and Emerging Markets team's first product in 1988, sustainable investment has always been an integral part of the team's investment philosophy and stock-picking process. At the heart of this philosophy is the principle of stewardship.

We believe our job is to entrust our clients' capital to good quality companies with strong management teams and sound long-term growth prospects.

Each investment is a decision to purchase not a piece of paper or an electronic Bloomberg ticker, but part of a real business with all the rights and responsibilities that go with this 'share' of the ownership of the company. We take these rights and responsibilities seriously. We also believe the way we behave as investment professionals and the role we play in the broader industry are important for our own sustainability.

All the Stewart Investors' investment strategies strive to integrate environmental, social and governance (ESG) considerations into every investment decision. Our sustainable funds group takes this one step further by focusing on long-term sustainable development as a key driver of the investment process. We manage investment strategies for clients through pooled funds, client mandates and a UK-listed investment trust.

History

Stewart Investors operated as First State Stewart until 2015, and prior to that as Stewart Ivory & Company Limited. The latter company was formed in 1985 when Stewart Fund Managers Limited merged with Ivory & Co. Stewart Fund Managers traces its roots to the establishment of The Scottish American Investment Company plc, Edinburgh's oldest investment trust, in 1873. In its more recent form, First State Stewart began when Angus Tulloch joined Stewart Ivory & Company in 1988 to set up its Asia Pacific and Global Emerging Markets (GEM) investment operations. Stewart Ivory & Company was bought by First State Investments/ the Commonwealth Bank of Australia in 2000. The acquisition allowed the investment team to retain its independence and effectively operate as a stand-alone boutique investment management business within First State Investments.

On 1 July 2015, the First State Stewart investment team split to form two new teams; one primarily based in Edinburgh (Stewart Investors) and the other in Hong Kong (First State Stewart Asia). This enabled the two teams to develop as smaller, more dynamic investment management groups, recognising that this has been critical to our success. Both teams remain part of First State Investments, the Commonwealth Bank of Australia's investment management arm.

The team has gradually expanded into different geographic mandates over time, retaining the same strong investment philosophy. Our first explicit sustainability strategy, the Stewart Investors Asia Pacific Sustainability Fund, was launched on 19 December 2005 under the guidance of David Gait. The Australian-domiciled Stewart Investors Global Emerging Markets Sustainability Fund was launched on 16 February 2009 and the European-domiciled Stewart Investors Global Emerging Markets Sustainability Fund was launched on 9 April 2009. In addition, the Stewart Investors Indian Subcontinent Fund has been run with an emphasis on sustainable development objectives since July 2008. In November 2012 we launched our Worldwide Sustainability strategy with vehicles domiciled in the UK and Australia. In 2016 some of the Stewart Investors Worldwide Leaders and the Asia Pacific Leaders strategies will transition across to the Sustainable Funds group.

Sustainable investment aim and philosophy

Investment aim

To generate long-term, risk-adjusted returns (an investment's return taking into account how much risk, as defined as the possibility of losing money, is involved in producing that return) for our clients by investing in the shares of high quality companies that are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

Investment philosophy

We seek to invest only in good quality companies. We focus on the quality of management, franchise and financials. By analysing the sustainable development performance and positioning of companies we can better measure less tangible elements of quality and identify less obvious risks.

We are long-term investors. We strive to make investment decisions with a minimum five-year time horizon. We have an absolute return mind-set, defining risk as losing client money, rather than deviation from any benchmark index. We focus as much on the potential downside of our investment decisions as on the anticipated upside. The identification of long-term sustainable development risks thus becomes an extremely important way of managing risk. In addition, our willingness to differ substantially from index weightings, both country and company, means we are not obliged to be invested in any company or country if we have particular sustainability concerns.

We also recognise there is no such thing as a perfect company. We are active owners and stewards of the companies in which we invest. Although we do no formal negative screening, we are unlikely to invest in companies operating in high risk sectors, such as gambling and tobacco, because of their poor long-term sustainable development positioning.

Definition of sustainable investment

We invest in those companies we believe are particularly well positioned to deliver positive long-term returns in the face of the huge sustainable development challenges facing all countries today. Our emphasis is on sustainable development and not 'green', 'clean tech' or 'ethical' investing.

The root causes of the sustainable development challenges we face are numerous and complex. They include population pressure, land and water scarcity and degradation, resource constraints, income inequality, ethnic and gender inequalities and extreme levels of poverty. In order to tackle these challenges, both developed and developing countries will have to shift from a resource-intensive, consumption-driven, debt-dependent model of development and growth towards a more sustainable one.

Figure 1 illustrates what we mean by sustainable development. On the x-axis (labelled UN Inequality-adjusted Human Development Index (IHDI)) is a measure of human development, made up of inequality-adjusted metrics on income, health and education. The higher its IHDI, the more 'developed' a country is, with 0.7 considered the threshold for high human development. As they develop, countries improve their incomes, health and education outcomes and move left to right on the diagram.

However, in doing so they consume more resources. This is measured on the y-axis (labelled Ecological Footprint per capita (gha)), which shows the per capita environmental impact each country has. The horizontal line at around 1.7 on the chart shows the globally sustainable level. As countries get richer, more educated and healthier, they tend to overshoot this level and consume an unsustainable volume of natural resources.

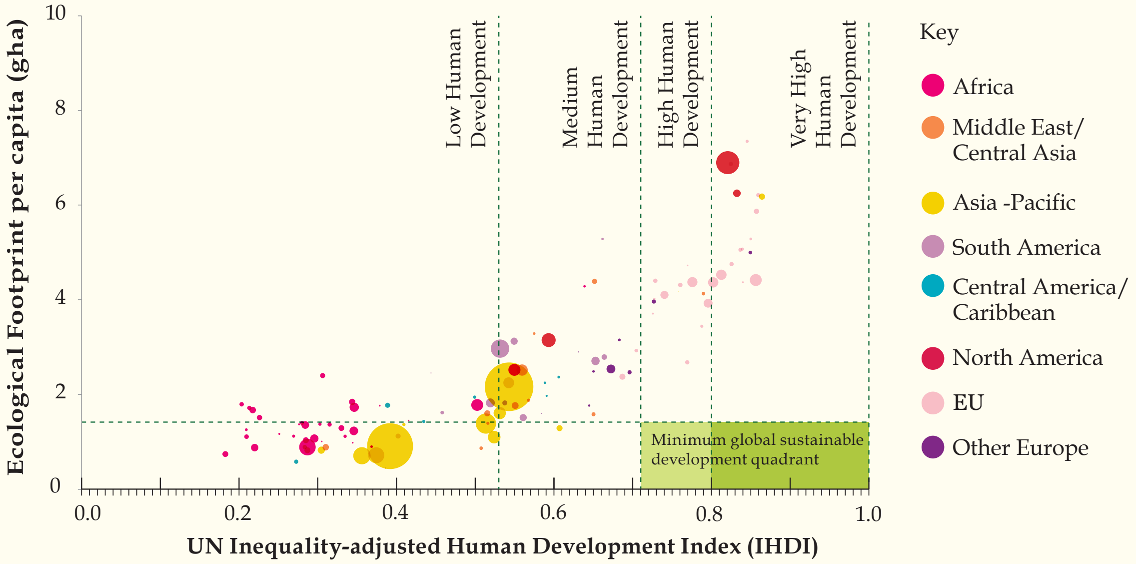
The dots representing each country are coloured according to their geographic region and scaled relative to their population (Global Footprint Network, 2014; UNDP, 2013).

