

# Matthews Asia Ex Japan Total Return Fund – April 2023

## LWM FUND SPOTLIGHT MATTHEWS ASIA EX JAPAN TOTAL RETURN FUND

### INVESTMENT OBJECTIVE

The Fund's investment objective is to seek total return through capital appreciation and current income. Under normal market conditions, the Fund invests, directly or indirectly, primarily (i.e., at least 65% of its total net assets) in income-paying publicly traded common stocks, preferred stocks, convertible preferred stocks and other equity-related instruments (including, for example, investment trusts and other financial instruments) of companies Located in or with Substantial Ties to the Asia ex Japan region. On an ancillary basis, the Fund may invest in other permitted assets on a worldwide basis.

### INCEPTION DATE

30<sup>th</sup> November 2015

### FUND FACTSHEET

<https://www.trustnet.com/factsheets/o/myyb/matthews-asia-ex-japan-dividend>

### MANAGEMENT

#### Manager Name

#### Start Date

Kenneth Lowe

5<sup>th</sup> January 2023

Sharat Shroff

5<sup>th</sup> January 2023

### RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
0.69	1.03	-28.43	16.50	-22.66	69	85	7.83

### OTHER DATA

Benchmark	MSCI AC Asia ex Japan
Fund Size	\$582.6m
Fees	0.90% (I Share)

### BULL POINTS (PRO)

- Strong performance.
- Balanced between dividend payers and growers.
- Greater focus on risk.
- Specialists in Asia.

### BEAR POINTS (CONS)

- Change in management team.
- Change in strategy.

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## FUND PERFORMANCE

Performance from 31<sup>st</sup> October 2015 – 31<sup>st</sup> March 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/11/2015 - 31/03/2023 Data from FE fundinfo2023

### Cumulative Performance (GBP)

	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-12.57%	4.90%	-9.64%	22.24%	28.93%
Sector	-8.70%	7.47%	-2.94%	20.52%	12.06%
Relative to Sector	-4.23%	-2.40%	-6.90%	1.42%	15.05%
Rank in Sector *	152 / 168	130 / 167	151 / 165	71 / 144	19 / 136
Fund Quartile *	4	4	4	2	1

### Performance by Calendar Year in (GBP)

	YTD	2022	2021	2020	2019
Fund	-4.48%	-17.12%	5.33%	46.66%	13.22%
Sector	-2.10%	-8.44%	1.98%	17.17%	12.83%
Relative to Sector	-2.43%	-9.48%	3.29%	25.16%	0.35%
Rank in Sector *	136 / 168	143 / 163	55 / 151	5 / 142	77 / 140
Fund Quartile *	4	4	2	1	3

### Discrete Annual Performance to Last Quarter End (GBP)

	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	-8.24%	-5.51%	61.44%	-4.59%	2.82%
Sector	-2.96%	-5.90%	45.95%	-14.03%	1.57%
Relative to Sector	-5.43%	0.41%	10.61%	10.98%	1.23%
Rank in Sector *	142 / 165	77 / 156	19 / 144	19 / 140	67 / 136
Fund Quartile *	4	2	1	1	2

### Fund Price Movement (GBP)

12 Month High	23.12 (Pounds Sterling)	12 Month Low	17.76 (Pounds Sterling)
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### Annualised Ratios Over 36 Months

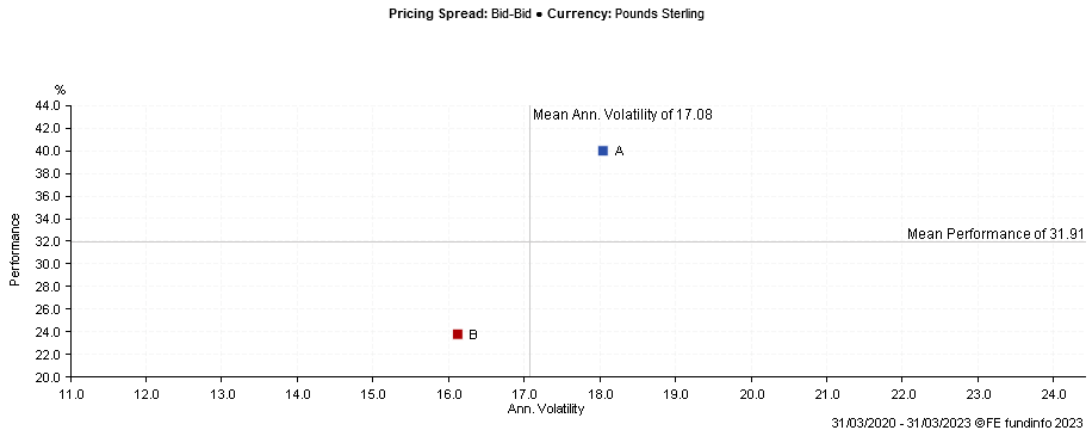
	Alpha	Beta	Sharpe	r <sup>2</sup>	Volatility
Fund	3.73	0.83	0.46	0.59	18.04
Fund Quartile *	1	4	2	4	2

