SHINING A LIGHT ON THE……
ASI Europe ex UK Equity Fund

AT A GLANCE

Investment Objective
The Fund aims for maximum capital growth through investment in a broad spread of European securities. The Manager will invest in European companies which offer good prospects for capital growth. Whilst the Fund will invest principally in companies incorporated in Europe, the Manager may also invest in companies which derive an important proportion of their earnings from European trade or operations. It is intended that the Fund will have minimal exposure to the UK. The Manager will also take opportunities as they arise to invest in European emerging markets.

Inception Date	12th October 2009
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000045EX

Management	
Manager Name	**Start Date**
Ben Ritchie	
Angus Tester	
Kurt Cruickshank	

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	35.94%
Large	33.76%
Medium	27.43%
Small	2.88%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	33	
Assets in Top 10 Holdings	40.40%	
Name	**Sector**	**% of Assets**
Unilever NV	Consumer Defensive	4.92%
Heineken NV	Consumer Defensive	4.68%
Nestle SA	Consumer Defensive	4.35%
ASML Holding NV	Technology	4.35%
Novo Nordisk A/S B	Healthcare	4.01%
Kerry Group PLC Class A	Consumer Defensive	3.86%
Essilorluxottica	Healthcare	3.61%
Deutsche Boerse AG	Financial Services	3.60%
Hannover Rueck SE	Financial Services	3.56%
Amadeus IT Group SA A	Technology	3.45%

Volatility Measurements	
3-Yr Std Dev (volatility)	10.92%
3-Yr Mean Return (average)	13.87%

FUND PERFORMANCE

Performance from 1st January 2013 to 30th September 2019:

	2013	2014	2015	2016	2017	2018	2019
ASI Europe ex UK Equity Fund	15.47%	-0.85%	4.61%	19.30%	17.44%	-3.92%	25.43%
iShares MSCI Europe ex-UK ETF	24.53%	0.04%	4.07%	19.51%	16.37%	-9.95%	17.28%

Performance over 12 months, 3 years, 5 years, and 10 years:

	1 year	3 years	5 years	10 years
ASI Europe ex UK Equity Fund	8.93%	45.12%	76.49%	134.91%
iShares MSCI Europe ex-UK ETF	6.23%	31.33%	55.63%	104.39%

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….

The fund has been in place for a number of years through Aberdeen Asset Managers. The current strategy was repositioned towards the end of 2015 and is now starting to display outperformance. It is a highly concentrated portfolio focusing on quality companies. The fund does have exposure to large companies like Heineken, Nestle and Unilever and this was a concern for us.

The counter argument is all those companies offer growth potential and although they won't necessarily light the world up, they provide an element of protection within the portfolio. The aim is to outperform the index by about 2/3% compounded each year. To do that they need to be able to capture lower downside risk as well as participating in the upside capture.

Nestle, Unilever have to pass their hurdle rate in terms of yield and growth and although they are defensive, they definitely have a part to play. In terms of stock attribution over twelve months it is the likes of Edenred, ASML, Hannover Ruek who have been some of the biggest contributors to the fund performance.

This fund has a quality focus because they believe that the market consistently underestimates the sustainability of returns from high quality companies. They feel that quality companies have fewer tail risks and greater margin of safety. Additionally, earnings tend to be more resilient and predictable and they can better navigate an uncertain future and capitalise on opportunities to create value.

Digging into what the businesses look like these are likely to have a durable business model and moat, attractive within the industry they operate in, have strong financials, good management and strong ESG model.

The fund will underperform where there is a shift to value but over the cycle these are the types of businesses that will do well.

The Aberdeen Fund slipped under the radar as it was not really promoted under the Aberdeen brand. The merger with Standard Life has meant that they have been able to leverage resource from the wider Standard Life team. The change in focus in 2015 has started to come through and this is now one of the top performing European Funds.

In summary, it is a concentrated portfolio looking to minimise on the downside as well as capture on the upside. It may hold some benchmark stocks but each holding has to earn its place. As an “under the radar” fund we believe this might be one that investors might consider but there are a number of strategies which may need to be considered alongside this.

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.