At present, humanity is using up natural resources at a 50% faster rate than nature can regenerate. The challenge for all societies is to shift their development paths towards the bottom right quadrant in Figure 1 – that is, high human development with a sustainable environmental footprint.

When we say that sustainable development is a driver of our investment philosophy we mean we take a bottom-up approach (primarily assessing individual companies rather than an industry or country when making an investment decision) to finding and investing in good quality companies that are well positioned to contribute to, and benefit from, sustainable development in the countries in which they operate, be they developed or developing. In doing so, these companies assist the global move towards the bottom right hand quadrant. We believe these companies face fewer risks and are best placed to deliver long-term growth in earnings and cash flows over time.

We have no proprietary models or 'black boxes' for assessing long-term sustainable development positioning. There are no magic formulae we can rely on. Instead, we analyse as broad a range of quantitative and qualitative factors as possible.

Figure 1: Sustainable Development 1980-2013
UN Inequality-Adjusted Human Development Index and Ecological Footprint of Countries

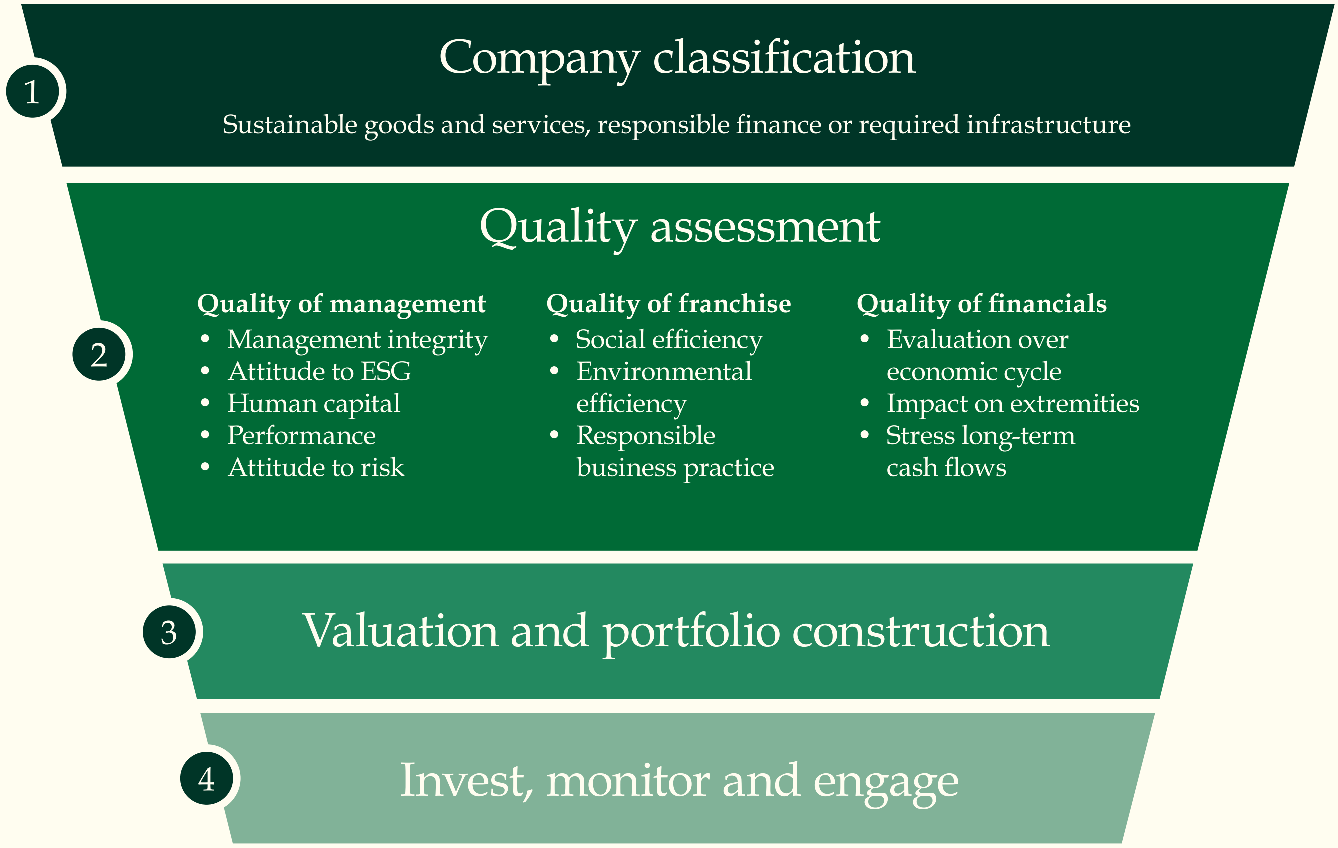


Source Living Planet Report, 2014: http://assets.panda.org/downloads/wwf_lpr2014_low_res.pdf

Sustainable investment aim and philosophy (cont)

Figure 2: Investment process

There are four key stages in our investment process:



Step 1. Company classification

The first part of our investment process could be described as starting with a blank sheet of paper and trying to find high quality companies in which to invest. Our search for quality companies is heavily influenced by our thinking on the sustainable development challenge outlined above. We are not looking to 'cover' the 60-odd thousand companies in our investment universe, rather just looking to find 30-70 attractive long-term investment ideas for each of our clients' portfolios. We do not have sector or country analysts; we are all generalists and we are all charged with identifying good quality companies to invest in.

We find it useful as a first step to classify potential investment opportunities into one of the three following categories:

1. Sustainable goods and services
2. Responsible finance
3. Required infrastructure

These categories are not used as screens; rather they help us think more clearly about the long-term sustainable positioning of different types of businesses. Practically all companies will fall into one of these categories, and we use them to help define the critical sustainable development issues we need to consider as part of our fundamental analysis.

Sustainable goods and services

We seek out companies that:

- Provide food, beverages and consumer staples that are positive for human health and hygiene, affordable medicines and life-saving treatments, and other products, technologies and services that contribute to economic development and human welfare and safety;
- Manufacture, sell and deliver products and services efficiently and in ways that reduce negative environmental and social impacts; and
- Stand to benefit as environmental and social externalities are internalised (those companies that generate environmental externalities – whose business models rely on polluting or degrading the environment, but which do not pay for these external costs on their profit and loss statement (P&Ls) – are poorly positioned for the increasing likelihood that over time they are made to bear the costs. For instance, airlines pay large taxes nowadays. Another example would be sugar taxes.).

