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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 those companies which we believe are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.
Rainbow washing the SDGs away

The Sustainable Development Goals (SDGs) have been broadly embraced by financial institutions. This is a positive move, and timely too. The 2019 Edelman Trust Barometer indicates that the finance industry remains the least trusted business sector and is often, quite rightly, blamed for failing to address the great social and environmental challenges of our time.

In this environment, the SDGs offer a unique opportunity, some might say life raft, to align the purpose of finance with globally agreed sustainable development objectives. The United Nations (UN) itself argues that finance must play a critical role in closing a funding gap in developing countries, estimated to be USD2.5 - 3 trillion per year between now and 2030.

This shift is supported by client demand, with Morningstar reporting a ‘Record-Shattering Year for Sustainable Investing’ in 2019. With this has come a proliferation of funds that claim to invest sustainably, with many linking their investment objectives to the SDGs. Indeed, even ‘mainstream’ investors, like large pension funds and sovereign (state-owned) wealth funds have sought to map their investments to the goals.

Running hard on quicksand – investors are struggling to validate and articulate SDG contributions

The embrace by investors of the SDGs is not without its issues and carries significant risks. Unlike other responsible investment approaches, the SDGs were not designed as a private investment framework, nor are there agreed disclosure requirements or minimum standards. To make matters worse, the information that investors rely on to make decisions related to the SDGs is even sketchier than it is for other environmental, social and governance (ESG) factors, with the Ethical Corporation and Oxfam among others finding that SDG reporting by companies is weak and given to ‘greenwashing’, or ‘rainbow washing’.

There are several issues we have seen with different external fund reporting:

1. Lack of balance, where case studies of positive SDG impacts are not balanced with risks and issues the company faces.
2. Lack of portfolio disclosure, so clients and stakeholders are left to rely on high level ESG metrics and case studies.
3. Simplistic and overly-broad approaches to tagging company contributions which can lead to misaligned and inappropriate stock inclusions.
4. A lack of information on the approach and processes, both where qualitative judgments are required or where quantitative approaches fail to acknowledge data issues and gaps.

Nestlé, for example, is a company we believe is moving in the right direction in terms of access to nutrition, supply chains and packaging, but readily acknowledge risks from bottled water, plastic packaging and responsible sourcing. We
provide this detail via our interactive portfolio map. We often say that there is no such thing as a perfect company, but too often we see the positives expressed without the negatives for large, complex and evolving companies like Nestlé.

It is one thing to have omissions from disclosures that are properly addressed through the investment process. However, we have also seen instances where companies are included in SDG labelled funds when we believe they do not deserve to be. For example, pharmaceutical companies like AbbVie who have faced criticism for drug pricing and rate poorly in the Access to Medicine Index across most areas. The company has also faced controversies over elaborate kickback schemes for doctors and engaged in extensive litigation to prevent competition from generics for their Humira drug, which is technically, although not practically, off-patent.

Examples like these also underline the importance of focusing on the 174 targets rather than take a broad view on the 17 goals, which in some applications can capture the majority of companies. Even socially useful and ethical companies should not be tagged with SDGs if they do not in fact contribute to the underlying targets.

The critique in this article is not about individual fund’s investment choices, but rather the inability for clients and prospective clients to understand what choices are being made and why. Even well intended approaches in this regard risk a fund’s reputation and further reducing public confidence in the whole industry.

What can fix this problem?
We believe that a principles-based framework is required - one which can help improve the credibility of SDG-related claims while allowing for the diversity of reasonably held beliefs and approaches to sustainable investment.

To achieve this end, we have developed and started to apply principles for our own SDG claims. We believe these principles have broader application, both by asset owners wishing to test the claims made by asset managers, and asset managers wanting to ensure the credibility of their own products. The principles are as follows:

SDG claims should:

1. Demonstrate a clear link to SDG targets, especially where developing countries are differentiated from developed.
2. Be meaningful and relevant for the company (not corporate philanthropy) either as:
   a. a revenue/growth driver
   b. strategic initiative backed by research and development (R&D) and capital expenditure
   c. a function of deep culture and ‘how they do things’ e.g. for gender equality targets
3. Make a real and preferably recurring difference to target outcomes by being demonstrable (not necessarily measurable) and deliberate.
4. Recognise and be transparent about negative impacts from the company, including contradictions and risks of perverse outcomes – with claims only being made where disclosure is balanced and comfort can be drawn that negatives are being addressed.

