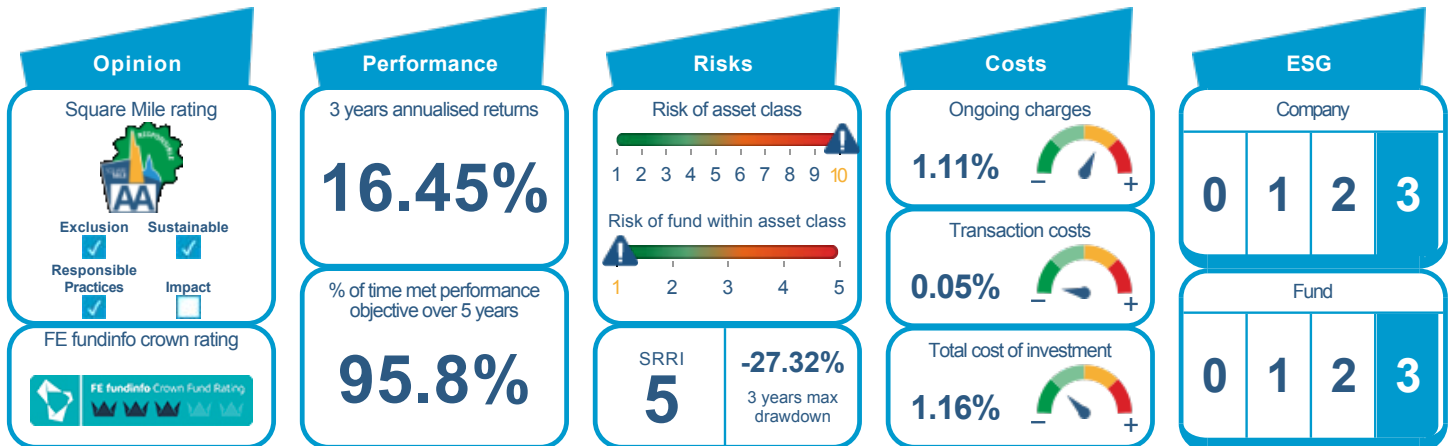


Stewart Investors Indian Subcontinent Sustainability B Acc GBP

November 2021
Investment Research



Overview

The managers of this fund are focused on delivering attractive long-term returns. They seek to preserve and grow investors' capital over time, but it should be noted that the fund is invested in developing markets, which are prone to strong gains as well as significant falls. Whilst we believe the fund will deliver capital growth over the long run, in the short-term it may fall by as much as, or more than, the index. Furthermore, in our opinion, a five-year rolling period is the minimum time frame over which to measure the fund's performance versus the MSCI India index.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that a five-year rolling period is the minimum time frame over which to measure the fund's performance above the MSCI India index.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA India/Indian Subcontinent
Launch Date: 15/11/2006	Fund Size (as at 12 Nov 2021): £453.3m
Yield: 0.00%	Distribution Pay Date: Feb 01, Aug 01 (Final)
Fund Manager: David Gait, Sashi Reddy	Ongoing Charge Figure: 1.11%
	Transaction Cost ex Ante: 0.05%



Fund Opinion

We believe this fund's management team should be able to achieve their objectives, but given the nature of this region, the fund can fall short of these at times. One could expect that there will be times when the fund is out of favour with the wider market, such as when riskier stocks are in demand or when market participants are chasing certain themes or sectors. It can look and act very differently from the MSCI India index, and as such, it is unlikely to suit investors seeking index-like returns. Instead, this is a strategy that tries to address some of the varied risks that investors face in this part of the world, through a process that focuses on the real risks of investing in this region and therefore it might appeal to long-term investors.

The Sustainable Funds Group within Stewart Investors are long-term investors and have an absolute return mindset in the way they approach company research - in so far that they are passionate believers that the monies entrusted to them should be invested in the highest quality companies run by responsible management teams. This is one of the most attractive features of this fund in our opinion. Moreover, the whole team follow a process that over time has evolved to explicitly include environmental, social and governance factors. They pay particular attention to the owners and management teams in charge of such companies as they believe that a firm's ability to deliver long-term sustainable returns is closely correlated with the company's management culture. The impact of business practices on the local community and environment is important, but the team will consider a range of factors such as the quality of a company's financial positioning and sustainability of cash flows.

Fund Description

The fund is managed by the Sustainable Funds Group within Stewart Investors (SI), an autonomous unit within First Sentier Investors, and which is responsible for its own investment decisions and recruitment. The firm was acquired by Mitsubishi UFJ Trust and Banking Corporation in August 2019.

The team is well resourced with analysts and fund managers in Edinburgh, London, Singapore and Sydney. There is considerable interaction between the team members and it is not unusual for staff to make internal transfers between the locations. There is a good mix of experience in the team; lead portfolio manager Sashi Reddy and co-manager David Gait joined the firm in 2008 and 1997, respectively, and have worked together on this strategy for over a decade. This fund is part of Stewart Investors' range of dedicated sustainability funds: these strategies follow a common investment philosophy and approach and aim to deliver attractive long-term risk-adjusted returns by investing in companies they believe to be well positioned to contribute to and benefit from the sustainable development of the countries in which they operate.

