

SHINING A LIGHT ON THE.....
Morgan Stanley Investment Funds – Asia Opportunity Fund

AT A GLANCE

Investment Objective	
The Asia Opportunity Fund's investment objective is to seek long term appreciation, measured in US Dollars. The Fund will seek to achieve its investment objective by investing primarily in equity securities, including depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs)), of issuers Located in Asia, excluding Japan.	

Inception Date	31 March 2016
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000XOMG

Management	
Manager Name	Start Date
Krace Zhou	30 September 2016
Kristian Heugh	31 March 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	81.07%
Large	13.95%
Medium	4.98%
Small	0.00%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	28	
Assets in Top 10 Holdings	45.61%	
Name	Sector	% of Assets
TAL Education Group ADR	Consumer Defensive	6.38%
HDFC Bank Ltd	Financial Services	6.07%
Foshan Haitian Flavouring and Food Co	Consumer Defensive	5.88%
Meituan Dianping	Technology	5.49%
China Resources Beer (Holdings) Co Ltd	Consumer Defensive	4.93%
Taiwan Semiconductor Manufacturing Co	Technology	4.62%
Kweichow Moutai Co Ltd	Consumer Defensive	4.12%
HUYA Inc ADR	Consumer Cyclical	4.07%
AIA Group Ltd	Financial Services	4.06%

Volatility Measurements	
3-Yr Std Dev (volatility)	18.78%
3-Yr Mean Return (average)	20.78%

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FUND PERFORMANCE

Performance from 31 March 2016 to 30 September 2019:

	2016	2017	2018	2019
MS INV F Asia Opportunity Fund	17.25%	59.78%	-9.37%	30.94%
iShares MSCI AC Far East ex JPN ETF	20.32%	28.84%	-10.18%	8.79%

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

	1 year	3 years	Since launch
MS INV F Asia Opportunity Fund	21.15%	82.65%	122.31%
iShares MSCI AC Far East ex JPN ETF	1.19%	23.68%	51.47%

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 fund is one of the top Asia Funds in the sector, however, it has a short track record. The fund itself spun out of the Global Opportunities Fund which had a large weighting to Asia and therefore it made sense to the team to set up an Asia Fund. The team is based in Hong Kong and sits alongside the global team. In terms of styles they follow the same process.

It is a pure domestic Asia play that focuses on high quality businesses which are trading below their book value. The fund is a high conviction play with between 25 and 40 holdings. Currently the fund has 28 holdings.

They believe that to get the best value from a company they need to be long term holders of a stock. The focus is on bottom up stock picking and the team are encouraged to be curious about the world around them. This helps them to find good ideas. In terms of holdings, quality plays a key part and this is through meetings and site visits, and valuation is crucial (if a share is worth \$1 but they can get it at \$0.80 then that is key to the process). Portfolio construction includes risk management.

In selecting stocks they want to have a margin of safety, so they look at what the potential downside is of a particular stock.

We discussed what they see as quality and this is a mix of disruptive change, competitive advantage, growth, environmental and social externalities and governance and financial strength. They also feel that competitive strategies are essential to high quality businesses because it leads to competitive advantages.

Examples include; differentiation (Kweichow Moutai), differentiation focus (TAL education), cost leadership (HDFC Bank), cost focus (AIA Group) and network effect (Tencent).

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The approach means that from 250 ideas they quickly discount this down to around 10 to 20 ideas which can potentially go into the fund. They look to be long term holders of stocks as this reflects quality companies, at a discount price. Holding for a period of time means that the benefit of holding has time to play out. In terms of selling it is either because the thesis for holding no longer holds, or the valuation is too high.

The philosophy effectively applies what the team believe to the investment principles similar to those of Warrant Buffett.

In summary, this is well managed fund which has spun out of the global strategy. The process and philosophy is the same. This is likely to be a good blend with other strategies. There is an argument that this type of strategy has done well because the markets have favoured this, and potential investors will need to consider this. However, they argue that the quality/value bias is what makes this fund very different to other strategies in the market.

The source of information in this note has been provided by Morgan Stanley and is correct as at September 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.