

**SHINING A LIGHT ON THE.....  
Scottish Oriental IT**

**AT A GLANCE**

<b>Investment Objective</b>	
To achieve long-term capital growth through mainly smaller Asian, ex Japan & Australasia quoted companies with a market capitalisation less than US\$1,500m.	

<b>Inception Date</b>	29 March 1995
<b>Fund Factsheet Link</b>	<a href="http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR04AN0%5D2%5D0%5DFCGBR\$ALL">http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR04AN0%5D2%5D0%5DFCGBR\$ALL</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Wee-Li Hee	1 July 2014
Scott McNab	1 July 2015
Martin Lau	1 July 2015
Vinay Agarwal	20 July 2016

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	1.42%
Large	17.77%
Medium	47.21%
Small	28.36%
Micro	5.25%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>		72
<b>Assets in Top 10 Holdings</b>		31.02%
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Tong Ren Tang Technologies Co Ltd	Healthcare	4.00%
Minth Group Ltd	Consumer Cyclical	3.57%
Delta Electronics (Thailand) PCL	Technology	3.34%
Taiwan FamilyMart Co Ltd	Consumer Cyclical	3.08%
Towngas China Co Ltd	Utilities	3.07%
Delfi Ltd	Consumer Defensive	2.87%
Godrej Industries	Basic Materials	2.81%
Raffles Medical Group Ltd	Healthcare	2.81%
Vitasoy International Holdings Ltd	Consumer Defensive	2.78%
Mphasis Ltd	Technology	2.67%

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Volatility Measurements	
3-Yr Std Dev (volatility)	15.58%
3-Yr Mean Return (average)	9.55%

## FUND PERFORMANCE

Performance from 1 January 2012 to 28 February 2017:

	2012	2013	2014	2015	2016	2017
Scottish Oriental	45.14%	5.16%	5.98%	-8.35%	25.30%	3.53%
iShares MSCI AC Far East ex-Japan	14.03%	-1.21%	6.63%	-7.98%	24.94%	8.55%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since Launch
Scottish Oriental	32.05%	31.46%	59.91%	1,180.84%
iShares MSCI AC Far East ex-Japan	37.29%	39.10%	33.48%	-

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

This is an investment which I tend to have a love-hate relationship with. In this update with the management team the nagging doubts remain. In terms the short term it hasn't outperformed the index, and the last time there was significant outperformance was in 2013. However, the fund has a discount of nearly 14%. This is significant because when this discount narrows investors significantly benefit.

Some argue that Asia still offers value, however the team in this update indicated they found little value in Asia and that many of their holdings are expensive. This slightly worries us because if they believe the holdings are expensive, then there is a question mark on what value can be driven from the trust moving forward. Another area of concern is the management of the trust which has undergone some changes. The current lead manager is on maternity leave and the interim manager has started to reduce down the number of holdings. In the discussion, it was unclear whether the lead manager would agree with these on her return, so you feel there is tension between the management team of the trust.

Having said all of that First State who are behind the trust are specialists in Asia and Emerging Markets and they have demonstrated their ability to outperform. The discount on the trust should also turbo charge performance. So, this is the challenge, First State have the ability to outperform but there are concerns with the management team.

Considering this, we discussed the current holdings and the types of businesses they like. They explained that they operate with an absolute return mindset focusing on quality companies. In terms of quality they are looking for founders and management that act with integrity, think long term and

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have excellent capital allocations. They also like high quality franchises with high barriers to entry that can compound returns over the long term. They look to avoid companies which cause direct harm to society, have poor ownership and weak corporate governance.

The Trust's main regions are India (23%), China (12%) and Taiwan (10%). They have been adding companies in Indonesia and the Philippines. They have reduced the number of holdings from over 80 to just over 70, however they are finding it more difficult to find quality companies at the right price.

Some of the new purchases are FPT (Vietnam), Delta Brac (Bangladesh), Concepcion (Philippines) and Sitranix Tech (Taiwan). Delta Brac are mortgage providers in Bangladesh and at the start of their journey; they believe long term this should show significant growth. Concepcion make air conditioners and have a joint venture with United Technologies. Some of the stocks they have sold include MI (Singapore), Blue Dart Express (India) and IDFC (India).

In terms of risks they haven't made any changes following Trump's election, although they see risks in overvalued prices which they expect to re-rate in the short term. Social risks are a concern especially in countries like Indonesia and in India; with Modi and demonetisation.

In terms of the trust they believe the P/E ratio for stocks is high, but returns will come from companies' growth. They don't expect the same level of return as has been seen over the last 10 years and they don't believe it is a good short term investment.

In summary, this should be seen as a long-term investment. There are questions surrounding the management and performance but this has to be balanced with the expertise the team have in this area. The trust is also trading at a significant discount and if this narrows then this will be a sizeable benefit for investors.

*The source of information in this note has been provided by Scottish Oriental and is correct as at March 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*