Examples of such companies include Marico Ltd (India: healthier foods that reduce the risk of diabetes), CSL Ltd (Australia: vaccines and plasma protein), Henkel AG & Co KGaA (Germany: consumer and industrial adhesives), Shimano Inc. (Japan: manufacturer of bicycle parts and sporting equipment) and Unilever (UK: producer of consumer staples).

Responsible finance

The financial sector has a vital role to play in economic and social development. As well as enabling individuals to save, borrow and invest for the future, the sector provides capital and support for enterprise. Accurately priced and equitable insurance is also vital if individuals, families, businesses and other organisations are to manage risks and unpredictable events, and secure property and assets. We look for responsible finance companies that operate with trust and understand their licence to operate. Specifically we look for traditional savings and loans banks that focus on patiently gathering deposits and prudently lending them back to customers.

Examples of such companies include Kotak Mahindra Bank (India), Banco Bradesco SA (Brazil), Bank of Philippine Islands (Philippines) and Handelsbanken (Sweden).

Required infrastructure

We seek out companies that provide the basic building blocks and service infrastructure society needs to function, develop and thrive. Such companies may be involved in the provision of water, energy, waste handling, housing, transportation and logistics, or in the provision of technologies that sustain these services within the limitations of ecosystems. These limitations are driving growth in lower carbon technologies and energy efficiency, the provision and management of fit-for-purpose water and sanitation and the reduction and re-use of waste. Energy efficiency and low carbon energy sources provide the same services and growth-enabling capacity as traditional suppliers without the same environmental costs and constraints. Mining, metals and industrial companies that operate efficiently and demonstrate that they have earned their licence to operate from local communities also fit within this sector.

Examples of such companies include Manila Water (Philippines: water and wastewater treatment service provider), Taiwan Semiconductor Manufacturing Company Limited (Taiwan: semiconductor and integrated circuit manufacturer), Xylem (United States: manufacturer of water pumps and testing, filtration and disinfection technologies), Kansai Paint (Japan: manufacturer of less environmentally hazardous paint and coatings) and Kuehne & Nagel (Switzerland: international logistics and freight forwarding service business).

We do not set out to invest in every clean or green-themed technology, water or microfinance company we come across, nor will we invest in a company simply because it appears to be a leader in sustainable development.

Sustainable investment aim and philosophy (cont)

Step 2. Quality assessment

Perhaps the single most important step in our investment process is to assess the overall quality of each company. We aim to identify and invest in those companies most likely to fulfil their long-term sustainable development potential and avoid those companies most likely to fall by the wayside over time. Many companies that appear to be well positioned in terms of their sustainable development positioning can struggle to fulfil their potential over time because they are fundamentally poor quality businesses or are run by poor quality management teams.

We are looking to identify 30-70 good quality companies to which we can allocate our clients' capital for the long-term. We assess three aspects of quality and analyse both qualitative and quantitative factors in order to build a comprehensive picture of a company's overall quality:

1 Quality of management
2 Quality of the franchise
3 Quality of the financials

Companies that meet our criteria are included on our quality list. Typically there are 300 companies on our quality lists at any point in time, and the list evolves continually as we refine our views on companies and build conviction.

Quality of management

We place particular emphasis on the quality of the management team to whom we are entrusting our clients' capital. We spend a great deal of time focusing on issues such as management integrity and corporate governance, attitude to environmental, social and governance (ESG) issues, and the ability to develop and execute successful long-term strategies. We also look for evidence of innovation and the ability to adapt and evolve businesses.

Long-term alignment between company management and minority shareholders is very important to us. We have a preference for simple remuneration structures, recognising that the very best managers often perform out of a sense of purpose, or as our favourite Indian companies refer to it, dharma (Dharma: the Sanskrit word often translated as 'purpose'). Many modern management teams appear to have lost all sense of purpose or dharma in their search for short-term returns. We look for evidence of dharma as a key long-term competitive advantage.

Human capital performance is also critical and indicators such as employee compensation, employee turnover rates and safety records can be particularly revealing.

Quality of franchise

To analyse the quality of a company's franchise we consider factors such as the brand and market share, pricing power and competitive advantage. In our sustainable development assessment we also seek to answer three key questions:

1 Is the franchise socially useful?
2 Is the franchise environmentally efficient?
3 Does the company have responsible business practices?

Social usefulness

We analyse social usefulness because those companies that have a high percentage of products or services that are actually needed by society are more likely to deliver less volatile performance and will face fewer risks to their licence to operate over time.

For example, it is possible to argue that consumer companies whose sales are dominated by products containing high levels of sugar, salt and fat have a weaker quality of franchise when looked at through the lens of social usefulness. Consumed in excess, such products have negative externalities for society through increased health costs. This in theory should dampen demand in the longer term but more significantly attract considerable negative attention from regulators, politicians and concerned stakeholder groups. In short, such companies are likely to face greater headwinds, from advertising controls and regulatory scrutiny to potentially damaging community campaigns.

On the other hand, consumer companies that focus on selling healthier foods or consumer staples such as toothpaste, soap and shampoos tend to have a stronger quality of franchise when viewed through this social usefulness lens.

Social usefulness is important not only for consumer companies. We also spend a significant amount of time assessing the social usefulness of banks. We avoid banks that generate a significant part of their profits from proprietary trading and listed stock exchanges that regard their high frequency trading strategies as a key growth driver.

In many markets greater prudential regulation is needed to rebalance the financial sector. Companies that recognise the requirements of their implicit social contract will not face these headwinds. The companies most likely to benefit from tailwinds will be traditional savings and loans banks that have maintained the trust of depositors, customers and society. Access to equitable finance for all in society is critical to escape poverty and those organisations able to serve the bottom of the pyramid responsibly are also well placed to generate long-term shareholder value.

Our assessment of social usefulness is obviously based on subjective measures and there is often significant debate within the team about the social usefulness of the franchises we look at. Our aim is not to screen out companies offering particular products or services. Nor is it to be self-righteous or judgemental, but rather to try and gain a better understanding of the overall quality of each company's franchise.

Environmental efficiency

A company's quality of franchise is also impacted by its operational efficiency and the environmental impacts of its products or services.

We are seeing a slow but steady internalisation of environmental externalities (by which we mean pricing and regulatory interventions taking place, e.g. a business or industry that is perceived to cause pollution might be charged fines or taxes for causing such pollution or have new operating standards imposed on them adding to their operating costs) across sectors and countries. A company that, all else being equal, can generate higher economic returns per unit of 'environmental resource' will be better positioned than its peers over time. Environmental performance metrics help us build a more complete picture of the long-term sustainable development positioning of each company we analyse. This is true across a range of sectors, from food and beverage producers to utilities companies.

Our investment process leads us to seek out companies whose products are by their nature environmentally responsible. We simply believe that companies manufacturing, for instance, ultra-efficient electric motors and filters for cleaning air are likely to make lower risk and higher return investments. Environmental positioning is partly about opportunity but also about how risk is considered and managed.

We are wary of the potentially disruptive impact of new technology on traditional industries like centralised thermal energy generation and makers of internal combustion engine vehicles. These franchises seem vulnerable to us on our time horizon of ten years, and these companies are likely to be very risky investments for clients' capital over this timeframe.