\*Ranks & quartiles shown are for the primary share class, Matthews Asia ex Japan Total Return Equity I Acc GBP

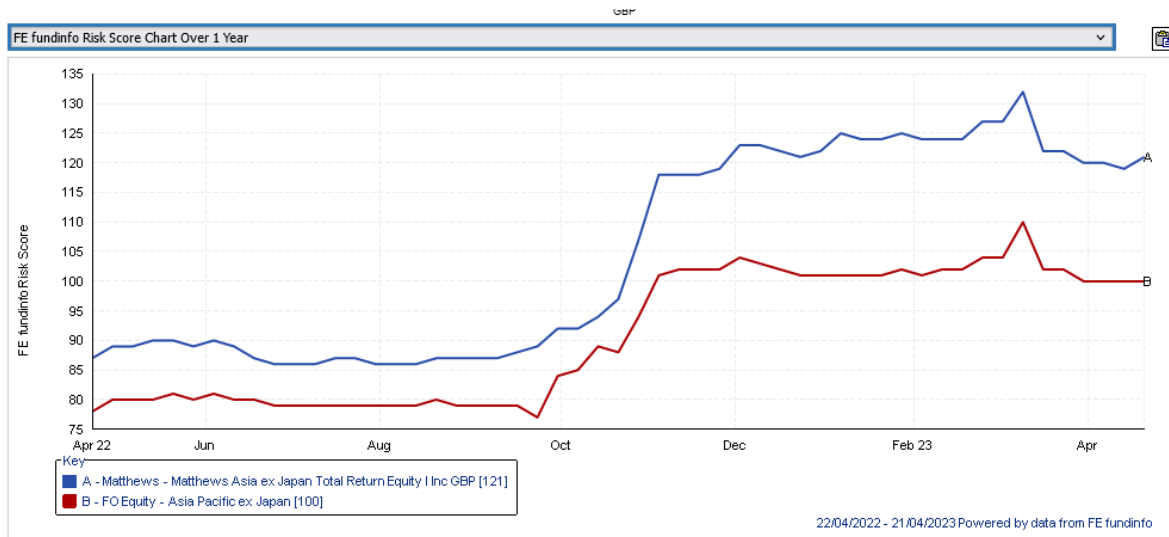
Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

# Matthews Asia Ex Japan Total Return Fund – April 2023

## VOLATILITY



Key	Name	Performance	Annualised Volatility
A	Matthews - Asia ex Japan Total Return Equity I Inc GBP TR in GB	39.98	18.04
B	MSCI AC Asia ex Japan GTR in GB	23.84	16.12

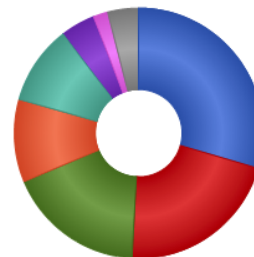


## SECTOR WEIGHTINGS

Sector Weightings as at March 31, 2023

Rank	Change	Name	%
1	►	TELECOM, MEDIA & TECHNOLOGY	29.50
2	►	CONSUMER PRODUCTS	21.30
3	►	INDUSTRIALS	17.80
4	▲	FINANCIALS	10.70
5	▼	HEALTH CARE	10.20
6	▲	REAL ESTATE	4.50
7	►	BASIC MATERIALS	1.90
8	▼	OTHERS	4.00

