Stewart Investors
Sustainable Funds Group

Sustainable Funds Group

Quarterly Client Update

Q3

1 July - 30 September 2021

Image location: Mumbai, India

Risk factors

This document is a financial promotion for the Stewart Investors Sustainable Funds Group strategies – Asia Pacific and Japan Sustainability, Asia Pacific Leaders Sustainability, Asia Pacific Sustainability, European Sustainability, Global Emerging Markets Sustainability, Indian Subcontinent Sustainability, Worldwide Sustainability and Worldwide Leaders Sustainability - and is intended for professional clients in the EEA only and professional investors elsewhere where lawful.

Investing involves certain risks including:

> **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**

> **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.

> **Indian Subcontinent risk:** although India has seen rapid economic and structural development, investing there may still involve increased risks of political and governmental intervention, potentially limitations on the allocation of the strategies capital, and legal, regulatory, economic and other risks including greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.

> **Specific region risk:** investing in a 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.

> **Currency risk:** the strategies invest in assets which are denominated in other currencies; changes in exchange rates will affect the value of the strategies and could create losses. Currency control decisions made by governments could affect the value of the strategies investments and could cause the strategies to defer or suspend redemptions of its shares.

> **Concentration risk:** the European Sustainability strategy and Worldwide Leaders Sustainability strategy invest in a relatively small number of companies which may be riskier than a strategy that invests in a large number of companies.

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.

All information included in this document has been sourced by Stewart Investors and is displayed as at 30 September 2021 unless otherwise specified and to the best of our knowledge is an accurate reflection as at this date.

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

Investment terms

View our list of investment terms to help you understand the terminology within this document.

We have changed the format of our quarterly client update in a bid to make the content more interactive and digestible for you. We invite you to visit our website for our latest articles, webcasts and videos which explore our thinking on sustainable investment and the challenges and issues we grapple with in our search for high-quality companies. We would welcome any feedback on this new format.

Contents

Investment philosophy

> **We are stewards:** Our role is to allocate society's capital to productive uses, in accordance with our Hippocratic Oath

> **We are long term:** Our time horizon is measured in years, not weeks, and we value companies accordingly

> **We invest only in companies contributing to a more sustainable future:** We engage constructively as owners to help companies on their sustainability journeys

> **We invest only in high-quality companies:** We seek out companies with exceptional cultures, strong franchises and resilient financials

> **We believe capital preservation is important for capital growth:** We define risk as the possibility of the permanent loss of client capital

Investment objective

To generate attractive long-term, risk-adjusted returns by investing in the shares of high-quality companies that are particularly well positioned to contribute to, and benefit from sustainable development.

Asia Pacific Leaders Sustainability

Political headwinds have intensified and economic activity has slowed in China. Chinese bond and equity markets suffered with the most dramatic falls found in the education and property sectors.[1] There are some signs of financial distress in pockets of the economy. This had a negative impact on the valuation of banks and insurance companies which may face financial losses.[1] Fortunately, the strategy has no exposure to any of these industries.

Our views on China have not changed; we look to invest in high-quality companies that are aligned with sustainable development. We look for stewards who prefer anonymity over notoriety, franchises that are unencumbered by political patronage and financials that are resilient not frail. Our focus on quality protected the strategy from the worst of the recent falls in China and we remain indifferent to many of the large, well-known companies, regardless of lower valuations. We took advantage of market weakness to purchase two new high-quality companies in China.

The first company purchased is a leading player in soy sauce and other condiments. A trusted brand with three hundred years of history, which plays an important role in the company's ability to generate attractive margins and free cash flow. We are also attracted to the long-term evolution into other condiments. The second is China's largest decorative paint brand. In addition to these new holdings we topped up on four of the companies we purchased in the first half of 2020. Each of these companies have excellent financials, inspiring stewards and franchises built around products that complement China's development.

The portfolio has benefitted from strong investor interest in Indian equities. Even after solid gains we are convinced that some of the highest quality companies in Asia, at reasonable valuations, are still to be found within the top ten holdings of the strategy. Indeed, we only trimmed **Tata Consultancy Services** to control the position size. For this reason, the majority of the reductions were made outside of India.

We reduced **TSMC** (Taiwan), **MediaTek** (Taiwan), **Silergy** (Taiwan) and **Hoya** (Japan). All of these companies are involved, at different stages, in the design and manufacture of semiconductors. Each company has benefitted from strong industry tailwinds and is likely to experience buoyant demand for some time to come. However, we are increasingly mindful of valuations now being asked across much of the sector.