Responsible business practices

We also seek out companies with defendable barriers to entry. We have a preference for balanced franchises and are nervous about business franchises that appear too strong or lopsided. Over time, they tend to attract the attention of competition regulators, politicians, non-governmental organisations and speculative capital.

Companies that are too aggressive or pursue irresponsible business practices with their suppliers, employees or customers provide easy pickings for new entrants. As a very quick and crude check for franchise balance, we ask ourselves whether all customers, suppliers and employees are being treated fairly and we look at metrics such as Days Payable (by which we mean looking at the average number of days a company takes to pay its suppliers) as a proxy for supply chain risk (by which we mean potential external and internal disruptions that might impact a business e.g. External disruptions such as a supplier's financial or management stability, raw material or parts shortages, or climate factors such as storms impacting deliveries. Internal disruptions such as a company not having alternative solutions in place in case something goes wrong, poor communication to suppliers and customers and inadequate assessment and planning of orders).

Quality of financials

We analyse a number of factors to try to build a full picture of the quality of the financials.

Firstly we want to understand how the company has performed over the economic cycle. As long-term investors, we look for franchises that can stand the test of time. We place little trust in short-term extrapolations of current profitability. Instead, we try to look back as far as we can in time to see how a company has performed during stormy economic periods. We pay a lot of attention to cash flow metrics and statements, which we think are the least easy financial statements to manipulate. We have a strong preference for net cash companies with cautiously structured balance sheets.

Sustainable investment aim and philosophy (cont)

We strive to invest in companies that are capable of growing their cash flows over the long-term as they contribute to, and benefit from, a shift towards a more sustainable economic development trajectory. However, we have a strong preference for predictability over speed of growth. Companies that try to grow too fast tend to end up falling over or cutting environmental, social and governance corners. We prefer the marathon runners to the sprinters.

Importantly, we also try to ensure we understand how companies might be impacted if externalities are internalised into the financial accounts (by which we mean pricing and regulatory interventions taking place, e.g. a business or industry that is perceived to cause pollution might be charged fines or taxes for causing such pollution or have new operating standards imposed on them adding to their operating costs). Most environmental and social liabilities and costs are currently omitted from balance sheets and income statements. Examples include the long-term environmental liabilities of many chemical companies or the anticipated legal liabilities facing tobacco companies with irresponsible marketing and sales practices in emerging markets.

We spend a lot of time examining working capital trends and requirements, tax rates and currency mismatches. However, we also try to look beyond numbers and form a view on the quality of the financial statements themselves. This includes investigating everything from the reputation of the audit firm, non-audit to audit fees, change in audit firms, unusual changes in financial year ends, aggressive accounting and hedging policies.

Step 3. Valuation and Portfolio Construction

Valuation

We analyse a broad range of valuation metrics to come up with a sensible estimate of what a share is worth over time to us as long-term investors. ESG issues are factored into our assessment of overall quality and growth, which in turn drives our valuation methodology in terms of earnings forecasts and the price we are prepared to pay for any given stream of cash flows. We undertake a range of different valuation techniques based on earnings, cash flows, book value, replacement cost and physical metrics.

For many companies there is no price at which we are prepared to allocate our clients' capital. No matter how cheap a company's stock is, the downside is always one hundred per cent. For companies facing stiff sustainable development headwinds, or specific ESG challenges, earnings and cash flows can disappear very quickly.

For companies that pass our quality criteria, we set our own fair market values (the price we would be willing to pay for a share in a company) based on both qualitative and quantitative analysis. We have no proprietary valuation methodologies.

Once we purchase a share in a business on behalf of our clients (which often will include our team members as they are unit holders of some of the funds which we manage), we spend a significant amount of time engaging with the management team of the company.

The most difficult challenge for us as stock pickers is not identifying what a share is worth, but rather making the difficult decision to sell our favourite companies if they reach our fair market value. Given the volatility of stock markets, we face this challenge more often than we would like.

Portfolio construction

We aim to invest in sensibly priced, high quality companies that can deliver sustainable earnings per share growth. We believe selecting companies that display these features is the most important factor in producing consistent, attractive long-term performance for our investors.

As our portfolios are constructed using a bottom-up approach (primarily assessing individual companies rather than an industry when making an investment decision), we expect the majority of our performance to come from stock selection. With the exception of the limitations imposed by our portfolio construction parameters, our allocations to countries, currencies and sectors are a residual of our underlying stock selection process.

We manage conviction-based portfolios (every company is hand selected to be in the portfolio, we do not follow a benchmark or index when purchasing or selling companies within a portfolio), so it is usual for the top ten investments to account for 30-40% of the portfolio. Our stock allocations reflect the relative risk/reward of each of our companies, subject to liquidity and risk control constraints. And finally our portfolios are constructed with a long-term investment horizon.

Step 4. Invest, monitor and engage

External portfolio verification

Every six months our sustainable fund portfolios are assessed by an external service provider to ensure that each company we hold meets the global norms for best business practices. These are internationally agreed standards for business, including the UN Human Rights Norms for Businesses and the UN Global Compact Principles. Companies are flagged using a traffic light system – green, amber (monitor/potential issue) and red (engage/exit).

Given our rigorous investment process with its emphasis on quality, and the external verification process described above, we would be extremely disappointed if more than a very small number of stocks in our portfolios were ever to be flagged amber or red. We would not necessarily treat this as an automatic trigger to sell our holding, but would consider the particular issue and the extent to which it undermined the investment case.

Monitor

While we are long-term in our approach, we continually monitor the companies we own to understand any changes to their strategies, relevant sector or market related changes and impacts, and movements in their share prices. We do this by meeting companies, visiting their offices and doing a periodic Retesting of the Investment Case Exercise (RICE). When we do a RICE we analyse the financials, check for changes in management and governance and ensure there have been no material changes to the strategy. We also review our ten year Fair Market Value estimate (the price we would be willing to pay for a share in a company on a ten year view) and our company engagement roadmap.

Engagement

We devote a significant amount of time to engaging with the management teams of the companies in which we invest. We set out the key things we would like to achieve and see change, and how we intend to try and influence change, in our company engagement roadmaps. We engage on a wide range of issues including strategy, governance, alignment of interests and reputation.

We engage for two primary reasons. First, we believe that the purchase of a share in a business comes with both rights and responsibilities. Should one of our companies fail to meet international best practices on the environment, human rights or social issues, we believe we have a responsibility, as part owners of the business, to engage with senior management to persuade them to address the issue, rather than divest immediately. Withdrawing capital is a last resort. Second, we see governance issues as investment issues. Positive engagement on governance issues becomes a powerful tool in driving shareholder value and protecting and enhancing the value of our portfolios.

Engagement needs to be a two-way process. We listen to companies and try to understand the challenges they face, as well as communicating our expectations as investors. Our engagement takes many different forms, from face-to-face meetings to informal emails to formal written correspondence. We find it much more productive to engage with management teams with whom we already have a good relationship. As a result, perhaps the most important part of our engagement process is to establish rapport with management teams ahead of any engagement. One of the best ways we have found of doing this is to write thank you letters after our meetings, reiterating our appreciation for the meeting and reminding management of our long-term approach and expectations as shareholders.