▼ Faller    ▲ Riser    ► No Change    ■ New Entry



# Matthews Asia Ex Japan Total Return Fund – April 2023

## REGION WEIGHTINGS

Exposure Sector Region **Country** vs. Category ▾

Country	Investment %	Category %
China	43.35	37.79
Taiwan	20.96	13.14
South Korea	8.60	12.66
India	7.94	14.30
Hong Kong	5.30	8.34
Vietnam	4.40	0.69
Malaysia	3.34	0.32
Indonesia	2.92	3.30
Thailand	2.15	1.73
Singapore	1.04	3.57

Page 1 ▾ of 6 < > Viewing 1 to 10 of 51

As of 31 Mar 2023 | Category: Asia ex-Japan Equity | Country data is based on the rescaled long position of the equity holdings | Source: Holdings-based calculations.

## TOP TEN HOLDINGS

Top 10 Holdings as at March 31, 2023

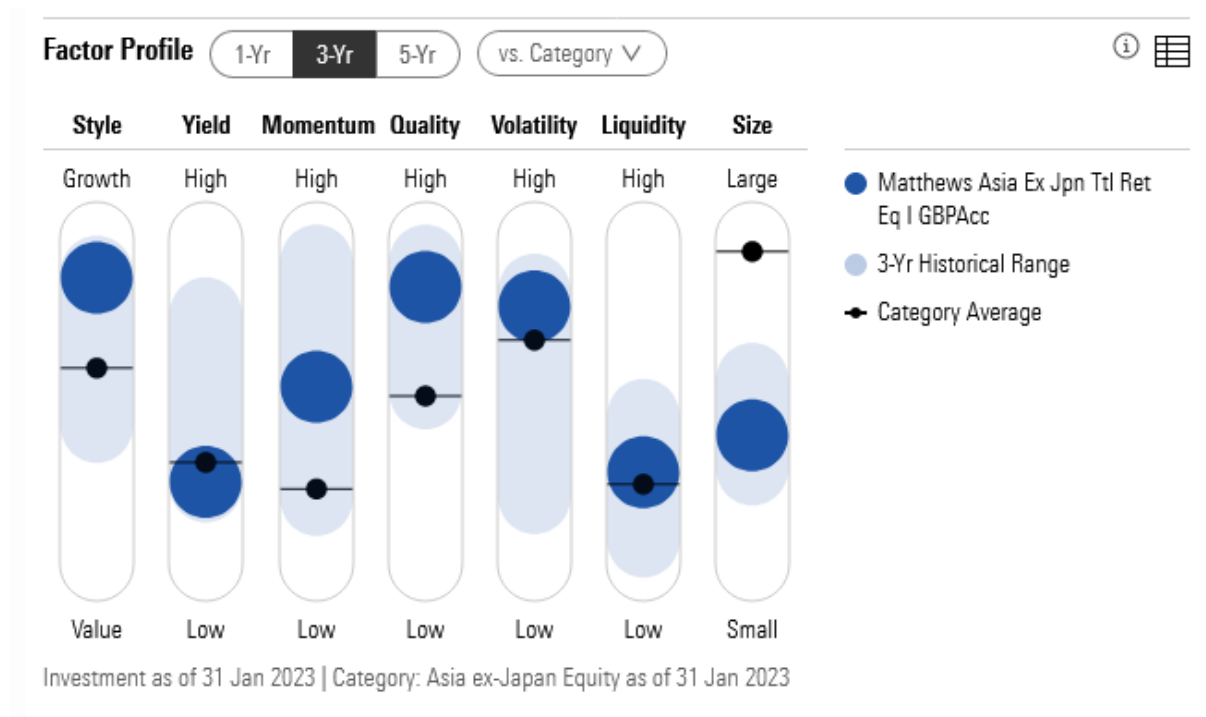
Rank	Change	Name	%
1	►	TAIWAN SEMICONDUCTOR MANUFACTURING CO. LTD.	6.20
2	►	TENCENT HLDGS LTD	5.90
3	▲	SAMSUNG ELECTRONICS CO., LTD	2.70
4	▲	JD.COM INC	2.60
5	▲	AIA GROUP LIMITED	2.50
6	▼	POYA CO	2.30
7	■	YUM CHINA HOLDINGS, INC.	2.30
8	▼	E INK HOLDINGS INC.	2.20
9	■	UNIVERSAL VISION BIOTECHNOLOGY CO	2.10
10	▼	ASIA COMMERCIAL BANK	2.10
Top 10 total percentage weighting			30.90

