



Stewart Investors Asia Pacific Sustainability

Specialist

Introduction

[sriServices SRI Style - Sustainability Select](#)

Stewart Investors are a team of investment professionals based in Sydney, Singapore and London that formerly operated as part of First State Stewart. On 1 July 2015 the First State Stewart team split to form two new teams: one primarily based in Sydney, Singapore, London & Edinburgh (Stewart Investors) and the other based in Hong Kong (First State Stewart Asia). Since then the Sustainability Team based mainly in Sydney and Singapore have managed portfolios separately to the St Andrews Partners Team based in London & Edinburgh. These splits have allowed the devolved teams to develop as smaller, dynamic investment groups, recognising that this has been critical to their success over the last 20 years.

[Click here to read the Stewart Investors approach to ESG investing.](#)



Manager - David Gait/Sashir Reddy

Manager Since - 19/12/2005 & 31/01/2010

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

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 15 years of experience, 12 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.

Fund Objective

Please click on the 'Fund Data' button above.

Investment Process

There is the same philosophy regarding investing in quality with strong valuation disciplines, adopting an absolute return mind set and stewardship for this fund, as with all portfolios managed by the Stewart Investors Sustainability team. Investment decisions are made with a five-year time horizon, and the risk of losing money is considered more important than deviating from a benchmark. After the application of the entirely qualitative sustainability criteria (see SRI Process) the next stage is quality assessment, which is the most important factor in all companies assessed by the Stewart Investors team. Management integrity and corporate governance have always been key issues. Companies are analysed over a longer-term basis to understand how they perform over a whole economic cycle, favouring business franchises that can stand the test of time. The team look for companies that are able to grow their cash flows over the long term - predictability is favoured over speed of growth. The fund has a large universe, with the team's quality criteria the most important factor driving whether research is taken further. Every company is assessed on its merits with the team meeting the most interesting ideas. All team members are generalists who undertake analysis across a range of countries and sectors. After meeting a company, if it meets the quality criteria a team member produces a report as a first step. This is then discussed by members of the Sustainability Team with the manager having the final decision. The team do not make snap decisions, with the research process on a stock often taking 4-5 months and a new company is unlikely to be a top ten holding for at least 2-3 years whilst the team get to know it better. All top holdings have been met by a number of team members to ensure there is diversity of views. The fund holds between 30-70 names. Turnover is expected to be in the region of 20%-40% per annum. The fund has no targeted tracking error, as it is felt this would interfere with the bottom-up absolute return mind set. They are, however, macro aware especially in terms of potential for currency depreciation and this can often steer them away from higher risk more volatile areas. The team are very valuation conscious rather than contrarian and are always mindful of the possible downside when investing. There is a high emphasis on family owned/controlled business as this is considered an indication of strong stewardship. This is a multi-cap fund with the potential to hold companies with \$100m free float. Companies held derive at least half revenue/profits from the Asia Pacific region but not all names are listed there. Typically consumer staples are a dominant sector in the fund due to the preferred qualities of visible defensive cashflows. The single most important part of the investment process is the assessment of the overall quality of each company.

Responsible Process

Stewart Investors has a sustainability team split between Sydney, Singapore and Edinburgh. This fund does not apply a traditional ethical screening process, but certain sectors/stocks are excluded, such as tobacco/defence/gambling/spirits if believed to be harmful to society. The team look for franchises that are socially and environmentally efficient from companies with responsible business practices. There is the belief that products or services actually needed by society will, over the longer term, provide less volatile returns. Stocks being considered for the portfolio are put through a sustainability lens, which asks whether a stock or company has a positive or negative impact on society. The team also look into possible negative externalities such as environmental liabilities or litigation arguing that companies with stiff sustainability headwinds could see cash flows disappear.

quickly. There is a heavy emphasis on meeting company management and engaging with them to improve sustainable behaviour. Companies are classified into one of the three sustainability sectors; sustainable goods and services, responsible finance and required infrastructure. This is to help the team think more clearly about the long term sustainability positioning of different types of businesses.

Our Opinion

The performance record of the fund is strong over the long-term and even more so on a risk adjusted basis taking volatility into account. The team focus on businesses and management teams with a strong focus on stewardship, alignment with minority shareholders and a proven record over a number of cycles. The fund has outperformed benchmark indices and mainstream funds over longer time periods demonstrating a sustainability approach is no impediment to returns. In fact in today's world with its greater focus on ESG considerations (especially the E and S) sustainability factors are likely to be a tailwind over time. The entire Sustainability team are passionate about what they do, and the managers have shown themselves to be outstanding investors. For the entire team this investment philosophy is much more than a job. Whilst this fund is an excellent vehicle for investors who want their money managed in a way that contributes positively to global development and improves corporate behaviour, this should not come at the cost of underperforming global indices over full cycles. Whilst its approach, like all Stewart Investors funds, is at the lower end of the risk spectrum, we believe it will deliver continue to deliver outperformance in the Asia Pacific sector over the long term.



Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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