Increasingly we manage company relationships directly rather than allowing intermediaries, primarily investment banks, to act as gatekeepers in relationships. We organise many of our own research trips and encourage companies to contact us directly for a meeting if they are organising a road show.

As long-term shareholders, we are active owners of the companies in which we invest; we aim to vote on all resolutions at annual and extraordinary general meetings. Voting decisions are not outsourced. The majority of resolutions we vote against relate to management remuneration, minority shareholder rights and board directorships. We rarely see environmental or social issues appear on the ballot papers.

Investment strategies

We have four broad strategies operating under the sustainable funds group (as well as individual mandates and an Investment Trust). Combined, these strategies represented USD2.4 billion in assets under management as of 31 December 2015.

Asia Pacific Sustainability

Launched
December 2005

Global FUM
USD614 million

The strategy invests in equities in the Asia Pacific region (excluding Japan, including Australasia). As it started becoming increasingly clear that Asian countries would no longer be able to follow the traditional development path of their Western counterparts, we became keen to run an explicit sustainability strategy which focused on investing in those companies best positioned for this development shift.

Examples of long-term investments in this strategy include Manila Water (Philippines) and Kotak Mahindra Bank (India). Manila Water has a wonderful track record of delivering affordable, clean water to low income households living in East Manila. Since taking over the East Manila franchise in 1997, the Company has cut leakage rates from over 50% to less than 12%, while increasing coverage from less than 50% to over 99% of households today. The sustainable development benefits of its work are underlined by, for example, a halving of diarrhoea cases in the concession zone. The company's success has been achieved primarily by working closely with local communities within the concession area, instead of making top-down executive decisions from the executive floor. Having earned its social license to operate in Manila, the Company is now well positioned to replicate its success in other municipalities, elsewhere in the Philippines and overseas. The company is controlled by the Ayala family, who have a strong approach to corporate governance.

One of India's leading banking and financial services organisations, Kotak Mahindra Bank, was set up in the 1980s by Mr Kotak after spotting an opportunity to lend finance at a lower rate than banks and still make a profit. The company's attitude and approach to responsible finance is evidenced by its ability to survive various non-performing loan (NPL) cycles (an NPL is the sum of borrowed money by an individual or company that has not made their scheduled payments for at least 90 days. Once a loan is nonperforming, the odds that it will be repaid in full are considered to be substantially lower creating numerous financial implications for the lender, including its profit and loss statement and tax situation) and by Mr Kotak's consistent alignment and loyalty to the business – despite being its largest shareholder he has not sold any of his shares since the company was listed. The company remains cash rich and committed to sustaining strong balance sheet growth.

Note: The Stewart Investors Asia Pacific Sustainability strategy is currently closed to new investors.

Pacific Assets Investment Trust

Launched
August 1989

Global FUM
USD346 million

Since 1 July 2010 Stewart Investors has been the Investment Manager for the UK-listed Pacific Assets Investment Trust. The Trust is managed with an explicit sustainable investment focus, in line with our other sustainable investment strategies. In terms of portfolio positioning, the Pacific Assets Trust and the Stewart Investors Asia Pacific Sustainability Strategy portfolios are similar, with two main differences. Firstly, Pacific Assets excludes Australia and New Zealand from the investible universe of companies, whereas these countries are included in our Asia Pacific Sustainability Strategy. Second, as a closed-ended Trust, Pacific Assets has the opportunity to invest in small, illiquid companies in the region, where appropriate.

Pacific Assets Trust is an investment trust and its shares are listed on the Official List and traded on the main market of the London Stock Exchange. More information on the Pacific Assets Investment Trust can be found at: www.pacific-assets.co.uk

Global Emerging Markets Sustainability

Launched
February 2009

Global FUM
USD571 million

The strategy invests in shares of companies based in or having significant operations in emerging markets. We started the Global Emerging Markets Sustainability strategy in 2009 because we felt by then that we had a deep enough understanding of the sustainable development challenges across emerging markets and could identify companies that were contributing towards, and well positioned to benefit from, sustainable development.

Examples of long-term investments we have made as part of the strategy include Marico (India) and Tech Mahindra (India). Marico is a particularly well-managed Indian consumer company. The company's core product is Parachute, a coconut oil that can be used for both cooking and as hair oil. Cash flows from this business have been used to slowly build up a broad-based portfolio of consumer products with a particular emphasis on health and well-being. Products range from low GI rice and low cholesterol cooking oil to massala porridge. According to some estimates, India now has the largest number of type-2 diabetics globally, and obesity has become one of the most important public health challenges facing the country. Given Marico's strong emphasis on healthy products, the Company appears well placed to contribute to, and benefit from, a move to healthier consumer choices.

Tech Mahindra is part of the Mahindra Group, whose controlling family are renowned for their integrity and high levels of corporate governance. Tech Mahindra expanded its IT portfolio in 2009 by acquiring the leading global business and IT services company, Mahindra Satyam (earlier known as Satyam Computer Services), becoming a technology services powerhouse. It is the 5th largest service provider with 84,000+ employees and revenues of USD3.7 billion. Both Satyam and Tech Mahindra were working behind the scenes prior to the merger, developing initiatives which will enable them to continue pioneering the IT industry. Mr Gurnani (CEO) is incredibly knowledgeable about the IT industry, having spent most of his career at the company; he has a Mahindra background and a good relationship with Mr Mahindra, which helps ensure Tech Mahindra is aligned with the parent. Mr Gurnani is also a cautious man who runs the business in terms of managing the people and is likely to succeed under the Mahindra backing.

Note: The Stewart Investors Global Emerging Markets Sustainability strategy is currently closed to new investors.

Investment strategies (cont)

Indian Subcontinent

Launched
15 November 2006

Global FUM
USD413 million

While not labelled explicitly as a sustainability strategy, since the change of lead manager in July 2008, the strategy has been run with a strong sustainability investment focus, alongside our three other sustainability strategies. The strategy invests in shares of companies based in or having significant operations in India, Pakistan, Sri Lanka or Bangladesh.

Examples of long-term investments we have made as part of the strategy include Dabur and Tube Investments.

Established in 1884 to produce and dispense Ayurvedic medicines, Dabur has evolved into a professionally run broad-based consumer company with a particular focus on Ayurveda based products. Their core product is Chyawanprash, a brown, sticky paste containing herbs, spices and other natural ingredients and based on ancient Ayurvedic recipes. It can be eaten directly or mixed with water or milk and is believed to have wide-ranging health benefits. The Company has taken cash flows from this product and built a broad-based, diversified consumer company covering hair care, skin care, digestives, health care and food. The Ayurvedic heritage of the Company underpins many of its products and guides their long-term strategy and positioning. As such, the Company is particularly well positioned for shifting consumer preferences towards healthier, more environmentally friendly consumer choices. Management are professional and family members are still present on the board.