▼ Faller ▲ Riser ► No Change ■ New Entry



# Matthews Asia Ex Japan Total Return Fund – April 2023

## FACTOR PROFILE



## STYLE MEASURES (MARKET CAP)

Style Measures Measures **Market Cap**

Avg Market Cap	Category Avg Market Cap	Index Avg Market Cap	
13.22 Bil	57.03 Bil	39.15 Bil	
Size	Investment %	Cat. Average %	Index %
Giant	37.44	67.11	63.94
Large	17.38	18.15	31.60
Mid	39.96	5.92	4.39
Small	1.18	0.74	0.07
Micro	0.00	0.04	0.00

USD | As of 31 Mar 2023 | Category: Asia ex-Japan Equity | Index: Morningstar Asia xJpn TME GR USD | Data is based on the long position of the equity holdings.

# Matthews Asia Ex Japan Total Return Fund – April 2023

## Style Measures

Measures

Market Cap

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	18.50	15.37	13.18
Price/Book	2.74	1.81	1.35
Price/Sales	2.21	1.59	1.14
Price/Cash Flow	11.63	7.96	6.08
Dividend Yield %	2.04	2.39	3.34
Long-Term Earnings %	13.67	11.69	10.02
Historical Earnings %	45.51	8.77	12.87
Sales Growth %	14.91	8.61	10.30
Cash-Flow Growth %	10.89	0.13	5.19
Book-Value Growth %	12.78	8.36	7.10

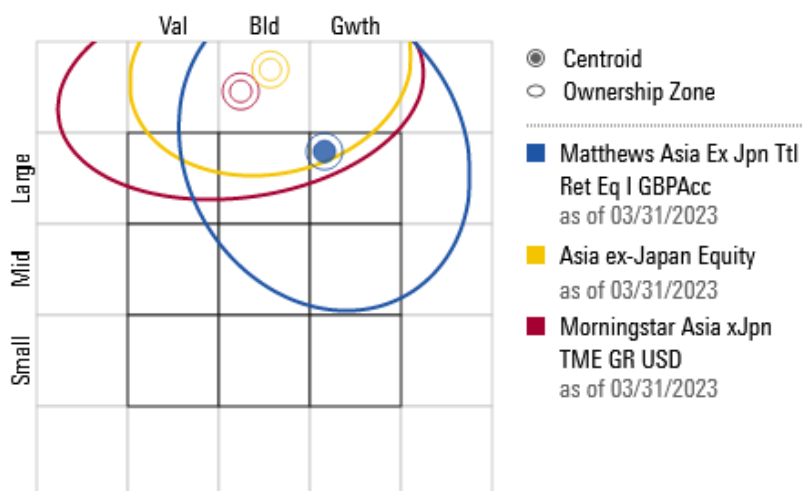
As of 31 Mar 2023 | Category: Asia ex-Japan Equity | Index: Morningstar Asia xJpn TME GR USD | Data is based on the long position of the equity holdings.

## Stock Style

Map

Weight

Historical



# Matthews Asia Ex Japan Total Return Fund – April 2023

## LWM FUND ANALYSIS

Matthews are specialists in Asia. The first strategy was launched in 1994 and this one was launched in 2015. In 2022 / 2023 there were two major changes to the strategy. Firstly, the name changed to reflect a greater emphasis on capital appreciation rather than just income, and secondly there was a change in management.

The two new managers, Sharat and Kenneth, have been at Matthews for several years. Kenneth manages other broad Asia strategies, as does Sharat, as well the India Strategy.

In terms of the strategy the main changes have been around the process and enhancements to the risk profile and in particular the volatility.

One of the changes was to remove companies which have never paid dividends and seem unlikely to do so soon. They have also looked at country allocation and taken down some of the risks. The example we discussed was Vietnam which is a frontier country and although they like the region they have reduced the risk. The holdings are still above the benchmark.