This particular fund will invest in companies whose primary listing, incorporation or majority economic activity is in India, Sri Lanka and Bangladesh. Pakistan is also considered as an investible market. The team essentially believe that sustainable development is crucial for the Indian subcontinent and companies that recognise the rich tapestry of opportunities and threats in this region, and who are willing to promote sustainable development, stand to benefit handsomely. They believe that the subcontinent is home to a large and growing universe of quality companies with family owners and stewards who often have long-term time horizons, and are successfully investing in the region's sustainable development, such as in human healthcare and environmental efficiency.

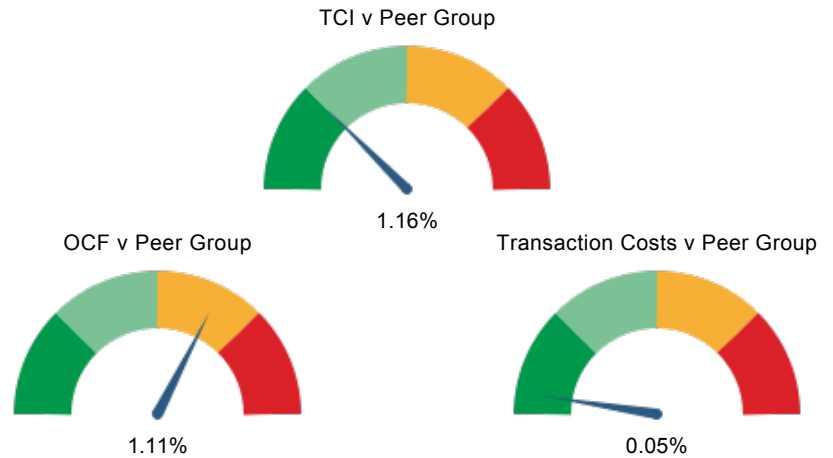
The portfolio has around 40 stocks, but the managers can have between 30 and 60 holdings invested across the market cap spectrum (exposure to companies with a market cap less than \$250m must be less than 20% of the portfolio). Note that investments are based on companies' individual merits and not in reference to the composition of the index. As such, sector allocation is driven by stock selection, however, there are some loose investment parameters the managers will adhere to. These include no more than 30% in any GICS first level sector, but consumer discretionary and consumer staples combined should not be greater than 40% (however, tobacco and tobacco-related stocks are actively excluded).

Risk Summary

The fund's asset class risk score is high as it is exposed to developing countries and the main risk is that these can be volatile investments because performance can be driven by a host of fundamental and macroeconomic factors. Pleasingly the fund has a lower risk score relative to its peer group. Note that the managers have an absolute return mindset and ultimately look to provide positive returns over the long run whilst also attempting to preserve capital in more volatile periods. The fund returns can be quite variable, both relative to the index and on an absolute basis. The managers measure risk in terms of absolute downside (the threat of losing client monies). They believe that the companies they invest in ought to be more resilient in tough times, however, this may not always be the case, in terms of the share price performance of such companies, as it will depend on what factors are driving markets at any given time.

Value for Money

This fund's total cost of investment (TCI) is attractive versus the average within its peer group. In general the markets the fund is investing in often require research resources to verify company information. This headline cost also looks reasonable relative to other Indian equity funds while we believe additional trading costs to be fair. We also like that in July 2015, Stewart Investors took the decision to absorb the costs associated with their research, a move well ahead of many investment groups.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the management of this strategy.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	16.45%
Annualised Volatility	14.79%
Max Drawdown	-27.32%
Max Gain	12.99%
Max Loss	-24.71%
Sharpe Ratio	1.10
Sortino Ratio	1.17