Tube Investments is part of the Murugappa Group of companies, headquartered in Chennai. The Murugappa family stands out for their stewardship, which has resulted in an excellent attitude to risk, fair treatment of minority shareholders and an excellent approach to evolving the sustainability positioning of their businesses. Tube Investments is the largest manufacturer of bicycles in India. Rapid urbanization, the rise of 'mega' cities with populations over ten million people and the growing focus on healthy lifestyles have all combined to create strong sustainability tailwinds for the bicycle industry.

Worldwide Sustainability

Launched
1 November 2012

Global FUM
USD505 million

The Worldwide Sustainability strategy is an unconstrained investment strategy that allows us to invest in companies across the world. We launched the strategy because we believe we need to understand all companies in a global context to be good Emerging Markets and Asia Pacific investors, and because we recognise the limitations of any single region becoming very fully valued at any time.

Two of the companies in which we have the strongest conviction are Xylem Inc (US) and Merck KGaA (Germany). Spun-out from ITT in 2011, Xylem is the world's largest wastewater and dewatering pumps provider, the largest in the membrane market doing filtration and disinfection of water, and second largest in water testing. The Company's focus on water technology leadership means it is well placed to help tackle pressing sustainable development challenges around water scarcity and water pollution in both developed and developing countries. As the Company itself notes, 'There is a direct line of sight from our work to the sustainable health of our planet.'

Founded in 1668, Merck is the world's oldest operating chemical and pharmaceutical company. Its focus remains on contributing towards improved human development and better health outcomes globally. The founding family still own a 70% stake and the KGaA structure (family members are personally liable partners) ensures their long-term stewardship and alignment.

Stewart Investors sustainable funds group biographies

The Stewart Investors team comprises 27 investment professionals located in Edinburgh, London, Singapore and Sydney.

The following members of the team have a particular focus on the Sustainable Funds.

Amanda McCluskey

Amanda is responsible for leading the Stewart Investors Sustainable Funds group and supporting the investment strategy and research process.

Previously Amanda was Head of Responsible Investment at Colonial First State Global Asset Management and has had Fund Management experience at Portfolio Partners and BT Financial Group. Amanda was the founding Deputy Chair of the Investor Group on Climate Change and is a non-executive director of the Great Barrier Reef Foundation.

Amanda holds a Bachelor of Economics with Honours in International Relations from the University of Sydney.

David Gait

David is responsible for leading the Stewart Investors Sustainable Funds group and generating investment ideas across all sectors in emerging and developed markets. David joined the company in 1997.

David holds an MA with honours in Economics from Cambridge University, and holds a Master of Science in Investment Analysis from Stirling University.

Dharisha Mirando

Dharisha joined the team in March 2015 and is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets. Prior to joining the team Dharisha worked in Impact Investing based in Asia and at a Social Investment Fund in the UK.

Dharisha holds an MSc in Development Studies from the London School of Economics and Political Science and a BSc (Hons) in Economics from the University of Warwick.

Douglas Ledingham

Doug joined the Stewart Investors Sustainable Funds group in January 2016 and is responsible for generating investment ideas across all sectors in emerging and developed markets.

For the last three years, Doug has worked as an investment analyst in the Stewart Investors Asia Pacific team which he joined after graduating from the University of Edinburgh.

Doug holds an MA in Business Studies and Accountancy.

Jack Nelson

Jack is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets. Jack joined the company in September 2011 upon graduation from university.

Jack holds a first class BA (Hons) in Politics, Philosophy and Economics from Queen's College, Oxford.

Stewart Investors sustainable funds group biographies (cont)

Kimberly Buncle

Kimberly joined the team in February 2015 and is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets. Prior to joining the team Kim worked for international development organisations in Kenya and Edinburgh.

Kim holds an MSc in International Development with Distinction from the University of Edinburgh and a BA (Hons) in Political Science from the University of San Diego.

Nick Edgerton

Nick is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets. He joined the team in April 2012 following two years in the First State Investments group.

Nick previously worked as an analyst with the Sustainability funds at AMP Capital Investors, and has experience as a consultant, public servant, and academic in sustainability and economics.

Nick holds a Bachelor of Economics from Macquarie University, and a Master of Science with Distinction in Ecological Economics from the University of Edinburgh.

Oliver Campbell

Oliver is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets. He joined the team in May 2014 following seven years at CLSA as an analyst and has experience as a journalist.

Oliver holds a BA (Hons) in Chinese and Management Studies from the University of Durham and a Diploma in Chinese language and literature from Renmin University of China.

Robert Harley

Rob joined the team in October 2015 and is responsible for generating investment ideas for the Stewart Investors Sustainable Funds group across all sectors in emerging and developed markets.

Prior to joining the team, Rob worked in various investment management roles for ten years and in the not-for-profit sustainable development sector for eight years.

Rob holds an MSc in International Strategy & Economics (distinction) from the University of St Andrews as well as a BA (Hons) in Political Science from the University of Natal, South Africa.

Sashi Reddy

Sashi Reddy joined the team in August 2007 and is responsible for generating investment ideas across the Stewart Investors Sustainable Funds group.

Before joining the company, Sashi worked at Irevna Research, an Indian equities research house from 2005 to 2007. Sashi brings with him 13 years of experience, ten years of which were in the financial services industry.

Sashi has an engineering degree from the National Institute of Technology, Trichy and an MBA from the Schulich School of Business, York University in Toronto.

Questions and answers

1.
Why is the Stewart Investors team interested in sustainable investing?

We have a strong conviction that the sustainable development positioning of companies is playing an increasingly important role in determining long-term shareholder returns for all companies in both developed and developing markets. By launching dedicated sustainable development funds we are able to offer investors distinctive investment opportunities with an explicit focus on this theme.

2.
What do you mean by sustainable investing?

In order to tackle the challenge of sustainable development, both developed and developing countries will have to shift from a resource-intensive, consumption-driven, debt-dependant model of development and growth towards a more sustainable one. This means using natural and financial resources wisely and in a way that promotes long-term economic, social and personal well-being.

When we say that sustainable development is a driver of our investment philosophy, we mean we take a bottom-up approach (primarily assessing individual companies rather than an industry when making an investment decision) to finding and investing in good quality companies that are well positioned to contribute to, and benefit from, sustainable development in the countries in which they operate, be they developed or developing.

We have a strong conviction that such companies face fewer risks and are better placed to deliver positive long-term, risk-adjusted returns (an investment's return taking into account how much risk, as defined as the possibility of losing money, is involved in producing that return) to shareholders.

3.
Are these sustainable funds a marketing gimmick to raise more assets under management?

Absolutely not. Over recent years, we have turned down existing business in our mainstream funds which, taken together, would represent multiples of the funds we intend to raise over time with our sustainability strategies. We have also resisted the pressure to launch new, potentially very lucrative investment strategies such as hedge funds and BRIC funds (funds investing mainly in Brazil, Russia, India and China) because we did not have conviction in the integrity of the investment strategies.

