Stewart Investors
Worldwide Sustainability Fund

Top 10 portfolio holdings as at September 2020

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Stewart Investors
Sustainable Funds Group

Official Fund documentation should be referred to for any specific hard limits. Stewart Investors has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.
See www.responsibleinvestment.org for details.

1. 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. Management are professional, long-term focused stewards who own a very large amount of the company following an 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. Risks include changing regulatory environments, increasing competition and disruption from new diagnostic technologies.

2. 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.

3. Ain Holdings

Country: Japan

Business: Japanese franchisor of pharmacies and operator of drugstores

Ain Holdings operates exclusively in Japan as a franchisor of pharmacies, dispensing prescription and generic drugs, as well as being an operator of drugstores selling consumer health and food products. It is well positioned to meet the growing demand for medicines in a country with a rapidly aging population and its mission is aligned with the Japanese government's goal of improving access to more affordable generic drugs. It is a well-stewarded, owner-managed franchise with a clear sense of purpose and has proven it can navigate the tough government-controlled pharmaceutical pricing and reimbursement regime. Its share of the highly fragmented and competitive dispensing market is small, but it has the potential to be a leading consolidator and beneficiary of consolidation because it is well capitalised and has a net cash balance sheet. Revenues ought to be relatively defensive as they are derived largely from non-discretionary spending by consumers. Risks include sudden or far-reaching changes in the pricing and competitive environment.

4. Varian Medical Systems

Country: United States

Business: Cancer treatment technology and care systems

An innovative company with a strong management team, Varian is enabling healthcare providers around the world to diagnose, treat and manage cancer. It provides and maintains equipment for radiotherapy, radiosurgery, brachytherapy and proton therapy. It also provides and upgrades software for coordinating care, planning treatments and managing clinical operations. New cancer diagnoses are doubling every 50 years. Low and middle income countries now account for 70%[1] of the global cancer burden but only 5% of resources for cancer treatment. Varian has shown it can generate strong recurring revenues by making quality care more accessible and cost-effective. It is continually expanding its portfolio of products and services, and reaching into new markets. In lower income countries it is investing in educational programmes, like its Access to Care training initiative, to help address the shortage of clinicians and treatment facilities.

5. 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.

6. Vitasoy

Country: Hong Kong

Business: Leading manufacturer and distributer of healthy plant based food and beverages

Vitasoy is a Hong Kong based producer of over 300 healthy plant based products including: soya milk, tea, juice and tofu, with most of its sales now from mainland China. Founded in 1940, this family-owned, professionally managed company is uniquely well-positioned in the context of changing consumer trends towards health and well-being, increasing demand for protein and increasing water scarcity in China (growing soy beans are significantly less water intensive than meat production). The company generates strong cash flows and is net cash, demonstrating conservative financial stewardship. Risks relate to increasing competition from local and multinational players, US-China trade wars impacting soy bean prices and changing consumer trends i.e. soymilk loses its currently fashionable status.

7. 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.

8. 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.

9. 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.

10. CSL

Country: Australia

Business: Blood plasma biotherapies for treating haemophilia and immune deficiencies, vaccines, anti-venom serums

A high quality global franchise that rose to prominence almost 100 years ago when it developed an influenza vaccine during the Spanish Flu pandemic. CSL has a dominant market position in blood plasma derivatives, for which there are no alternatives. It operates one of the world's largest plasma collection networks and is the chosen national plasma fractionator in several Asian countries. It is also one of the largest global providers of influenza vaccines. It is well placed to capitalise on growth opportunities created by the growing demand for vaccines and plasma-derived products in emerging markets where access to treatment is improving. CSL is a highly cash generative company with a reputation for consistently paying impressive dividends to shareholders. Management is strong, stable and focused on the safety and security of all CSL products. Risks relate to changing government regulations, healthcare reforms, collection processes and product safety.

[1] Source: https://www.who.int/news-room/fact-sheets/detail/cancer

Important information