[1] Source: FactSet

Proxy voting

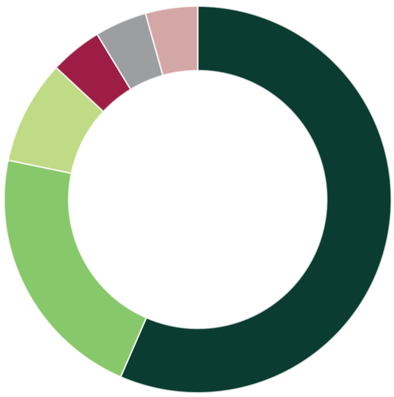
Asia Pacific Leaders Sustainability

During the quarter there were **155** resolutions from **21** companies to vote on. On behalf of clients, we voted against three resolutions.

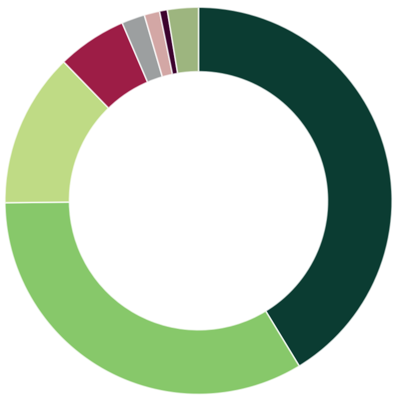
We voted against **Kasikornbank's** request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. We consider ourselves active shareholders and prefer to vote on such matters at the AGM. (one resolution)

We voted against the election of two directors at **Dabur** as we do not believe they are truly independent. (two resolutions)

Proxy voting by country of origin



Proxy voting by proposal categories



Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Image location: Jodhpur, India

Companies listed in India were strong contributors over the quarter. The most notable of these were **Tech Mahindra** (software services), **Mahindra Logistics** (logistics) and **Tube Investments** (industrial). Each company has high-quality family stewards, robust financials and quality franchises with the prospect of multi-decade growth.

During the quarter we purchased India's leading internet-based exchange for basic industrial goods. This company is in the nascent stages of development, recording sales of only US$70m last year. It has high-quality people at the helm and an attractive network-based business model from which to help Indian small and medium-sized enterprises (SMEs) grow.

We trimmed **Dr. Lal PathLabs** (healthcare), India's leading diagnostics business, on valuation grounds and sold **Cyient** (IT) and **Square Pharmaceuticals** to fund higher conviction ideas.

Strong gains prompted us to trim **TSMC** (Taiwan), **MediaTek** (Taiwan), **Silergy** (Taiwan) and **Hoya** (Japan). All of these companies are involved in the manufacture of semiconductors. The current shortage of integrated circuits is well documented and while demand is likely to remain strong, we are cautious on valuation, cyclicality and sustainability.

Concerns over franchise development and product pricing caused us to reduce **Pigeon Corp** (Japan) and sell **AK Medical** (China). Deteriorating politics prompted the sale of **Hemas** (Sri Lanka) and a reduction of **BRAC Bank** (Bangladesh). Political headwinds have also intensified in China.

In China, there has been an increasing number of government edicts on the role and status of business within society. Economic activity has come under pressure and there are some signs of financial distress. This has had a negative impact on valuations, particularly in the banking, property and insurance sectors where the strategy has no exposure.[1] The high-quality companies we own have been insulated from the worst of these tribulations and in response to lower valuations, we increased our holdings in six companies initially purchased last year.

We also had the opportunity to add two new companies: a leading manufacturer of soy sauce and the owner of one of the largest domestic paint brands in China. Both of these franchises are far from the interest and influence of the commanding political heights. Moreover, they are aligned with sustainable development, financed by robust balance sheets and stewarded by individuals with a passion for development over profit.

[1] Source: FactSet

Proxy voting

Asia Pacific Sustainability

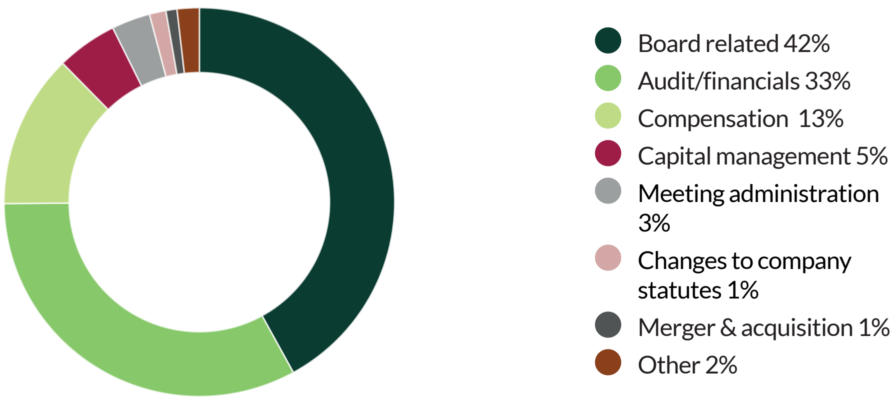
During the quarter, there were **219** resolutions from **29** companies to vote on. On behalf of clients, we voted against **four** resolutions.