4.
The first sustainability product was launched in 2005. What was the reason behind this?

Stewart Investors' oldest product dates back to 1988. In the early years we took the decision to focus on evolving the sustainable investment features of all our 'mainstream' strategies.

As sustainable development trends started to accelerate, and we saw more evidence of the impact these trends were having at a stock level, we decided to launch a dedicated sustainable development strategy. At the same time, an existing client indicated their interest in a focused product, so we took the opportunity to seed the new strategy.

5.
Is the Stewart Investors team restricting its investment universe which will lead to lower returns?

We would view it the other way around. Our investment philosophy, focusing on management quality, strong franchises and sound financials, and long-term sustainable development positioning, allows us to invest in the part of the investment universe which we think will deliver superior returns over time.

Questions and answers (cont)

6.
How do sustainable funds differ from other funds managed by Stewart Investors?

All Stewart Investors funds are guided by the same investment philosophy. At the heart of this philosophy is the principle of stewardship. Our sustainable funds group applies this philosophy with an added emphasis on sustainable development considerations.

There is a considerable overlap between the companies held by the sustainable funds and those held across other portfolios at Stewart Investors. The main difference is that the sustainable funds group takes the consideration of ESG (environmental, social and governance) risks a step further by focusing on long-term sustainability themes as key drivers of long-term investment performance. We aim to dig deeper and pull out from our list of favourite companies those with the very best long-term sustainability positioning.

We have been running the sustainable funds for over ten years and believe the approach to be a way to enhance a rigorous proven investment philosophy.

7.
Does that mean Stewart Investors' other investment strategies and funds are not sustainable?

No. The opposite is true. It is only because we already have a strong sustainability bent within our existing investment philosophy that we are able to extend this approach to a dedicated strategy focusing in on particularly well positioned companies.

8.
Are the sustainable funds the same as ethical investment funds?

No, not in the traditional sense. We do not look to screen out particular companies or sectors on moral or ethical grounds. However, we are not afraid of the word ethics. We think the finance sector as a whole does not spend enough time talking about ethics. We spend much time as a team reflecting on our role as stewards and have a team Financial Hippocratic Oath (a commitment made by team members to uphold specific ethical standards when investing clients' money) which each member of the Stewart Investors investment team has signed.

9.
Are the sustainable funds the same as clean tech or green funds?

No. The remit is much broader. They are 'sustainable development' funds.

10.
Why did the Stewart Investors team launch a Worldwide Sustainability strategy?

For two related investment reasons. First, it is becoming increasingly clear that both developing and developed countries face significant sustainable development challenges that are creating new risks and new opportunities for companies wherever they are based. By expanding our investment universe, we are able to invest in a wider range of companies which are well positioned to benefit from, and contribute to, long-term sustainable development.

In addition, we are able to benefit from valuation differentials that open up from time to time between developed and emerging markets companies offering similar risk-adjusted return characteristics.

Second, we are convinced that by improving our knowledge and understanding of developed market companies we will become better emerging markets investors. The geographic distinction between emerging and developed companies is becoming increasingly blurred. Many developed market companies now have significant economic activities in developing countries.

The reverse is also true. As a result, for some time now we have felt compelled to analyse the developed market competitors of our favourite emerging market companies in order to gain a better understanding of the long-term prospects of those companies. For example, to understand the long-term positioning of Indian software consultancy companies such as Infosys and Tech Mahindra, we need to spend time understanding US-based competitors such as Accenture and IBM. Likewise, to analyse Dabur and Marico, Indian consumer staples companies, we also need to understand the long-term strategies of global FMCG (fast moving consumer goods) companies such as P&G, Colgate and Unilever. Increasing numbers of global multinationals are deriving a majority of their revenues from emerging markets and therefore competing head-on with many local companies in which we might invest.

Not only do developed and emerging markets companies compete globally in terms of customers but also in terms of recruiting and retaining management teams and directors. For example, one of our favourite Indian technology companies shares a Director with a high quality Californian medical devices company that we have invested in. Similarly, there are a growing number of developed country managers and directors sitting on boards of emerging markets companies. In summary, it is becoming increasingly difficult to tell whether a company is a developed or an emerging markets one.

11.
Where does the Stewart Investors team get the ESG input from? Does the team use external experts?

The emphasis is very much on our own team of analysts to identify and analyse companies, and sustainable development and investment issues. The primary source of sustainable development related information is one-on-one meetings with senior management. We undertake approximately 1300 such meetings each year across Stewart Investors. We are particularly interested in companies which embrace the underlying spirit of sustainable development, rather than simply taking a compliance driven, box-ticking approach. Assessing the attitude of senior management is therefore crucial.

We augment internal research with the use of external research. In the past we were reasonably active in commissioning external, bespoke research that has been significant in helping us make investment decisions that continue to shape our client portfolios today. However, in recent years, our commissioning has dried up a little. We found it increasingly challenging to work with traditional ESG researchers who, because of industry consolidation, were less open to our detailed bottom-up, company specific approach. Given we are not sector driven, intra-sector benchmarking and company rankings are of little relevance to us.

However, under our new structure we are now able to drive and tender research to a range of researchers, from investment banks to non-government organisations (NGOs) and independent consultants, that we believe will contribute to and enhance our investment decision-making over time.

Some themes that we have tendered include:

- Diversity in corporate Asia ;
- Sales practices of Asian pharmaceuticals;
- GEM leaders in packaging solutions;
- US remuneration practices;
- ESG leaders in mining; and
- Fossil fuel dependent capital equipment companies.

For proxy voting we use a third party who provides proxy research and voting administration solutions in a centralised online platform.

We also strive to identify key ESG contacts in our markets, including company, government and NGO representatives. For example, as part of our India research trips, we make a point of visiting the Centre for Science and the Environment in Delhi. This visionary organisation is able to provide us with a local perspective on key ESG trends and how Indian companies are reacting to these changes. We often invite outside, independent experts (NGOs, industry consultants, government officials and academics) to come and speak to us. Recent examples include plastics, packaging and palm oil.

Our most important source of training is the companies themselves. Many of the management teams we meet have spent decades in their chosen industry and are uniquely placed to explain the key ESG issues.

12.
When a company fails to address ESG issues, why not just sell it?

The purchase of a share comes with both rights and responsibilities. Should one of our companies fail to meet international best practices on the environment, human rights or social issues, we believe we have a responsibility, as part owners of the business, to engage with senior management to persuade them to address the issue, rather than to immediately walk away from the problem.

Questions and answers (cont)

13.
What do you mean by engagement with companies?

Based on the fact that there is no such thing as a perfect company, a long-term investment must surely involve an engagement process which takes place against a backdrop of an ongoing and open dialogue with our companies. While we always try to identify individual managers and owners who themselves act as diligent, long-term stewards, we believe our engagement process provides an additional layer of governance. Ongoing checks and balances should ensure that long-term returns are maximised as investment risks are minimised.

When we look at long-term ownership of companies and consider the associated risks, we start to analyse where problems could emerge in the future. When a material issue is identified, i.e. something that could harm one of the three pillars of the investment case (quality of management, franchise or financials), then we try to engage with the company to see what can be done. We do not have an outsourced engagement team so it becomes the responsibility of all investment team members to track, monitor and engage our investments.