Additionally, investors should be clear about what type of contribution an investee company is making, recognising that not all ‘sustainable’ companies necessarily contribute
directly to the SDG targets with companies noted as either providing:

1. Direct contributions to targets
2. Enabling/supporting activities
3. Sustainable and socially useful products and services, but not directly relevant to a target

By extension, applying these principles would require full portfolio holdings disclosure.

**Principles in practice - examples of how companies are contributing to sustainable development**

Examples of companies we have so far categorised this way include, a Japanese drug store dispensary that has been the clear leader in distributing generic medications through a large retail network, making these medicines more accessible for rural and low-income populations. This is particularly important with Japan's ageing population. We believe the company makes a direct contribution to SDG target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

A US multi-physics engineering and software company is providing supporting activities which has created the world’s leading engineering and product design software. The company is supporting a move towards a circular economy (SDG 12.2 and 12.5) as its software virtually tests performance of products and processes, with the ability to evaluate energy efficiency, greenhouse gas emissions and water usage. The technology reduces development time 9x and overall product cost 4x. While we are concerned that their software is used by the defence and oil and gas industry, these represent relatively small proportions of revenue at around 1% each.

Lastly, an example of a company whose products are sustainable and socially useful, but not directly linked to an SDG target, is a Japanese baby-care company, which manufactures and distributes best-in-class infant feeding products, including bottles and breast pumps, but also health and hygiene products for the elderly.

In our attempts to apply these principles, we have started with our Worldwide strategies, where we have also developed a new microsite and interactive map that provides full portfolio disclosure. While it is a work in progress, we will gradually improve our approach and roll it out in our other strategies.

Standards for claims made about the SDGs across the industry must improve, lest trust be further eroded and the all-important real world impacts fail to materialise. Transparency is a critical feature of building trust, as is the ability to demonstrate that companies are making a meaningful and enduring impact on sustainable development through their core business activities and conduct. As we look to improve our own disclosure, we invite other investors to join us on this journey.

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1 Source: 2019 Edelman Trust Barometer.
3 https://www.morningstar.co.uk/uk/news/199190/record-shattering-year-for-sustainable-investments.aspx

Source for company information: Stewart Investors investment team. For illustrative purposes only. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies. Companies mentioned herein may or may not form part of the holdings of Stewart Investors. The Stewart Investors Sustainable Funds Group supports the Sustainable Development Goals (SDGs). The full list of SDGs can be found on the [United Nations website](https://www.un.org/sustainabledevelopment).
If asked to list climate change solutions, many of us would start with renewable energy. It is obviously a key one given the use of fossil fuels for energy is the largest contributor to greenhouse gas emissions globally. However, beyond that we may soon get stuck, particularly if asked to focus on how much specific technologies or social changes can potentially contribute to decarbonising the economy; harder still if trying to identify a group of solutions which will be enough to achieve the goals of the Paris Agreement.

Many research providers and standard-setting bodies have been working on climate measures and disclosures for investors with mixed success. A key gap is that no current standard, when considered across a portfolio of listed-equity investments, covers the essential questions of how much of a contribution can different solutions make and whether collectively they are enough.

Some approaches focus on splitting revenues from sustainable activities like renewable energy versus unsustainable ones like burning fossil fuels, mostly based on industry involvement. More ambitious efforts like the Paris Agreement Capital Transition Assessment (PACTA), a collaboration between 2° Investing Initiative and the Principles for Responsible Investment, goes further and looks at the capital investment plans for companies in some sectors and whether they are aligned with Paris targets.

The European Union’s sustainable finance taxonomy has undertaken the significant task of setting thresholds for different activities to draw a line between what can and cannot be called sustainable. While the TCFD (Financial Stability Board Task Force on Climate-related Financial Disclosures), rather disappointingly, has suggested portfolio level carbon intensity should be the primary metric for investor disclosure and presumably management of climate risks.