We voted against **Kasikornbank** and **Philippine Seven's** request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. We consider ourselves active shareholders and prefer to vote on such matters at the AGM. (two resolutions)

We voted against the election of two directors at **Dabur** as we do not believe they are truly independent. (two resolutions)

Proxy voting by country of origin

Proxy voting by proposal categories



Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Asia Pacific and Japan Sustainability

Image location: Tokyo, Japan

During the quarter, we had the opportunity to invest in four new positions. Two of which now bring the strategy's exposure to Japanese-listed companies to over 13%. The first, **Asahi Intecc** is a family-owned, world leader in specialist surgical devices. Their ambitious plans for overseas growth together with investment in transformational new categories such as robotic surgery, lays the foundation for attractive levels of long-term growth while improving health outcomes for patients. Short-term concerns around pricing pressures in China as well as constrained profitability on the back of recent mergers & acquisitions (M&A) led to a significant share price decline. This offered us the opportunity to initiate a position at a relatively attractive valuation. The second is a world-class provider of maintenance, repair and operation products to businesses across Japan. Their highly scalable digital platform offers unmatched convenience to customers who value their product selection and delivery times - outcomes that smaller, analogue-based competitors cannot match. With domestic market share of only 2% and nascent ventures in Indonesia and India, we believe there remains a long runway ahead for the company to continue their enviable track record of profitable growth. Relative weakness in India's largest online business-to-business marketplace and China's leading condiment brand allowed us to initiate starting positions in names we have long watched from the sidelines in the hope of more attractive valuations.

Growing political and economic uncertainty in China offered the opportunity to add to our favourite Chinese companies. These names are high-quality, unique franchises run by entrepreneurial management teams with strong balance sheets. Most importantly, they are focused on generating positive societal outcomes while being aligned with the Chinese Communist Party's want to reduce dependence on foreign multinationals. Examples include China's largest diagnostic laboratory provider, a leading molecular testing franchise focused on oncology precision medicine, a leading software provider to the construction industry, and an emerging robotic champion.

Maintaining a concentrated, high-conviction portfolio necessitated selling some names to fund the above purchases. Over the period, marginal positions in **Cyient** (India, IT), **MediaTek** (Taiwan, semiconductors) and **AK Medical** (China, healthcare) were sold. There were a number of small trims made in names where valuations are no longer as attractive as they once were; **Hoya** (Japan, IT), **Tata Consultancy Services** (India, IT), **Dr. Lal PathLabs** (India, healthcare), **Shenzhen Inovance** (China, industrials) and **Silergy** (Taiwan, IT).

Proxy voting

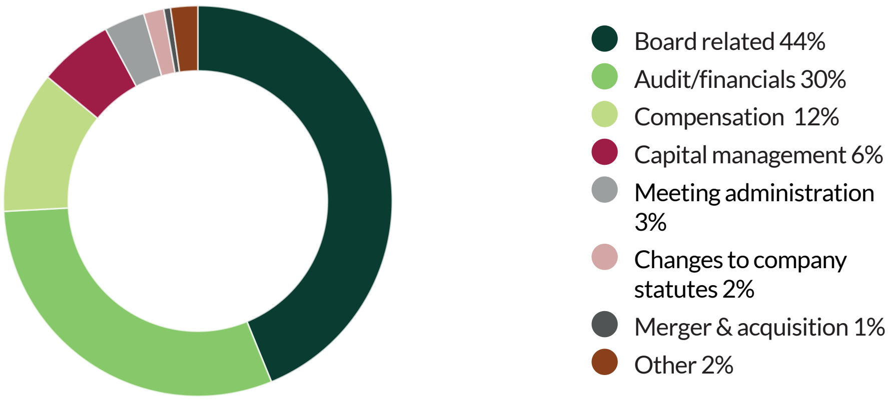
Asia Pacific and Japan Sustainability

During the quarter there were **178** resolutions from **24** companies to vote on. On behalf of clients, we voted against one resolution.

We voted against **Philippine Seven's** request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. We consider ourselves active shareholders and prefer to vote on such matters at the AGM. (one resolution)

Proxy voting by country of origin

Proxy voting by proposal categories



Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

European Sustainability

Image location: Göttingen, Germany

The strategy has made a satisfactory start, although the first full calendar quarter produced contrasting performances. The share prices of most holdings advanced until the final few weeks of the period, when many retreated as risk aversion took hold across global financial markets.