This ensures that the whole investment team is continually pulling at threads and questioning the investment case, providing many different eyes on the progress of our investments and also that engagement is always tied directly to the investment case, rather than being relegated to a box-ticking exercise.

While we will never be able to calculate the exact investment contribution engagement makes, we are convinced that without it, our long-term return would be lower and more volatile and as a result company engagement is a critical part of our investment process.

Our engagement takes many different forms, from face-to-face meetings to informal emails to formal written correspondence; it is good that companies are reminded that someone is paying attention.

14.
What about voting?

We have a comprehensive proxy voting policy, which is available upon request.

Voting decisions are not outsourced. All resolutions are reviewed with recommendations made by the relevant investment analyst. Each portfolio manager has ultimate discretion on voting decisions for their portfolios with controversial issues discussed at regular team meetings.

In principle we prefer to engage companies outside the annual general meeting (AGM) season and if our engagement is effective we should not have to vote against companies. However, no company is perfect so from time-to-time we will vote against. The types of things we find ourselves voting against most frequently include:

- Executive remuneration packages where there is a lack of alignment or the incentives are too short-term.
- Directors' elections when we do not think the candidate has the right character or skills for the board, or they have not been turning up to Board meetings!
- Resolutions that give the Board totally unfettered rights.

While we may vote against specific resolutions at company meetings, we are particularly active in terms of positive engagement with company management teams. For us, ESG issues are investment issues. Positive engagement on such issues therefore becomes a powerful tool in driving shareholder value and protecting and enhancing the value of our portfolios. Engagement primarily takes place during company meetings. However, we also enter into correspondence with companies where necessary.

15.
What about industry collaboration?

We are always happy to collaborate with other investors and particularly welcome effective initiatives such as Access to Medicines.

16.
What was the rationale for splitting the First State Stewart business in July 2015 to form Stewart Investors and First State Stewart Asia?

In more recent years, the First State Stewart business had been contending with the burden of scale. Funds were closed to new investments to prevent capacity issues impacting performance so that the interests of investors were protected.

As a business we had previously benefitted from being a relatively small and dynamic investment team, but the growth in funds necessitated growth in the team, making investment debates and discussions increasingly difficult. Splitting the team into two allowed each to develop as smaller dynamic investment groups, recognising that this has been critical to our success.

The splitting of the First State Stewart business should be viewed as part of the team's continued evolution and succession planning. Both teams remain part of First State Investments, the Commonwealth Bank of Australia's investment management arm.

17.
What capacity does the Stewart Investors team have in the worldwide sustainability strategy?

We regard all our sustainable investment strategies as a journey – without end! Our focus is not on gathering assets, but rather on making sure we evolve, adapt and continually strengthen our investment process to ensure we can deliver attractive, long-term, risk-adjusted returns (an investment's return taking into account how much risk, as defined as the possibility of losing money, is involved in producing that return) for investors. As such, we are looking to identify like-minded investors who are prepared to embark on this journey with us.

We will approach capacity in this strategy in the same way as all our other team strategies. We are not able to provide an open-ended commitment. At the same time, it is very difficult for us to provide absolute figures and the rate of growth is likely to be a key driver in any capacity decisions.

18.
How are you incentivised?

There are three elements to the compensation of each member of the investment team, comprising a salary paid in line with industry peer group average, an investment bonus paid in cash and calculated on the three and five year performance of a composite of funds managed by the team, and most significantly participation in a long-term profit share scheme. Under this scheme, a percentage of the team's profits each year is allocated to individual team members and then reinvested back into the funds we run for a further three years. While we believe this scheme is well designed in terms of alignment, we believe that it is a combination of our team culture, sense of purpose and long-term investment approach which is key to attracting, motivating and retaining team members.

Questions and answers (cont)

19.
How do you manage and measure risk?

We invest with an absolute return mindset. That is, we define risk as losing money for our clients, rather than in terms of deviation from any benchmark index. We focus as much on the potential downside of our investment decisions as on the anticipated upside. The identification of long-term sustainable development risks thus becomes an extremely important way of managing risk. In addition, our willingness to differ substantially from index weightings, both country and company, means we are not obliged to be invested anywhere where we have particular sustainable development concerns.

We are often asked about tracking error (a measure of how closely a portfolio follows the index to which it is benchmarked). We measure tracking error but do not deliberately seek to limit it. We consider the benchmark index to be a poor representation of the investment opportunities available. We are aware of the country, sector and major company weightings in the benchmark index. However, we use this knowledge to challenge – rather than dictate – how our portfolios are constructed. Therefore, we do not have a targeted tracking error. The annualised ex-post tracking error (the amount of variation over a 12 month period of the funds monthly performance) over a rolling three year period tends to range between 4% and 9%. While we do not 'target' a predetermined tracking error, we do monitor it to ensure that we fully understand the risk/return characteristics exhibited by our portfolios.

Individual portfolio managers have the responsibility for ensuring that portfolios under their control adhere to the relevant Portfolio Construction Parameters (the framework (limits/boundaries) that can make up a portfolio such as the countries in which companies can be based, the size of companies in terms of monetary value, the amount of cash that can be unspent, how the portfolio is expected to perform in terms of returns for clients etc). Every portfolio has an assigned portfolio manager which ensures that responsibility for adhering to parameters is clearly defined. The Risk Management team maintains a final check from outside the investment team to ensure compliance with all parameters, whether they are imposed by regulation, client agreements, or ourselves. They monitor the issues raised by the front office system on a daily basis and alert the Investment Operations Team of any action required.

20.
What market conditions are most likely to result in out-performance/under-performance?

Given our emphasis on fundamental company research (research on a company's quality of financials, franchise and management, as well as sustainability positioning), we tend to outperform in market conditions where due recognition is given to companies with quality management teams, good long-term growth prospects and sound balance sheets. The downside in falling markets should also be limited by our risk-aware approach in matters such as valuation criteria.

Our investment style is inherently conservative, focusing on capital preservation (focus on not losing money within the fund, we do not guarantee capital protection) as well as capital growth. Companies that we invest in typically exhibit lower levels of gearing, stronger cash flows and lower earnings volatility than the peer group. There are times when solid fundamental analysis does not equate to performance, such as during momentum-led markets. While our prudent style may lag in very strong liquidity-driven (rising market driven by positive sentiment, with plentiful cash and credit) or momentum-led markets (rising market driven by positive sentiment with investors continuing to buy outperforming companies and sectors), this approach produces consistent long-term outperformance.

As a result of our prudent investment style and emphasis on investment risk (i.e. we focus as much on the downside risk as the upside potential of every investment decision), we have experienced (and will continue to experience) periods of relative underperformance in strong liquidity-driven or momentum-led markets, but have always managed to compensate very quickly once such bubbles burst. Our experience and record in this volatile asset class has clearly demonstrated the merits of focusing on controlling investment as opposed to benchmark risk.

Important information

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