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See www.responsibleinvestment.org for details.

Top 10 portfolio holdings as at 31 March 2021

Stewart Investors Worldwide Sustainability Fund

1 Fortinet

Country
United States

Business
One of the largest global providers of network cybersecurity hardware and software

Fortinet is a US listed cybersecurity company that develops and markets hardware and software services, such as firewalls, anti-virus, intrusion prevention and endpoint security. It was founded in 2000 by two entrepreneurial brothers Ken and Michael Xie, who have over 30 years' of experience in the industry and still own roughly 14% of the company. The brothers continue to provide long-term, competent stewardship and remain actively involved in the business. Listed in 2009, Fortinet has grown at an average of 24% per annum and is the second largest cybersecurity company by revenues. The company is set to benefit from continued structural growth tailwinds, including the rollout of 5G broadband, increasingly distributed enterprises and greater volumes of data and transactions. Their focus on network security combined with consistently high investments in research and development, helps them maintain a technological advantage. The business has robust cash generation, the balance sheet has zero debt and more than half of their assets are cash or equivalents. Risks relate to potential data/security breaches, competition and technological disruption.

2 Infineon Technologies

Country
Germany

Business
Semiconductor equipment for the auto, industrial, power management and digital security sectors

Infineon Technologies is a global leader in semi-conductor solutions across four segments: automotive, industrial power control, power & sensor systems and digital security. In the automotive segment, they are the market leader in applications for e-vehicles, autonomous vehicles and connected cars. In industrial power control their semiconductors provide solutions for smart and efficient energy generation, including wind and solar power and in power management their semiconductors make devices and lighting more energy efficient and smarter. The business is well positioned for a sustainable future, particularly in relation to clean energy, and safer, more efficient transport. The business was spun off from Siemens in 1999 and is led by an experienced and long tenured management team. They continue to invest in research and development, in developing their manufacturing facilities and have recently completed a large acquisition, making them one of the top 10 semiconductor manufacturers globally. Risks relate to cyclicality in end markets, competition and the success of their recent acquisition.

3

Unilever

Country
United Kingdom and Netherlands

Business
Over 400 food and refreshment, household and personal care consumer brands

A world leading consumer goods business with more than 140 years' experience building brands and an impressive footprint in emerging markets. The comprehensive and ambitious Unilever Sustainable Living Plan links top and bottom line growth with embedded goals for improving the health and wellbeing of more than one billion people; reducing the company's environmental impact by half; and enhancing livelihoods for millions through partnerships with smallholder farmers and suppliers of raw materials, employees and communities. It includes initiatives such as a vast hand washing and hygiene education programme linked to the company's soap business, sizing and packaging products more efficiently, and training vendors in emerging markets in book keeping skills. The combination of iconic, purpose-led brands (12 brands have sales of > €1 billion a year) and essential everyday products gives Unilever pricing power and the capacity to generate consistent cash flows. Risks include excessive debt, balance sheet deterioration and an overreliance on share buybacks to generate shareholder returns.

4

Hoya

Country
Japan

Business
Manufacturer of lenses for glasses, contact lenses and technical equipment

Founded in 1941 in Tokyo, Hoya is a leading global med-tech company, manufacturing lenses for eyeglasses, contact lenses, medical devices as well as key components for semiconductor devices and other electronic equipment. The current CEO is the third generation of the founding family, who continue to own a small proportion of the company today. The business strategy has been to focus on niche industries where they can be a dominant player and use the cash flows from the mature IT business to invest further in life care. Hoya have fostered a strong and unique culture, with the majority of employees coming from overseas. The business generates strong cash flows, is net cash and benefits from long-term structural growth from an aging population and better access to healthcare in emerging markets. Risks relate to management succession, cyclicality of the semiconductor and IT business, and increasing competition.

5

Jack Henry & Associates

Country
United States

Business
Technology solutions and payment processing services for financial services

Jack Henry is a provider of core banking software, cyber security and IT outsourcing for roughly half of the credit unions in the US and is the leading provider to mid-sized US banks. It is a high quality company with a stable management team, humble culture, loyal customers and a strong industry reputation. The business has an impressive track record of compounding returns through credit cycles and banking crises, which is a function of being an asset light business with high barriers to entry. It is cash generative and maintains highly recurring sales, equivalent to roughly 80% of revenues. It is likely to be a beneficiary of increased e-banking/e-payments and outsourcing by customers who are increasingly feeling the pressure to enhance their efficiency as well as meeting their increasing regulatory demands. Risks relate to financial technology (fin-tech) disruption, consolidation in the banking industry and vulnerability to systemic risks.