Climate change is unquestionably a complex issue, more so when considered alongside the speed and scale of change required to prevent the worst impacts of this environmental crisis. It is understandable then, that attempts to measure the implications of this issue for an investment context will also carry a degree of complexity and that it would be impossible for any single metric to capture this complexity.

While the various approaches should be useful for some investor types in some contexts, as an active, global, sustainable development focused, listed-equity investor, we have found current approaches near meaningless and often misleading. While regulators around the world expect investors to communicate to clients in plain and understandable language, our industry has built an incomprehensible jumble of information and ratings to describe climate change risks and opportunities.

For us, issues broadly fall into four areas:

- **Measuring the wrong things**
  Because of our focus on sustainable development, many of the companies in
carbon-intensive sectors or with highly polluting products and services, are never going to be investible and so footprints and capital expenditure plans are not helpful beyond confirming what clients would already expect. For other investors who wish to tweak around the edges of benchmarks or who choose to stay invested and engage with highly polluting companies, carbon footprints and tools like PACTA will be very useful, it is just not for us.

- **Drawing too narrow a frame**

  Climate change is a systemic problem, yet too often the investment implications are looked at too narrowly.

  A significant part of our investment philosophy revolves around the idea of sustainability positioning, which we often refer to as headwinds or tailwinds. The tailwinds we are looking for relate to the products or services provided by the company and so for companies offering climate solutions, the impacts are often downstream from the company itself.

  The difficulty in calculating avoided emissions for these companies is part of the issue, but for us the issue runs deeper because the supply chains which support solutions are not taken into account. Take for example companies like robotics manufacturer Fanuc, liquids dispensing company Nordson and semiconductor manufacturer Taiwan Semiconductor (TSMC). All these companies provide essential technologies for the development of electric vehicles, but none would normally be classified as a solutions company.

  Looking upstream reveals similar challenges. For example, the role that large buyers of wood products, such as pallet business Brambles or consumer goods company Unilever, can have on reducing deforestation and promoting forest protection is significant, but none of these important contributions would be recognised in traditional climate change assessments.

- **Backward looking**

  While PACTA considers capital expenditure plans, these are only five years out and in a few sectors. All other approaches effectively look backwards at either emissions or revenue splits. We are long-term investors and try to take at least a ten-year view, which is why sustainability considerations are so important to the way we invest. Part of looking forward is understanding how big the opportunity is likely to be years into the future, which is too often undefined in the context of investing for climate solutions.

- **False precision and hiding real insight through aggregation**

  Notwithstanding caveats in the fine print, all the approaches to measuring and describing climate change related investments, invariably offer a number at the portfolio level, often with multiple decimal places, as ‘the’ answer.

  Our investment approach relies on qualitative and subjective analysis in the understanding of quality. While what gets measured might get managed, we believe that not everything that gets measured matters and that not everything that matters can be measured. This includes holistically understanding company relationships, competitive dynamics, stewardship and reputation to name a few. As bottom-up investors, aggregation of climate metrics hides the stories of the companies we invest in and obscures real world impacts with abstraction.

  Taken together these issues have made reporting on climate change particularly challenging for us.

Fortunately there is another way. **Project Drawdown** was founded in 2014 by Paul Hawken and Amanda Ravenhill to uncover the most substantive solutions to stop climate change and communicate them to the world. Using rigorous analysis and review, the initiative published the bestselling book Drawdown in 2017 which catalogued 80 climate change solutions with the potential to
meet the Paris Climate change goal of holding global warming to well-below 2°C. By estimating the emissions reductions possible from scaling each solution, the initiative not only catalogues practical solutions for emissions reductions, but how large each may become in the future. In 2020, Project Drawdown published a major review which updated the solutions to account for technological progress.

Using Project Drawdown’s solutions we have begun an exercise to map the products, services and practices of the companies held within the strategies managed by the Sustainable Funds Group. We hope this analysis will present a balanced picture of how companies are impacting the climate and look forward to sharing the findings with you soon.

6 Source: https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data

7 Some other investors start with the benchmark and they make changes to that. Many low carbon strategies, particularly Exchange Traded Funds make tweaks to the benchmark to reduce carbon exposure.