We initiated positions in **Sartorius**, **Inficon** and **Alphawave IP**.

Sartorius is a 150-year old, family-controlled, German-listed supplier of laboratory instruments, consumables and services to the bio-pharmaceutical industry. From initial concept through to scaled-up production, the company enables scientists to produce medicines from living cells with greater efficiency and safety. It has a competitive edge in liquid management, fermentation and filtration.

Inficon is a family-controlled, Swiss-listed maker of gas detection equipment, sensors and analytical software used in ultra-clean production environments such as semiconductor and solar photovoltaic manufacturing facilities. The company also makes technologies for identifying and analysing toxic chemicals and gases in soil, water and air. End-use applications are being extended to things like vacuum-packed food packaging and landfill methane monitoring.

Alphawave IP is a founder-controlled company that listed in the UK earlier this year. It designs semiconductor intellectual property (IP) that its customers integrate into their chips enabling more data to move faster, more reliably, at lower cost, and using less power. The company is well positioned to benefit from secular growth trends in data networking and storage, artificial intelligence, 5G infrastructure and autonomous vehicles.

We sold **Knorr-Bremse**, the maker of brakes for rail and commercial vehicles, in the wake of a failed merger that led us to re-evaluate the quality of stewardship and direction of the company's commercial strategy. We also sold **Avast**, the provider of cybersecurity applications. A proposed merger with NortonLifeLock will be protracted and, if successful, result in an entity we won't hold in the strategy.

Reasonable valuations opportunities enabled us to meaningfully increase positions in **Atlas Copco**, **Roche** and **Deutsche Post DHL Group**. The largest trims were to positions in **Schindler**, **Novo Nordisk** and **Indutrade**, mostly based on valuation concerns.

Reasons for the broad-based late-quarter downturn in equities[1] include concerns about; supply chain bottlenecks, rising energy and input costs and labour shortages; inflationary pressures combined with high levels of leverage and rising interest rates; tapering of central bank bond purchasing and government schemes to support household income and consumption; and fading prospects for ongoing strong earnings growth and high equity valuations in many sectors and markets (almost everywhere, not just in Europe).

Some of these concerns have been bubbling under for some time, but their recent crystallisation was swift and simultaneous. The uncertainty may well persist for some time.

Rather than try to second-guess the duration and impact of market forces, we focus on creating portfolios that will be resilient in good times and bad. We do this by allocating capital to adaptable, long-term focused, high-quality, great sustainability companies. These are companies with strong competitive positons and pricing power in specialist areas and niches whose end markets have long-term growth drivers, who understand and stay close to their customers; and who steward their balance sheets carefully.

[1] Source: FactSet

Proxy voting

European Sustainability

During the quarter there were **21** resolutions from **one** company to vote on. On behalf of clients, we did not vote against any resolutions.

Proxy voting by country of origin

Proxy voting by proposal categories

Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Global Emerging Markets Sustainability

Image location: Shanghai, China

During the course of this quarter, we chose to exit a few of the positions in the strategy. These changes were driven primarily by our continued focus on incrementally improving the quality of the portfolio, and adding instead to companies we think have better long-term sustainable and structural tailwinds of growth for the decade ahead.

Four of the positions exited include **Unilever**, **Kasikornbank**, **Samsung Electronics**, and **Tencent**. We have slowly trimmed our longstanding holding in Unilever, and chose to exit this quarter as we have struggled to find conviction in their efforts to reinvigorate the franchise. Without this, their opportunities for growth over the next decade look to be more challenged than they have been over the previous one. We also exited our holding in Kasikornbank, which remains in our minds the best bank in Thailand. We admire the stewardship of the Lamsam family and the conservatism they have embedded in the bank post the Asian Financial Crisis. However, we worry about their limited opportunities for loan growth in the country and the rising threats from fintech disruption. We chose to exit the position and add to companies where we had more conviction.

Samsung Electronics is another company we exited through this quarter, primarily due to the cyclicality of earnings. Given our long-term approach, we are unlikely to be able to make a call on when memory chip prices reach their peak or trough, thus chose to exit our position after Samsung delivered strong absolute returns for clients. We owned Tencent only for a brief period – unlike our typical holdings. We engaged with Tencent, shortly after we initiated a position, on issues around data privacy and government regulations. A few actions of the company, including de-platforming LGBTQ student groups, and the rising threats around government regulation led us to correct our mistake quickly, and we chose to exit the position.