### COUNTRY ALLOCATION (%) – December 31, 2022

	Fund	Benchmark	Difference
China/Hong Kong	42.8	44.3	-1.5
Taiwan	17.7	15.4	2.3
Vietnam	11.9	0.0	11.9
South Korea	8.5	12.8	-4.3
India	6.0	16.3	-10.3
Malaysia	3.4	1.8	1.6
Indonesia	3.1	2.2	0.9
Singapore	2.9	3.9	-1.0
Thailand	2.2	2.5	-0.3
Philippines	0.0	0.8	-0.8
Cash and Other Assets, Less Liabilities	1.2	0.0	1.2

### COUNTRY ALLOCATION (%) – March 31, 2023

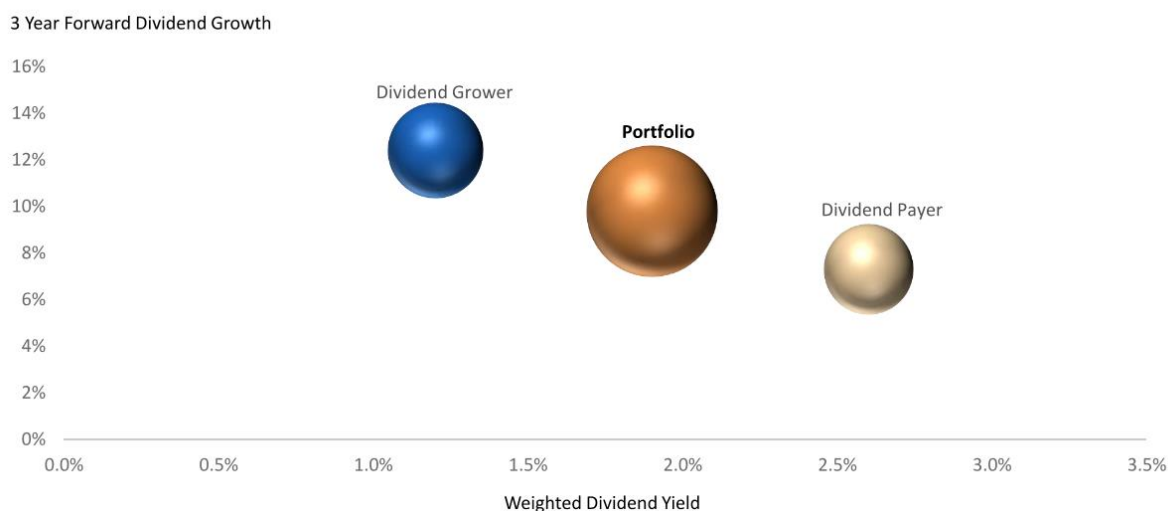
	Fund	Benchmark	Difference
China/Hong Kong	45.2	43.7	1.5
Taiwan	20.1	17.0	3.1
South Korea	8.2	13.4	-5.2
India	7.6	14.6	-7.0
Vietnam	4.2	0.0	4.2
Malaysia	3.2	1.6	1.6
Indonesia	2.8	2.1	0.7
Singapore	2.5	4.0	-1.5
Thailand	2.1	2.4	-0.3
Philippines	0.0	0.8	-0.8
Macau	0.0	0.3	-0.3
United States	0.0	0.0	0.0
Cash and Other Assets, Less Liabilities	4.0	0.0	4.0

In terms of companies, they have slightly increased their exposure to financials. They have also reduced some holdings where they are doubling up on similar exposures. The example they discussed was industrial automation, where they were holding 3 companies in China, and they have reduced this down.

The other area of change is around the buckets within the portfolio. There are two sources of returns, dividend growers and dividend payers. Growers have higher growth but lower yields, and dividend payer lower growth but higher yields.