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Micro-insurance: inclusive protection at the bottom of the pyramid

In 2019, using the PRI Collaborative Engagement platform we instigated an engagement initiative entitled Micro-insurance: inclusive protection at the bottom of the pyramid. We were overwhelmed with the support this initiative received, totalling 34 investors with a combined USD1.4 trillion assets under management. It is clear that the investor community understands well that protection products have huge potential in allowing poor communities to invest in new income-generating assets without taking on undue risk.

On the basis of this collaboration, we wrote to 49 local insurance providers across Latin America, Africa and Asia Pacific, encouraging them to take a leading position in the development of best practice around the provision of micro-insurance tailored for and aimed at those who are simultaneously in the most desperate need for financial protection and yet are the least well served today.

In this, we collaborated with the MicroInsurance Centre at Milliman (MIC) in the US, a consultancy who are very experienced in helping corporates in emerging markets to develop sustainable and profitable micro-insurance products. We were fortunate enough that they agreed to support the initiative and they have been helping us by working with companies to develop new policies to see if we can create some real impact on their businesses and in the societies they operate in.

Through our Mission Investor Exchange membership, at the start of 2020, in collaboration with the MIC, we were invited to participate in one of their virtual learning opportunities outlining what micro-insurance is and why we need it. To listen to this recording please visit their website: https://missioninvestors.org/resources/what-micro-insurance-and-why-it-needed

We managed to have some initial conversations with company executives at a number of large, listed emerging market firms, including SulAmérica (Brazil), Mahindra & Mahindra (India) and Commercial International Bank (Egypt). We have and will continue to make the case for micro-insurance in our interactions with emerging markets financial institutions and would encourage others to do the same.

The most promising single engagement we had was with the Chief Executive of Botswana Insurance. The company is in a sweet spot of having explored micro-insurance sufficiently to realise its potential, but not yet having gone as far as to finish building out the product suite, distribution network and underwriting models. The MIC are working with the company to take this forward.

The goal of this collaborative engagement was to generate some change in the real world, particularly in the lives of people at the bottom of the pyramid. We were under no illusions, having been investing in emerging markets since the early 1990s, that widespread change does not come quickly and that many corporates would likely not commit to it.

To have prompted progress in Botswana, helping to provide protection for the poorest people via collaborative engagement with the MIC, we believe is a good outcome.
**Deforestation**

In 2019 we signed the PRI global investor statement on deforestation and forest fires in the Amazon. This statement calls on companies to redouble their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains.

As investors, we are not forest experts and cannot claim to have the solutions, but we do try to understand risk. The deforestation trends suggest that the current approach is not working and something different needs to be done.

Sustainable sourcing and environmental stewardship are critical considerations in our company analysis. We have never owned livestock, big agricultural or trading companies due to the quality of franchise, quality of management and sustainability headwinds. However, the complexity and opacity of soft commodity supply chains make complete avoidance of deforestation very difficult, and near impossible for global consumer goods companies.

Consumer companies including Unilever, Jerónimo Martins, Marico, Kikkoman and Vitasoy, all buy and use agricultural commodities. Due to the complexity and limited traceability in soft commodity markets, particularly for soy, it is likely Brazilian sourced soft commodities linked to deforestation exist in these companies’ supply chains.

As a result we engaged with a number of companies that are either: consumer goods companies which we believe could do more to address the issue; financial lenders operating in countries/regions where deforestation is a particularly pertinent issue; companies whose industries have a specific relevance to deforestation; and companies that we believe are leading in their efforts but could also do more.

In our letters to companies we asked them to consider making a global zero deforestation commitment, to provide greater disclosure in their annual reports on their progress towards no deforestation commitments and projections, as well as provide clearer breakdowns of the percentage of production/consumption covered by their commitments, the percentage
traceability of their production/consumption and whether they had any specific sustainable production/procurement standards for disclosed commodity(ies) other than third-party certification.

Responses and conversations we have had with companies to date on the issue have been encouraging and provide good signals on how seriously the issue is being taken. Many of the companies either already have their own independent strategies and/or principles in place or are working towards developing them in conjunction with their suppliers to ensure all direct and non-direct materials comply with their commitments to conservation of natural resources and no deforestation. It is a clear from our conversations that many believe collaboration and partnership are essential to stopping deforestation and there is a willingness to work with third party organisations to improve their disclosures and traceability within supply chains.