We also exited our position in **Avast**. The company is a global leader in cybersecurity software for consumers, based out of the Czech Republic. While we believe the company has a long runway for growth, they have announced a merger with the US-based NortonLifeLock. The combined entity will be ineligible for our emerging markets strategies and we have therefore had to sell out of our position.

Through this quarter, we have re-initiated a position in **Foshan Haitian**, the leader in soy sauce and other condiments in China. Foshan is the domestic leader in these condiments by a high margin, continues to have a long runway to evolve into other condiments, and has focused on growing through volumes rather than by increasing prices. We had previously exited our position in the company due to valuations reaching all-time highs, and had an opportunity over these past months to buy back into the company at a more attractive valuation.

We also added to many of our other Chinese holdings including **Glodon**, **Guangzhou Kingmed**, and **Estun Automation**, amongst others. We believe these companies continue to be well managed by their owner-managers and are the leaders in their respective industries, providing necessary products and services, setting them up well to continue growing in the coming years.

We also initiated a position in **Quálitas**, a Mexican auto insurance company. We have long admired the conservative culture focused on steady, profitable growth that was built by the founders of the company over decades. Quálitas is the leader in Mexico, with opportunities of growth in continued penetration within the country and seeding new geographies for the long term too. The company maintains a very conservative balance sheet and remains well stewarded for the decade ahead.

Proxy voting

Global Emerging Markets Sustainability

During the quarter there were **162** resolutions from **22** companies to vote on. On behalf of clients, we voted against **four** resolutions.

We voted against **Kasikornbank** and **Philippine Seven's** request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. We consider ourselves active shareholders and prefer to vote on such matters at the AGM. (two resolutions)

We voted against the election of two directors at **Dabur** as we do not believe they are truly independent. (two resolutions)

Proxy voting by country of origin

Proxy voting by proposal categories

Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Indian Subcontinent Sustainability

Image location: Ella, Sri Lanka

During the quarter, we sold out of **Hemas**, **ABB India** and **Tata Chemicals**. These are high-quality companies and ones we would revisit should investment conditions for them become favourable.

The strategy has been invested in Hemas since 2009. Hemas is one of Sri Lanka's highest quality conglomerates stewarded by the Esufally family. The company continues to be well positioned to grow its consumer and healthcare businesses in Sri Lanka. Our sale was reflective of the weakening fiscal and current account situation in Sri Lanka. Our experience in emerging markets has reminded us that waiting in the queue to get money out of a country is never a healthy sign. ABB India is well positioned to benefit from India's industrial cycle and the underlying automation tailwinds. But valuations are now very stretched leaving no room for error. Tata Chemicals is looking to evolve into a niche chemicals enterprise through its ventures into nutraceuticals and an electric vehicle battery ecosystem. While we are excited about this journey, valuations are already reflecting much of the optimism. The company's indebtedness also exposes it to rising interest rate risks. We also sold **Square Pharmaceuticals** to fund higher conviction ideas.

We added to many of our existing financial services companies as valuations became a little more palatable. We also added to **Bosch India**, **Mahindra & Mahindra**, **Blue Dart Express** and **CG Power** as they continue to be attractively valued given their potential over the coming decade.

Proxy voting

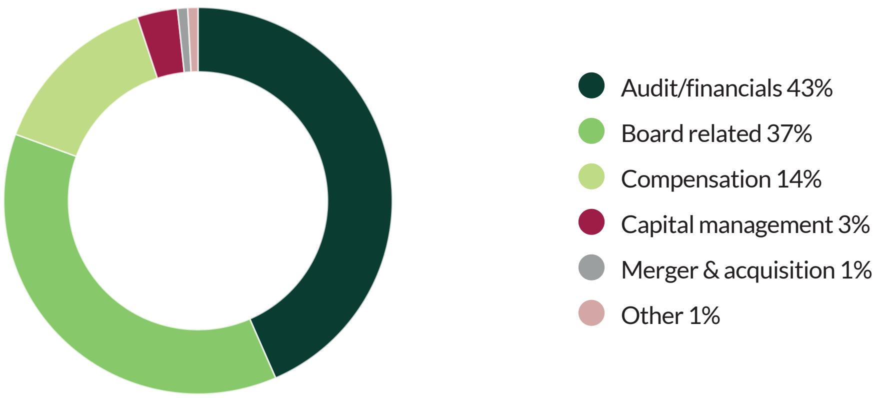
Indian Subcontinent Sustainability

During the quarter there were **237** resolutions from **33** companies to vote on. On behalf of clients, we voted against **two** resolutions.

