

**SHINING A LIGHT ON THE.....
ASI China A Equity Fund**

AT A GLANCE

Investment Objective
To generate growth over the long term (5 years or more) by investing in China A equities (company shares). The fund will invest at least 70% in China A equities of companies listed on Chinese Stock Exchanges authorised by the China Securities Regulatory Commission. The fund may also invest in China A equities through RQFII, the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programme in equities and equity related securities.

Inception Date	20 th August 2019
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00001402X

Management	
Manager Name	Start Date
Nicholas Yeo	20 th August 2019
Pruksa lamthongthong	20 th August 2019

FUND PERFORMANCE

Performance from 1st January 2020 to 30th June 2022:

	2020	2021	2022
ASI China A Share Equity Fund	50.22%	-4.80%	-6.39%
MSCI China A Onshore NR CNY	35.72%	4.99%	-3.38%

Performance over 12 months, and since inception:

	1 year	Since inception
ASI China A Share Equity Fund	-11.40%	32.65%
MSCI China A Onshore NR CNY	-2.18%	38.46%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	74.42	-	-	-	-	-	Large /Growth

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

Investment Style Details	
Giant	70.21%
Large	25.10%
Medium	1.68%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 43 Equity Holdings		
Kweichow Moutai Co Ltd Class A	Consumer Defensive	7.82%
China Tourism Group Duty Free Co...	Consumer Cyclical	5.41%
China Merchants Bank Co Ltd Class A	Financial Services	5.02%
Contemporary Amperex Technology ...	Industrials	4.28%
LONGi Green Energy Technology Co...	Technology	3.83%

Top 5 Sectors	
Consumer Defensive	20.02%
Technology	17.55%
Industrials	16.20%
Financial Services	4.28%
Technology	3.83%

UPDATE....

This is a strategy we have held for a couple of years. It invests in the China A market, which are made up of stocks of mainland China-based companies that trade on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

The original China A Fund is a SICAV which is an offshore strategy, however they have a UK based OEIC which is the fund we hold. The SICAV has recently transitioned to a sustainable strategy, and the UK version is a mirror of this. So, although it doesn't have sustainable in the name it does have sustainability within what it holds. This is important because investors are often nervous about the quality of companies and investing in China.

They screen across UN Global Company, Norges Bank, weapons, tobacco, gambling, thermal coal, unconventional oil and gas extraction and conventional oil, and has electricity generation in alignment with the transition pathway. Full details can be found via this link <https://www.abrdn.com/docs?editionid=1080b320-3649-49a8-8187-4cbee8da7dc8>

They follow a process which they call "LTQ". This is Long Term Quality. They assess five key factors:

Business model – they are looking at whether a business has a competitive moat

Industry characteristics – looking at the long-term opportunities for growth within industries

Management pedigree – using knowledge built up over many years and people on the ground to look for management they can trust

Balance sheet strength and cash flow – can the businesses survive volatility and different business cycles?

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ESG – this has always been part of the process and although the UK version doesn't have a sustainable badge, it follows the same process as the offshore version

In terms of sectors, they review these as a minimum every six-months but can do more frequently in things of change. They then rate sectors between 1 and 5, with 5 having the largest risk. Areas like ecommerce, real estate, and internet they see as the highest risk, with consumer related carrying the lowest risk.

In terms of themes, the main ones are:

Aspiration – as people make more money they want more, household wealth grows, and this is a growing theme over the next ten years

Digitisation – this focuses on software and hardware. In terms of hardware the focus is on the high-end semi-conductor industry. China are about five to seven years behind but the gap is narrowing fast. They have an endless supply of well-educated people including people educated in the West

Green – some of the leaders in the green industry in China are now global leaders and this is a long term trend that is not going to change

Health and well management – as people become richer and older, the demand for healthcare and wealth management increases. The Wealth management industry is still in its infancy, and life assurance remains relatively undersold

We talked about sell-offs and the fund has been hurt. When the education sector was sold down then all sectors were hit without any real thought. There is a feeling that China is not investable, and therefore overseas investors have sold-out with no long-term view. China is the second largest global economy and likely to be the largest global economy. Much of what they have done has been done in the west, or would like to be done in the west, but the way they do things is not always thought through.

In terms of why now, there are several factors to consider. There is easing in lockdown. It is still happening but not at the same scale as earlier in the year. Zero COVID policy has been a sticking point but there are signs things are shifting. The market has bounced back from the lows in April and although there might be short term volatility, this is a positive sign. Monetary policy will help with infrastructure spending and cutting interest rates which is the opposite cycle to the rest of the world, and valuations remain good value.

We discussed concerns over mortgage payments and they explained this is localised in lower tier cities. They do have some exposure to real estate but in the higher tier cities.

In terms of what they have been doing, they have reduced slightly their exposure to consumer discretionary and added to semi-conductors as the price of these companies has come down. They believe economically the worst is over. They think there will be some volatility but the longer-term outlook looks positive and things will settle more after the communist party conference.

In summary, the two largest economies are China and the US. Investors are happy to hold the US but not China. China A is investing where domestic investors invest. This means that the strategy avoided some of the problems suffered by other China funds because they would not have had any exposure via the China A market. The fund has a strong quality and sustainability overlay and therefore these are good companies involved in parts of the markets which have positive long-term outlooks. This can be in the green industry, semiconductors through to the consumer.

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China will always divide investors, especially as the Western press will tend to write negatively about it. Some of this is justified. The action against companies isn't often well handled and this can concern investors. So, investors need to be comfortable with the volatility and that will not work for everyone. If they are, then this fund is one to consider due to the quality and sustainability angle as this reduces the risk further.

The source of information in this note has been provided by abrdn and is correct as of July 2022. 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.