Colgate-Palmolive has traceability to the mill for 100% of tier one suppliers and are making good progress with tier two (palm oil derivatives mostly), and are increasingly using satellite technology backed with on-the-ground verification to support this.

Brambles, given the circularity of their business model, also reported impressive numbers: 99.7% of wood from certified sources, 94% of wood and 100% of plastic diverted from land fill from their largest sites, with downstream benefits for customers, including 2m tonnes of greenhouse gas (GHG) emissions saved. Their new sustainability strategy not only has ambitious targets on these already impressive numbers but has a focus on ‘regeneration’ and seeking to restore ecosystems.

We were also delighted to learn that Kasikornbank is the first Thai bank to have adopted the UN Environment Programme Finance Initiative – Principles of Responsible Banking and they have revised the credit policy to specifically include clauses on forest protection and biodiversity conservation. The CEO at Kasikornbank has also been personally mandated by their government to co-lead a public-private task force to tackle the assignment of the recovery of denuded forest in a mountainous northern province of Nan, adding further confidence that we are fully aligned in our concerns on these critical issues.

We will shortly be sending our findings to the companies that we engaged with as well as undertaking further research to help us continue our engagement.

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Due to the ongoing coronavirus pandemic, we have had to cancel several research trips planned this year to Japan, the US, Europe and South Korea. We therefore do not have any trip reports to share for this quarterly report.

On a practical basis, the team have been committed to working flexibly, including remotely, for many years and are adept at multi-location meetings. As a result, there has been minimal disruption to the investment process from home confinement.

Over the quarter the team have managed to replace these trips with 132 company meetings via videoconference.
Stewart Investors Asia Pacific and Japan Sustainability Strategy

In September 2019, the Asia Pacific strategy was inherited by the Stewart Investors Sustainable Funds Group. In May 2020, it transitioned to become an Asia Pacific and Japan Sustainability strategy. This change means the strategy is able to invest in companies that derive the majority of their economic exposure from Japan. The ability to invest directly in Japan allows clients to own high quality Japanese companies far earlier in their Asian growth journeys, as well as accessing a greater pool of domestic companies with attractive growth opportunities.

Altiorem

Furthering the progress of sustainable investment is a core part of the Sustainable Funds Group approach and values. We are supportive of initiatives that enable more people to consider sustainable financial practices. Recently, Altiorem, an Australian registered charity and to our knowledge the world’s first community-built sustainable finance library was launched. Pablo Berrutti, a member of the Sustainable Funds Group, has been instrumental in establishing the charity and his work is testament to the team’s personal commitment to this cause. According to Pablo, who donates a day a week to Altiorem, “The global platform is dedicated to supporting advocates for sustainable finance, while also engaging and educating the next generation of finance leaders on critical sustainability issues like climate change and human rights.” Altiorem is a Wikipedia-like model where university student volunteers work with industry experts to publish summaries of relevant sustainable research. Members of the library suggest and rate content which ensures the library stays relevant and high quality. Altiorem’s hope is to build a comprehensive and well-organised resource that benefits the whole industry. If you would like more information on the library, you can visit Altiorem at [www.altiorem.org](http://www.altiorem.org).

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New sustainability interactive map

Over the last couple of months we have been developing a [microsite](http://www.fsi.com) for our sustainability strategies. The main feature is an [interactive map](http://www.fsi.com) which allows clients to access easily detail on all the companies held in our Worldwide strategies and how they are contributing to sustainable development. The site is a work in progress and we intend to expand its coverage to include our other strategies.

On the site we have also included many of our articles written by the broader investment team which explore our thinking on sustainable investment, including the challenges and issues we grapple with in our search for high quality companies.

We invite you to visit our new [microsite](http://www.fsi.com) - for more information on all the companies in our Worldwide portfolios. Importantly, the microsite is ‘ungated’, so unlike much of the investment industry’s content, it is not reserved for just institutional and wholesale investors.
Glossary

2° Investing Initiative: a leading global think tank on sustainable finance, developing the regulatory frameworks, data, and tools to help align financial markets with climate goals.

