

SHINING A LIGHT ON THE.....
Aberdeen Standard SICAV I – China A Share Equity Fund

AT A GLANCE

Investment Objective	
The Fund's investment objective is long-term total return to be achieved by investing, directly or indirectly (including through QFII, RQFII, the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs, participatory notes, equity linked notes and any other eligible means), at least two-thirds of its total assets in equity and equity-related securities of companies whose securities are listed on Chinese Stock Exchanges, including, without limitation, China A-Shares and B-Shares of companies listed on the Chinese Stock Exchanges or other equivalent securities authorised by the China Securities Regulatory Commission for purchase by non-Chinese investors.	

Inception Date	16 March 2015
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VNAV

Management	
Manager Name	Start Date
Asia Pacific Equity Team	16 March 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	69.99%
Large	26.14%
Medium	3.87%
Small	0.00%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	35	
Assets in Top 10 Holdings	49.95%	
Name	Sector	% of Assets
China International Travel Service Co...	Consumer Cyclical	7.68%
Kweichow Moutai Co Ltd	Consumer Defensive	7.12%
Ping An Insurance (Group) Co. of Chin...	Financial Services	6.17%
Hangzhou Hik-Vision Digital Technolog...	Technology	5.29%
Shanghai International Airport Co Ltd	Industrials	4.96%
Aier Eye Hospital Group Co Ltd	Healthcare	4.49%
China Vanke Co Ltd Class H	Real Estate	3.96%
Foshan Haitian Flavouring and Food Co...	Consumer Defensive	3.80%
Midea Group Co Ltd Class A	Technology	3.26%
China Merchants Bank Co Ltd Class H	Financial Services	3.22%

Volatility Measurements	
3-Yr Std Dev (volatility)	17.54%
3-Yr Mean Return (average)	23.04%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 16 March 2015 to 30 September 2019:

	2015	2016	2017	2018	2019
AS SICAV I China A Share Fund	-1.79%	8.35%	45.09%	-9.07%	31.85%
iShares MSCI EM ETF	-13.81%	33.56%	24.43%	-9.25%	7.80%

Performance over 12 months, 3 years, and since launch.

	1 year	3 years	Since launch
AS SICAV I China A Share Fund	18.34%	76.74%	85.10%
iShares MSCI EM ETF	2.91%	22.40%	40.13%

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....

There remains a certain stigma about investing in China. The reality is that the market is twice as liquid as Japan. The second issue is around copying products. There is no doubt that China copied products. This has developed to copying and improving and now they are developing products on their own. Although many feel uncomfortable with this, there are many western businesses over time that have done the same!

In terms of the fund, Aberdeen's heritage goes back to 1992, and they were one of the first to invest in the market. They believe this gives them unrivalled knowledge of the country and the companies they are investing in. The fund primarily invests in China A Shares but if an A Share Company has H Shares, it may hold these.

It currently has 32 stocks and average holding is between 5 to 8 years. It is also worth adding that investing in China A means that there is often very little overlap with both Emerging Market and Asia Funds in terms of the Index.

The fund has a quality focus. Quality covers a number of factors including good margins & returns on capital, profitable growth, attractive industry characteristics, sustainable competitive advantage, strong balance sheet, management pedigree, execution and track record and corporate governance and stewardship.

Fundamentally the companies are likely to have a strong economic moat, operating in a niche area with high barriers to entry. An example would be Kweichow Moutai which is the largest liquor company in the world but not only is the name hard to pronounce it is hardly known outside of China. Another example is China International Travel Services who have an exclusive licence to run the duty-free stores across the airports in China.

LWM Consultants Ltd

It has a domestic focus; the move to urbanisation is significantly behind that of the west. Companies like China Vanke are set to benefit from the increase in urbanisation. Another example of a domestic product is Foshan who are a Soya Sauce producer with strong management and careful stewardship of capital.

We discussed trade and the impact when investing in China. They explained that globally China is shifting where it trades. For example, rather than getting Soya Beans from the US they now get them from Brazil. The belt and road initiative have enabled it to trade with other partners. So, although tweets in the short term can hurt the markets, they open opportunities.

The team are focused on both downside and upside capture. If the market falls, then this fund will fall by about 64% of the market so the protection on the downside is an important aspect of the overall management of the strategy. This comes back to quality. They aim to be as knowledgeable as possible about the companies they invest in. They don't take everything at face value and are happy to wait and be patient investors.

In terms of fund size, the fund has the capacity to grow further, and they test the liquidity on a regular basis. Currently 90% of the fund can be liquidated within two weeks, and they will not hold more than 5% of the capitalisation of a particular company.

In summary, for those looking for exposure to China A then this might be a fund to consider. The focus on quality and preserving capital is a key element to this where the managers are focusing on companies with strong quality aspects. There are risks with investing in China and investors need to be comfortable with that.

The source of information in this note has been provided by ASI and is correct as at October 2019. 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.