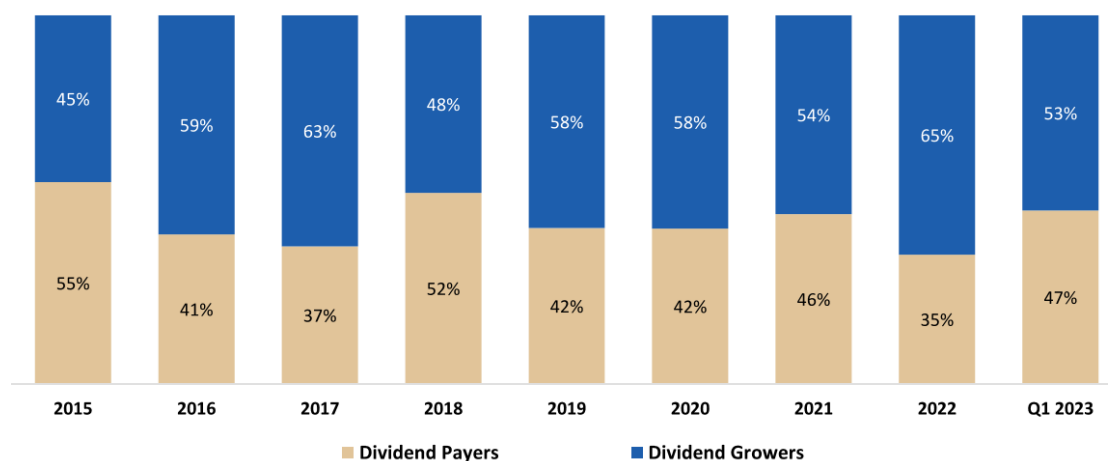
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## DIVIDEND YIELD VS. DIVIDEND GROWTH



The fund had drifted more towards growth and they have moved this so there will be more towards payers.

## DIVIDEND PAYERS & GROWERS FOR ASIA EX JAPAN TOTAL RETURN EQUITY PORTFOLIO



They have recently sold Alibaba and we discussed this holding and whether there is poor governance / state interference. They explained that the government has an interest in the media part of the business but not the e-commerce business. With China it is about working with the government rather than against them. DiDi, for example, ignored the advice of the government and listed in the US. It then found licenses being revoked. There are good reasons why the recommendation was to list in China and that is for security reasons as they are a transportation business and have access to movements of key people in China.

Interestingly they highlighted that Indonesia has a policy where the government owns a golden share which they can use to stop certain activities. So, for them it is about understanding the culture and risk of those companies they invest in.



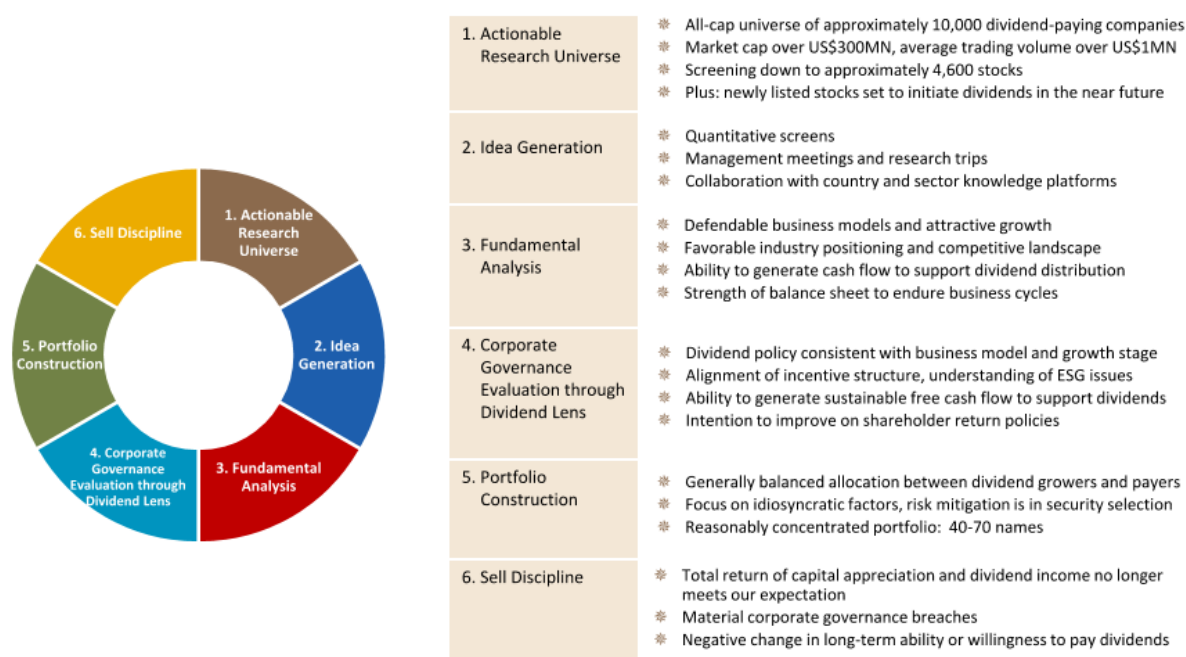
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We discussed Samsung as a holding as this can be controversial. They explained a lot has changed. The company has started to pay dividends, they are more attuned to minority shareholders and there have been changes to senior management. They also added that there is a shift in Korea to simplify company structures and these could be done for a period of five years without tax implications.