Access to Medicine Index: analyses how the world’s largest pharmaceutical companies are addressing access to medicine in low- to middle-income countries for various diseases, conditions and pathogens.

Active investors: take a hands-on approach, typically making portfolio decisions based on their own analysis as opposed to passive investors who buy shares based on index constituents and weightings.

Bottom of the pyramid: the poorest group in a society.

Capital expenditure: commonly known as capex, is expenditure applied by a company to acquire, upgrade, and maintain physical assets such as property, buildings, industrial plant, technology or equipment.

Circular economy: an economic system aimed at eliminating waste and the continual use of resources rather than a traditional linear economy (make, use, dispose).

Edelman Trust Barometer: an annual trust and credibility survey, measuring trust across a number of institutions, sectors and geographies. The 2019 Barometer surveyed more than 33,000 respondents across 27 countries.

European Union’s sustainable finance taxonomy: a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy.

Greenwashing: making products appear more environmentally friendly than they are.

Kickback: is an illegal payment intended as compensation for preferential treatment or other improper services. The kickback may be money, a gift, credit, or anything of value.

Paris Agreement: The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen countries’ ability to deal with the impacts of climate change and support them in their efforts. The Paris Agreement is the first-ever universal, legally-binding global climate change agreement, adopted at the Paris Climate Conference (COP21) in December 2015.

Principles for Responsible Investment: a United Nations-supported international network of investors working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.

Rainbow washing: making products appear more aligned and targeted to the colourful icons of the United Nations Sustainable Development Goals.

Sustainable development: economic and social development without using up the world’s natural resources. It aims for high human development with a sustainable environmental footprint.

TCFD: The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.
**Worldwide Sustainability Strategy - 30 June 2020**

**Strategy Size** US$2.3bn  **Number of Holdings** 51

### Ten Largest Holdings

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<thead>
<tr>
<th>Stock Name</th>
<th>Portfolio Weight (%)</th>
<th>Index Weight (%)</th>
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<tbody>
<tr>
<td>DiaSorin SpA</td>
<td>4.9</td>
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<tr>
<td>Unilever PLC</td>
<td>4.6</td>
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<tr>
<td>Aisin Holdings</td>
<td>3.8</td>
<td>0.0</td>
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<tr>
<td>Hoya Corp.</td>
<td>3.8</td>
<td>0.1</td>
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<td>Vitasyo International Holdings</td>
<td>3.3</td>
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<tr>
<td>Zebra Technologies Corporation Class A</td>
<td>3.2</td>
<td>0.0</td>
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<tr>
<td>Varian Medical Systems, Inc.</td>
<td>3.2</td>
<td>0.0</td>
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<tr>
<td>Unicharm Corporation</td>
<td>2.9</td>
<td>0.0</td>
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<tr>
<td>ANSYS, Inc.</td>
<td>2.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Jack Henry &amp; Associates, Inc.</td>
<td>2.7</td>
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**Total** 35.1  0.3

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### New Additions†

<table>
<thead>
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<th>Stock Name</th>
<th>Sector</th>
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<tbody>
<tr>
<td>Arista Networks Inc</td>
<td>Information Technology</td>
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<tr>
<td>Taiwan Semiconductor Manufacturing Co. Ltd.</td>
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<tr>
<td>Spireon-Sarco Engineering PLC</td>
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<td>Diploma PLC</td>
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<td>Rational AG</td>
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<td>Infineon Technologies AG</td>
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### Complete Disposals

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<th>Stock Name</th>
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<tr>
<td>Waters Corporation</td>
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<tr>
<td>Henkel AG &amp; Co. KGaA</td>
<td>Consumer Staples</td>
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<tr>
<td>Siemens Gamesa Renewable Energy S.A.</td>
<td>Industrials</td>
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<tr>
<td>SGS SA</td>
<td>Industrials</td>
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<td>Deutsche Telekom AG</td>
<td>Communication Services</td>
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<tr>
<td>Manilla Water Co. Inc.</td>
<td>Utilities</td>
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<tr>
<td>Elisa Oyj Class A</td>
<td>Communication Services</td>
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<tr>
<td>Create SE Holdings Co Ltd</td>
<td>Consumer Staples</td>
</tr>
</tbody>
</table>