We voted against the election of two directors at **Dabur** as we do not believe they are truly independent. (two resolutions)

Proxy voting by country of origin

Proxy voting by proposal categories



Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Worldwide Leaders Sustainability

Image location: Sao Paulo, Brazil

During the quarter we had an opportunity to initiate a position in two companies we have long admired; **Natura** in Brazil and **MonotaRO** in Japan. Natura is a Brazilian beauty and personal care group with operations across the world. We have been lucky to have known Natura since it listed and have held it in various client portfolios over the years. The company was founded with an ethos of sustainability and is an exemplar of balancing profitability with looking after other stakeholders. Natura is a world leader in its approach to a whole range of sustainability issues ranging from biodiversity in sourcing, fair treatment of staff and environmental design of products and packaging. In 2014, Natura became the world's first publicly listed B-Corp, joining a select group of companies legally committed to driving positive change in society through sustainable business practices. Recent share price weakness gave us an opportunity to make an investment. **Veeva Systems** is our other B-Corp investment.

MonotaRO is a business-to-business online platform which sells maintenance, repair and operations products such as cutting tools, safety kit, bearings and fasteners as well as office equipment and medical products, mainly to small and medium sized enterprises. It has been growing at over 25% compound annual growth rate over the last decade with a very low capital intensity. Once again, a bout of share price weakness helped us to make an initial investment although it remains an expensively valued company.

We have continued to increase our investments into **Ansys**, **bioMérieux** and **Deutsche Post DHL Group** where valuations seem acceptable.

After seven years of an investment in **Nestlé**, we completely sold out of the company. In many ways, the company is an imperfect giant and it is hard to tell whether enough has changed in the sustainability thinking at this huge food behemoth. The product portfolio has certainly improved vastly and the commitment to tackle plastic packaging is also commendable. Ultimately, we were concerned about the level of growth that it offered on valuations that were expensive.

We also sold out of **Microsoft**. Although there are no imminent threats, we cannot help but worry about regulatory risks in this giant.

Finally, we trimmed some of our semiconductor related holdings.

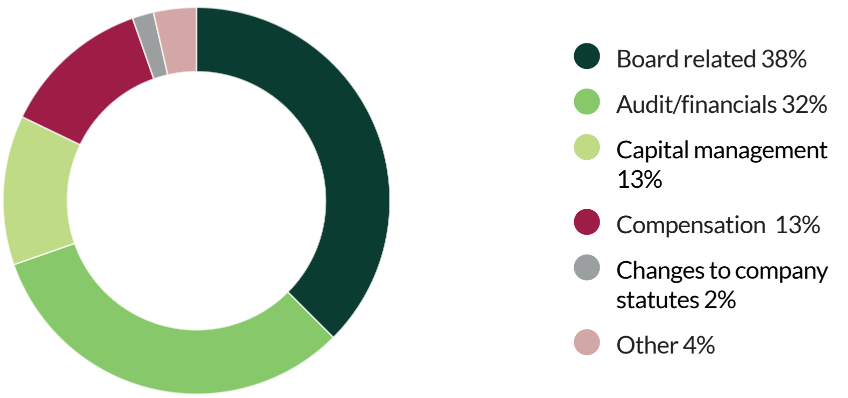
Proxy voting

Worldwide Leaders Sustainability

During the quarter there were **56** resolutions from **four** companies to vote on. On behalf of clients, we did not vote against any resolutions.

Proxy voting by country of origin

Proxy voting by proposal categories



Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

Image location: Irvine, California, USA

Markets ended the quarter roughly where they started[1], although the period was punctuated by the predicament of the highly indebted Chinese property company Evergrande, as well as by concerns about inflation, supply chain challenges, energy shortages and the resurgent Delta strain of Covid-19. In short, the period reinforced the importance of the business qualities we prize: low debt, pricing power, resilient cash flows, and adaptable and competent management teams.

We completely exited positions in Unilever and Neogen.

Unilever had been held in the strategy continuously since 2012 on the strength of its core brands and ability to provide affordable hygiene products in emerging markets, as well as its ambitious sustainable living plan. Unfortunately, since the attempted takeover by Kraft-Heinz in 2017, Unilever's balance sheet has deteriorated, and an increasing focus on margins has done little to improve competitiveness.

The company has struggled to develop and acquire leading new brands. It has also had difficulty evolving areas of its product portfolio to suit changing consumer preferences, and has been slow to adapt to the online and omnichannel distribution environment.

The sale of **Neogen** was motivated mostly by valuation. However, our lack of success in attempting to engage the company on product safety and sustainability also contributed to the decision.

We bought three new companies during the period.