The fund is an article 8 strategy so promotes environmental and social characteristics:

Business Involvement Screens:	Fund Value	Benchmark Value	Sustainability Attributes:	Fund Value	Benchmark Value
<b>Controversial Weapons</b> Fund Coverage: 77.0% Benchmark Coverage: 96.5%	0%	0.3%	<b>UN Global Compact Violators</b> Fund Coverage: 100.0% Benchmark Coverage: 100.0%	0.0	0.7
<b>Tobacco</b> Fund Coverage: 80.9% Benchmark Coverage: 98.8%	0%	0.4%	<b>Board Diversity</b> Fund Coverage: 100.0% Benchmark Coverage: 99.1%	24.2%	20.4%

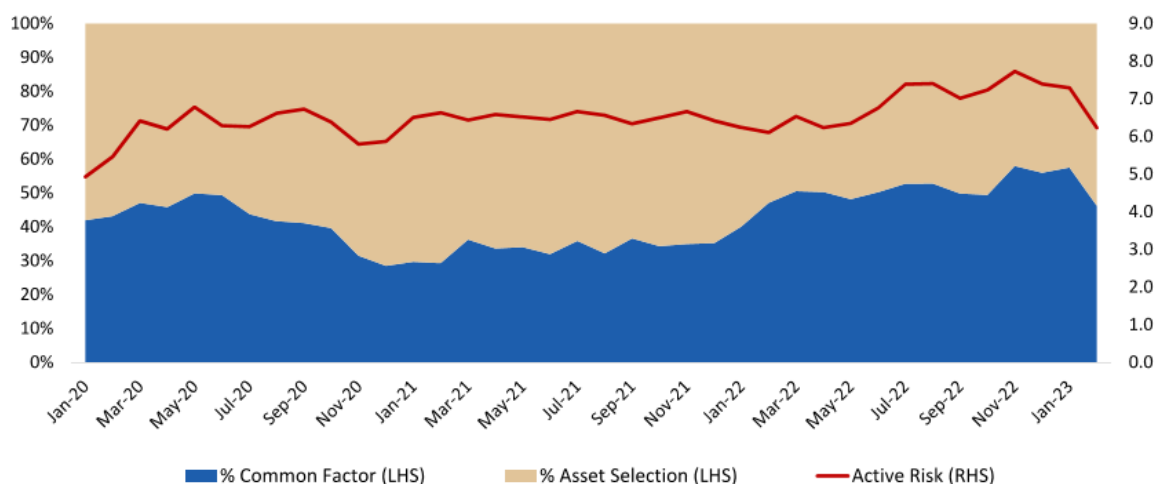
The investment process is outlined below:



This is not a high turnover fund, with an average holding period of 3 to 5 years. However, they will consider risk / reward characteristics. So for example, they have increased exposure to China as there are a number of opportunities arising through cheap valuations. They can also shift between the two buckets of payers and growth. Therefore, the construction and risk management are important to the whole process.

The chart below shows how that risk had increased and is now coming down:

## Matthews Asia Ex Japan Total Return Fund – April 2023



In summary, there has been some change to the team and fund. The performance has slipped recently and this is reflective of the changes. Moving forward these changes should provide better risk management and we do expect those returns to come back. We see this as a core holding or a blend within Asia allocation.

***The source of information in this note has been provided by Matthews and is correct as of April 2023. 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.***

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