### Regional Breakdown

- **Health Care** 27.0% (12.9%*)
- **Information Technology** 24.6% (20.7%*)
- **Consumer Staples** 21.6% (8.1%*)
- **Industrials** 11.6% (9.4%*)
- **Materials** 5.6% (4.9%*)
- **Financials** 5.5% (3.2%*)
- **Utilities** 0.4% (0.5%*)
- **Other** 0.0% (27.6%*)
- **Cash and Cash Equivalents** 6.6% (0.0%*)

### Sector Breakdown

- **Health Care** 27.0% (12.9%*)
- **Information Technology** 24.6% (20.7%*)
- **Consumer Staples** 21.6% (8.1%*)
- **Industrials** 11.6% (9.4%*)
- **Materials** 5.6% (4.9%*)
- **Financials** 5.5% (3.2%*)
- **Utilities** 0.4% (0.5%*)
- **Other** 0.0% (27.6%*)
- **Cash and Cash Equivalents** 6.6% (0.0%*)

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### Market Capitalisation (% in USD)

<table>
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<th>Range</th>
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<th>Benchmark Weight</th>
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</thead>
<tbody>
<tr>
<td>0 to 500m</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>500m to 1bn</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1bn to 2.5bn</td>
<td>5.3</td>
<td>0.4</td>
</tr>
<tr>
<td>2.5bn to 5bn</td>
<td>10.2</td>
<td>2.2</td>
</tr>
<tr>
<td>5bn to 10bn</td>
<td>12.2</td>
<td>7.3</td>
</tr>
<tr>
<td>10bn to 50bn</td>
<td>53.0</td>
<td>33.6</td>
</tr>
<tr>
<td>50bn to 100bn</td>
<td>6.7</td>
<td>15.2</td>
</tr>
<tr>
<td>100bn+</td>
<td>9.3</td>
<td>41.3</td>
</tr>
</tbody>
</table>

---

### Contribution Analysis - 12 Months

#### Top Three Contributing Stocks

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Portfolio Weight (%)</th>
<th>Value Added (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DiaSorin SpA</td>
<td>4.9</td>
<td>245</td>
</tr>
<tr>
<td>Fortinet, Inc.</td>
<td>2.6</td>
<td>159</td>
</tr>
<tr>
<td>Unicharm Corporation</td>
<td>2.9</td>
<td>118</td>
</tr>
</tbody>
</table>

#### Bottom Three Contributing Stocks

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Portfolio Weight (%)</th>
<th>Value Added (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henkel AG &amp; Co. KGaA</td>
<td>* 0.0</td>
<td>-95</td>
</tr>
<tr>
<td>Deutsche Telekom AG</td>
<td>* 0.0</td>
<td>-95</td>
</tr>
</tbody>
</table>

---

### Annualised Composite Performance (% in USD) to 30 June 2020

<table>
<thead>
<tr>
<th>Period</th>
<th>Strategy*</th>
<th>Benchmark**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since Inception</td>
<td>9.8</td>
<td>8.9</td>
</tr>
<tr>
<td>10 yrs</td>
<td>6.9</td>
<td>6.7</td>
</tr>
<tr>
<td>5 yrs</td>
<td>6.1</td>
<td>6.5</td>
</tr>
<tr>
<td>3 yrs</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>1 yr</td>
<td>1.2</td>
<td>2.6</td>
</tr>
<tr>
<td>YTD</td>
<td>18.6</td>
<td>19.4</td>
</tr>
</tbody>
</table>

### Calendar Year Composite Performance (% in USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategy*</th>
<th>Benchmark**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>17.3</td>
<td>27.3</td>
</tr>
<tr>
<td>2018</td>
<td>-4.1</td>
<td>8.2</td>
</tr>
<tr>
<td>2017</td>
<td>20.0</td>
<td>1.8</td>
</tr>
<tr>
<td>2016</td>
<td>-1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Past performance is not a reliable indicator of future results.