Synopsys is the market leader in design software for digital integrated circuits, with around 30% market share. Against a backdrop of increasing costs and resource consumption in the production of ever-more advanced semiconductors, Synopsys supports its customers in achieving better designs and in developing more energy efficient chips, while cutting down on design time and errors. Its specialist software also supports climate solutions in building automation, telepresence and electric vehicles. Synopsys is growing its security services offering, enabling customers to embed best practice cybersecurity checks into software development processes. The company has a distinctive culture and is led by co-founder Dr Aart de Geus.

Adyen is helping redefine and reduce costs in the complex payments processing ecosystem. Traditional payment processing systems include up to seven steps, commonly carried out on ageing platforms, with various intermediaries charging often-opaque fees to merchants. Adyen consolidates many of these functions to provide excellent process transparency using a modern platform which accepts many different payment types from anywhere in the world. The company is growing rapidly in emerging markets, where payments have historically been complex, expensive and insecure, thereby contributing to our access to finance human development pillar.

Masimo is a specialist health technology company that uses light and electroencephalogram (EEG) signals to monitor patients' vital signs in a non-invasive manner. Its products are embedded in the medical devices of leading companies like Philips and GE Medical. Masimo was established in 1989 by founder and CEO Joe Kiani, whose mission to improve patient outcomes and reduce health system costs still defines and strongly influences the company's culture.

Quality, sustainability positioning and valuation continue to inform all of our investment decisions.

[1] Source: FactSet

Proxy voting

Worldwide Sustainability

During the quarter there were **71** resolutions from **eight** companies to vote on. On behalf of clients, we did not vote against any resolutions.

Proxy voting by country of origin

Proxy voting by proposal categories

Source for company information: Stewart Investors investment team and company data. This stock information does not constitute any offer or inducement to enter into any investment activity. Portfolio data shown is from representative strategy accounts of the strategy shown above. Named new investments disclosed relate to holdings with a portfolio weight over 1%. It is not a recommendation or solicitation to purchase or invest in any fund. Differences between the representative account-specific constraints, currency or fees and those of a similarly managed fund or mandate would affect results. Proxy voting chart numbers may not add to 100 due to rounding.

India Plastics Pact

In July 2018, we hosted an interactive forum in Mumbai with eleven Indian consumer goods companies to discuss the challenges around plastic waste and how they could best work together to improve the situation in India. A key output that stemmed from the forum was the need for a new industry body to work with government and agree on industry wide targets. The briefing and output papers from this forum are available online.

Since the forum, we are delighted to have supported and part-funded WRAP (a global sustainability charity), who have experience in rolling out Plastic Pacts globally, in the operational costs to develop and launch an India Plastics Pact.

For more information on the India Plastics Pact, which launched on 3 September 2021, please visit the Pact's website.

Diversity statement

Diversity is an integral part of sustainable development and is important to us as investors, employers and as members of society. We believe that understanding and making progress on diversity is an essential part of building an exceptional corporate culture and that greater diversity and inclusion of perspectives helps to generate better ideas and leads to better decision-making. Read our Diversity Statement here.

European SRI Transparency Code Compliance (Eurosif)

We are committed to transparency and believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. We meet the full recommendations of the European SRI Transparency Code. Our first statement of commitment, is now publically available on our website for European clients and covers the period to 31 December 2021.