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

405.4 pence

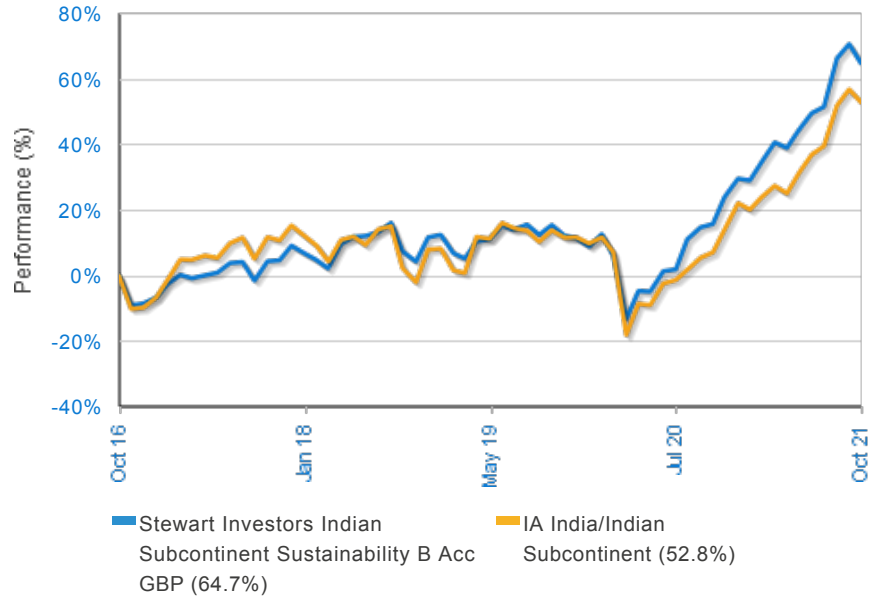
Benchmark

MSCI India

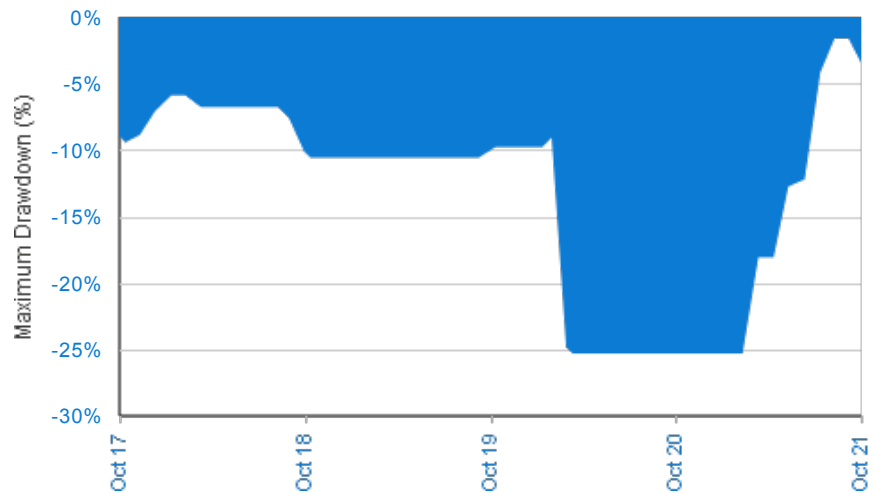
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	48.6	48.6	2
12-24m	-0.6	-7.3	1
24-36m	7.4	11.3	3
36-48m	9.1	-2.7	1
48-60m	6.8	13.2	4

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 31 Oct 2021)

Company Name	%
MAHINDRA & MAHINDRA	6.0
TUBE INVESTMENTS OF INDIA	5.6
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	5.2
CG POWER & INDL SOLUTIONS LTD	5.1
DR LAL PATHLABS LTD	4.6
MARICO	4.0
TATA CONSUMER PRODUCTS LTD	4.0
KOTAK MAHINDRA BANK	3.9
TECH MAHINDRA	3.3
DR REDDYS LABORATORIES	3.0

Sector Breakdown

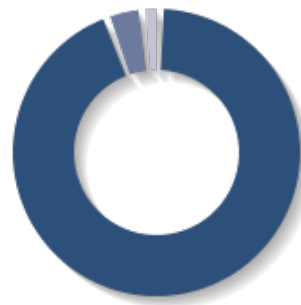
(Data as at 31 Oct 2021)



- Industrials (19%)
- Financials (18%)
- Consumer Discretionary (14%)
- Consumer Staples (13%)
- Health Care (12%)
- Information Technology (10%)
- Communications (5%)
- Materials (5%)
- Cash & Cash Equivalents (4%)

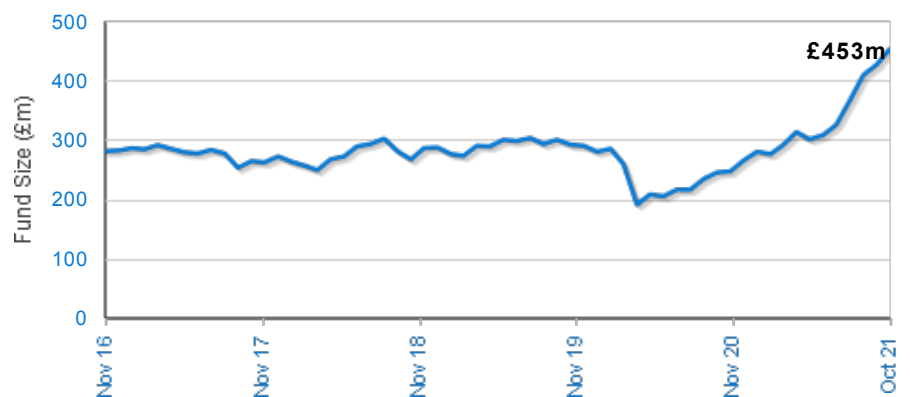
Geographic Breakdown

(Data as at 31 Oct 2021)



- India (93%)
- Money Market (4%)
- Bangladesh (2%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund invests abroad and is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the managers were to leave.

FE Risk Rating: 83.00

SRRI: 5

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