6

Halma

Country
United Kingdom

Business
Life-saving technology companies that manufacture products for hazard detection and life protection

Halma's history dates back to 1872, originally operating as a tea company. Today it has transformed into an impressive group of nearly fifty industrial businesses focused on protecting and improving the quality of life for people worldwide. Their underlying businesses are global or national leaders in non-cyclical, niche markets, and fit into one of four segments: infrastructure safety, medical, environmental and analysis and process safety. The company has a great track record of sticking to its proven mergers and acquistions (M&A) philosophy, which results in consistently generating excess cash flows which are used to purchase more businesses. The company is also set to benefit from structural growth tailwinds including urbanisation, growing safety regulation, increasing demand for healthcare, energy and water, whilst at the same time, expanding into emerging markets. Risks relate to the levels of debt on their balance sheet, poor execution in M&A or product related failures.

7

Coloplast

Country
Denmark

Business
Global leader in ostomy, continence, urology and wound care products

Coloplast is a global leader in ostomy, continence, urology and wound care products which aim to make life easier for people with deeply personal and private medical conditions.
The business benefits from long-term stewardship from the founding family; the son of the founder remains on the Board and the family own over a third of the company. It operates in a niche medical segment, has an excellent reputation for high quality products and has built up long-term brand loyalty from both patients and physicians. They continue to expand their product range and are targeting further growth from increasing market share in the US as well as emerging markets, including China. The business generates strong cash flows and high returns and is well placed to benefit from structural healthcare trends. Risks include changes to healthcare reimbursement regimes, product failures and increasing competition.

8 Arista Networks

Country
United States

Business
Network infrastructure products and services

Arista Networks is a global leader in networking hardware and software solutions that are used to enable high speed internet connections and cloud computing. The business was founded in 2004 by Andy Bechtolsheim, a well-known and respected Silicon Valley angel investor and founder of multiple technology companies over the last three decades. He continues to provide long term stewardship to the business and remains actively involved as chair of the Board. The company is also led by an impressive and seasoned management team, including the (sadly) unusual combination of the CEO and CFO both being female. Innovation is a key component of the business culture, with c. 20% of sales being invested each year in research and development. Arista is well placed to benefit from increased levels of connectivity, including the rollout of 5G and the transition to the cloud and has attractive international growth potential. The net cash balance sheet, high returns and cash generative nature of the business also makes this an attractive proposition. Risks include concentration of sales with key customers, including Microsoft and increasing competition.

9 DiaSorin

Country
Italy

Business
In vitro diagnostics reagent kits used in immunodiagnostics and molecular diagnostics

DiaSorin is an Italian multinational biotechnology company that produces and markets equipment and testing materials for in-vitro diagnostics – tests conducted on a sample of bodily fluid in labs that detect diseases. They offer the largest menu of speciality diagnostic tests in the world, including gastrointestinal infections, bone and mineral metabolism, hypertension, oncology and autoimmunity. Management are professional, long-term focused stewards who own a very large amount of the company following a historic management buyout. The franchise has ample barriers to entry in the form of research and development expertise, distribution networks and regulatory hurdles and their consistently net cash balance sheet demonstrates careful stewardship. Reagents and consumables form the majority of sales, which are recurring in nature, with typical contracts being for 3-8 years. Consumable sales are growing due to an expanding installed base (c. 8,300 instruments) and from increasing their testing menu (c. 10 new tests per year). The business generates strong cash flow with high returns, and has a strong net cash balance sheet. Risks include changing regulatory environments, increasing competition and disruption from new diagnostic technologies.

10 ANSYS

Country
United States

Business
Multi-physics engineering simulation and optimisation software

Ansys is a global leader in engineering simulation and software and has a large customer base spanning diverse industries, and a track record of conservative and responsible stewardship. Ansys software enables researchers and engineers to simulate and predict how new product designs will perform and behave in real world environments. By facilitating a shift from hardware to software-based design, innovation and testing, the company is helping improve efficiency, reduce innovation costs and time, and improve safety and reliability. It is contributing to a shift towards a more circular economy by enabling product developers to minimise wastage and optimise product design, performance and the use of materials. Ansys is two times the size of its nearest competitor in sales and three-quarters of its business is repeatable. Its total addressable market is expected to triple in the next 7-10 years. It has a strong balance sheet and spends more than 15% of revenue on research and development. Risks include a scaling back of IT spending in an economic downturn and the possibility that technological breakthroughs render Ansys' competitive advantage obsolete.

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.

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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.

Investment terms

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

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