

**SHINING A LIGHT ON THE.....
Hermes Asia ex Japan Fund**

AT A GLANCE

Investment Objective	
The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in a portfolio of equity securities and equity related securities (such a global depository receipts and American depository receipts), issued by companies in or deriving substantial revenues from emerging countries within the Asia ex-Japan region.	

Inception Date	5 th December 2012
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000OZCW

Management	
Manager Name	Start Date
Jonathan Pines	1 st October 2013

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	36.83%
Large	40.08%
Medium	21.22%
Small	0.74%
Micro	1.13%

Top 10 Holdings		
Total number of holdings	55	
Assets in Top 10 Holdings	38.24%	
Name	Sector	% of Assets
Alibaba Group Holding Ltd ADR	Consumer Cyclical	5.63%
ASE Technology Holding Co Ltd	Technology	4.94%
Samsung Electronics Co Ltd	Technology	4.62%
CK Hutchison Holdings Ltd	Industrials	4.32%
Taiwan Semiconductor Manufacturing Co...	Technology	3.75%
MediaTek Inc	Technology	3.51%
Kunlun Energy Co Ltd	Energy	2.95%
COSCO SHIPPING Ports Ltd	Industrials	2.95%
Beijing Enterprises Holdings Ltd	Industrials	2.93%
Beijing Capital International Airport...	Industrials	2.65%

Volatility Measurements	
3-Yr Std Dev (volatility)	15.49%
3-Yr Mean Return (average)	-1.40%

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FUND PERFORMANCE

Performance from 1st January 2014 to 31st May 2020:

	2014	2015	2016	2017	2018	2019	2020
Hermes Asia ex Japan Equity Fund	14.69%	4.24%	30.65%	33.27%	-10.14%	9.58%	-13.61%
iShares MSCI AC Far East ex Jpn ETF	8.54%	-5.92%	27.34%	28.84%	-10.18%	13.60%	-5.89%

Performance over 12 months, 3 years, 5 years and since fund manager tenure:

	1 year	3 years	5 years	Fund Manager Tenure
Hermes Asia ex Japan Equity Fund	-6.83%	-4.85%	32.42%	85.57%
iShares MSCI AC Far East ex Jpn ETF	3.31%	7.84%	33.53%	62.91%

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....

These updates have been written at the time of Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

We recently reviewed the portfolio and at the time we explained this was an excellent investment team. However, the performance has slipped. Jonathan started by outlining performance has been poor for the last couple of years. The fund does not look to the benchmark and he is contrarian when looking for opportunities. Not holding the likes of Tencent has in part led to the underperformance. But it has also been the stocks that he has held that have not done as well, including the likes of ASE Technology, and Cosco Shipping Ports.

He is searching for those stocks which are unloved and out of favour, but it is not about buying just anything as quality pays a key part to this. The three factors which the fund focus on are value, size of companies and quality, and all have been tailwinds for the fund over the last two years. 81% of the fund has low levels of debt, 53% are seen as high quality and 44% mid quality. The dividend yield is higher than the benchmark.

Although Jonathan sees himself as a contrarian investor this is not at any price and the portfolio is a mix of higher volatile stocks like Beijing Capital Airports, Cosco Shipping Ports and Hyundai Steel, with a mix of less volatile stocks like Alibaba, Tingyl and Nexon.

There are two risks which he sees now, first being the delisting being pushed by the US. He thinks this is unlikely as the likes of BlackRock and Vanguard have billions invested in the likes of Alibaba and therefore US investors would be hit by this move. The second is the tech risk and the sanctions being aimed at Huawei catching those companies in the middle like TSMC.

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They remain optimistic for the outlook in Asia and the fund contains a good mix of companies which offer quality at good valuations. The main holdings include the likes of Samsung, Alibaba, ASE and CK Hutchison.

In summary, this is different to many funds in the market and not holding the usual stocks has clearly hurt performance. This is a fund to watch to see if Jonathan can turn things around.

The source of information in this note has been provided by Hermes and is correct as at June 2020. 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.