*Source for Stewart Investors Worldwide Sustainability All-Cap Composite: Stewart Investors. Data is shown in USD and is gross of fees. Performance figures do not reflect the deduction of investment advisory fees. A client’s return will be reduced by the investment fees. If a client placed $100,000 under management and a hypothetical gross return of 10% was achieved, the investment assets before fees would have grown to $229,374 in 10 years. However, if an advisory fee of 1% were charged, investment assets would have grown to $224,573, or an annual compounded rate of 8.9%.

**Source for MSCI AC World Index: FactSet. Index returns are shown on a total return basis and gross of tax. Since launch relates to launch of the composite on 1 December 2012. Periods greater than one year are annualised. Portfolio data shown is for a representative Stewart Investors Worldwide Sustainability account.

†New investments show positions with a portfolio weight over 0.5%. All complete disposals are shown. Contributions are gross of fees and include cash. This information is provided for illustrative purposes to demonstrate Stewart Investors’ activity within the strategy for the period shown. It is not a recommendation or solicitation to purchase or invest in any fund. This stock information does not constitute any offer or inducement to enter into any investment activity.
Global Emerging Markets Sustainability Leaders Strategy - 30 June 2020

Strategy Size: US$79m  Number of Holdings: 42

Ten Largest Holdings

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Portfolio Weight (%)</th>
<th>Index Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unilever PLC</td>
<td>5.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Tata Consultancy Serv. Ltd</td>
<td>4.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Unicharm Corporation</td>
<td>4.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Marico Limited</td>
<td>4.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Alibaba Group Holding</td>
<td>4.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Vitasey International Holdings</td>
<td>3.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Housing Development Finance Corporation Limited</td>
<td>3.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Taiwan Semiconductor (TSMC)</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Tech Mahindra Limited</td>
<td>3.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Foshan Haitian Flavouring &amp; Food Co Ltd</td>
<td>3.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Total: 41.2% 5.7%

New Additions†

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avast Plc</td>
<td>Information Technology</td>
</tr>
</tbody>
</table>

Complete Disposals

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>President Chain Store Corporation</td>
<td>Consumer Staples</td>
</tr>
<tr>
<td>Delta Electronics, Inc.</td>
<td>Information Technology</td>
</tr>
</tbody>
</table>

Sector Breakdown

- Consumer Staples 39.5% (6.5%*)
- Information Technology 23.6% (16.9%*)
- Financials 10.1% (19.1%*)
- Consumer Discretionary 8.4% (17.4%*)
- Industrials 4.2% (4.7%*)
- Health Care 2.8% (4.3%*)
- Communication Services 2.7% (13.5%*)
- Other 0.0% (10.8%*)
- Cash and Cash Equivalents 5.4% (0.0%*)

*Index Weight

Country Breakdown

- India 29.1% (0.0%*)
- China 10.3% (41.0%*)
- Taiwan 10.1% (12.2%*)
- Japan 9.2% (0.0%*)
- USA 7.7% (0.0%*)
- UK 7.2% (0.0%*)
- Brazil 5.4% (51.1%*)
- South Korea 4.4% (11.6%*)
- Hong Kong 3.9% (0.0%*)
- Other 7.1% (22.0%*)
- Cash and Cash Equivalents 5.4% (0.0%*)

Stock Name

<table>
<thead>
<tr>
<th>Benchmark**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>Benchmark**</td>
</tr>
</tbody>
</table>

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*Source for Stewart Investors Global Emerging Markets Sustainability Leaders Composite: Stewart Investors. Data is shown in USD and is gross of fees. Performance figures do not reflect the deduction of investment advisory fees. A client’s return will be reduced by the investment fees. If a client placed $100,000 under management and a hypothetical gross return of 10% was achieved, the investment assets before fees would have grown to $209,374 in 10 years. However, if an advisory fee of 1% were charged, investment assets would have grown to $234,573, or an annual compounded rate of 8.9%.

**Source for MSCI Emerging Markets Index: FactSet. Index returns are shown on a total return basis and gross of tax. Since launch relates to launch of the composite on 1 April 2020. Periods greater than one year are annualised.

Portfolio data shown is for a representative Stewart Investors Global Emerging Markets Sustainability Leaders account.

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

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For more information please visit www.stewartinvestors.com. Telephone calls with Stewart Investors may be recorded.
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<th>New York</th>
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</tr>
</thead>
<tbody>
<tr>
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