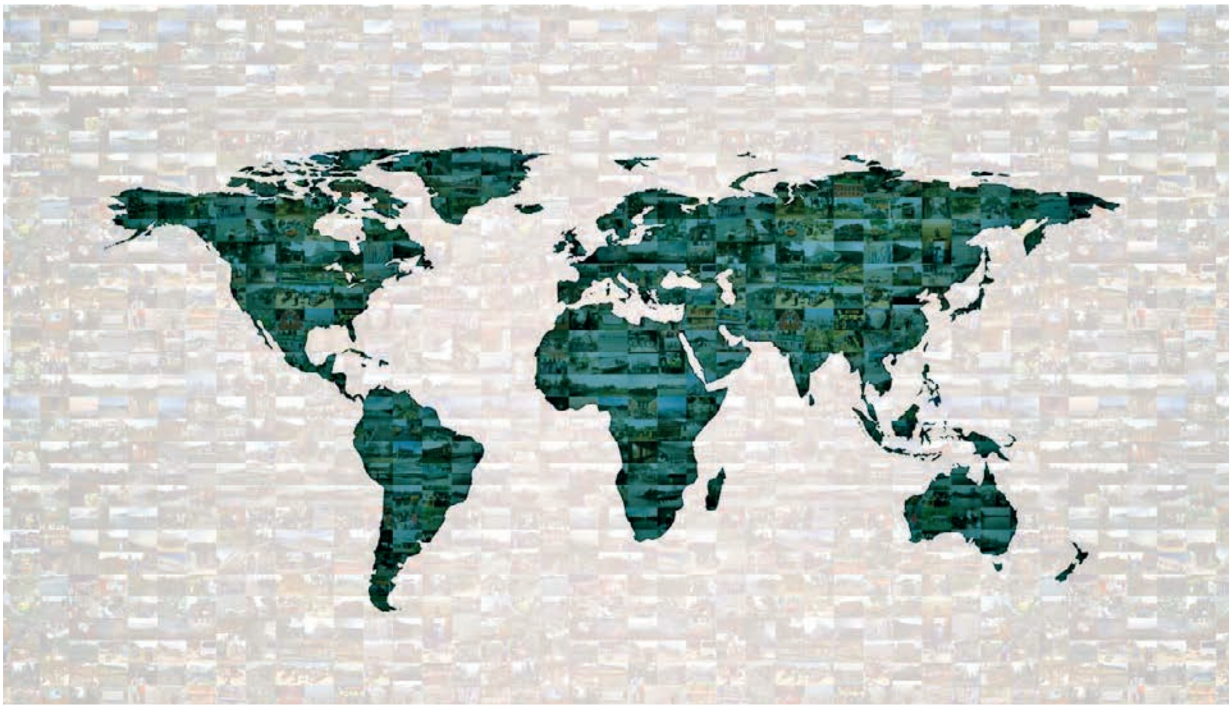
A Responsible Investment Leader

We are proud to share that the Responsible Investment Association Australasia (RIAA) has recognised Stewart Investors as a Responsible Investment Leader 2021.

This acknowledges our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making, our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved.

> Read the full article

A world of sustainable companies



Explore how the companies in our strategies are contributing to sustainable development.

We provide full transparency of company holdings and their investment rationales via an interactive map on our dedicated sustainability microsite including their contribution to the Sustainable Development Goals.

We believe sustainability is core to any company's business model, not an optional extra. We look for businesses whose success is tied to the social and environmental benefits they deliver, whether the provision of basic sanitation products or advanced engineering software.

For more information

> Interactive map

> Microsite

Stories of sustainable investing

For the latest articles, statements and videos exploring our thinking on sustainable investment, visit our insights hub

Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should conduct your own due diligence and consider your individual investment needs, objectives and financial situation and read the relevant offering documents for details including the risk factors disclosure. Any person who acts upon, or changes their investment position in reliance on, the information contained in these materials does so entirely at their own risk.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication but the information contained in the material may be subject to change thereafter without notice.

No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material.

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

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

References to specific securities (if any) are included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. Any securities referenced may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time.

References to comparative benchmarks or indices (if any) are for illustrative and comparison purposes only, may not be available for direct investment, are unmanaged, assume reinvestment of income, and have limitations when used for comparison or other purposes because they may have volatility, credit, or other material characteristics (such as number and types of securities) that are different from the funds managed by First Sentier Investors.

Selling restrictions
Not all First Sentier Investors products are available in all jurisdictions.

This material is neither directed at nor intended to be accessed by persons resident in, or citizens of any country, or types or categories of individual where to allow such access would be unlawful or where it would require any registration, filing, application for any licence or approval or other steps to be taken by First Sentier Investors in order to comply with local laws or regulatory requirements in such country.

About First Sentier Investors
References to 'we', 'us' or 'our' are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group (MUFG). Certain of our investment teams operate under the trading names FSSA Investment Managers,

Stewart Investors and Realindex Investments, all of which are part of the First Sentier Investors group.

We communicate and conduct business through different legal entities in different locations. This material is communicated in:

United Kingdom by First Sentier Investors (UK) Funds Limited, authorised and regulated by the Financial Conduct Authority (reg. no. 2294743; reg office Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB)

European Economic Area by First Sentier Investors (Ireland) Limited, authorised and regulated in Ireland by the Central Bank of Ireland (CBI reg no. C182306; reg office 70 Sir John Rogerson's Quay, Dublin 2, Ireland; reg company no. 629188)

Other jurisdictions, where this document may lawfully be issued, by First Sentier Investors International IM Limited, authorised andregulated in the UK by the Financial Conduct Authority (reg. no. 122512; reg office 23 St. Andrew Square, Edinburgh, EH2 1BB; regcompany no. SC079063).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or itssubsidiaries, and are subject to investment risk, including loss of income and capital invested.

Contact details

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

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

New York
10 East 53rd St
Level 21
New York
NY 10022
t. +1 212 497 9980

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

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

client.engagement@stewartinvestors.com
stewartinvestors.com

SFG-QCU-UKEEACH-Q321