

**SHINING A LIGHT ON THE.....
First State Asia Focus Fund**

AT A GLANCE

Investment Objective	
The Fund aims to achieve long-term capital growth. At least 80% of the net assets of the Fund will be invested in large and mid-capitalisation equities issued by companies that are established, operating or have their economic activity mainly in the Asia Pacific region (excluding Japan, including Australasia) and which are listed, traded or dealt in on Regulated Markets worldwide and in equity related instruments listed, traded or dealt in on Regulated Markets worldwide which provide exposure to the Asia Pacific region (as defined above). Up to 20% of the net assets of the Fund may be invested in other equities and equity related instruments which are listed, traded or dealt in on Regulated Markets worldwide.	

Inception Date	24 th August 2015
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VPXO

Management	
Manager Name	Start Date
Martin Lau	24 th August 2015
Richard Jones	24 th August 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	51.30%
Large	38.19%
Medium	10.14%
Small	0.34%
Micro	0.03%

Top 10 Holdings		
Total number of holdings	73	
Assets in Top 10 Holdings	31.12%	
Name	Sector	% of Assets
Taiwan Semiconductor Manufacturing Co	Technology	5.29%
CSL Ltd	Healthcare	3.57%
Housing Development Finance Corp Ltd	Financial Services	3.31%
Oversea-Chinese Banking Corp Ltd	Financial Services	3.30%
HDFC Bank Ltd	Financial Services	3.08%
Samsung Electronics Co Ltd	Technology	3.02%
Midea Group Co Ltd Class A	Technology	2.64%
ENN Energy Holdings Ltd	Utilities	2.47%
AIA Group Ltd	Financial Services	2.29%
China Mengniu Dairy Co Ltd	Consumer Defensive	2.15%

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Volatility Measurements	
3-Yr Std Dev (volatility)	12.21%
3-Yr Mean Return (average)	15.47%

FUND PERFORMANCE

Performance from 24th August 2015 to 31st October 2018:

	2015	2016	2017	2018
First State Asia Focus Fund	10.94%	24.65%	26.32%	-5.32%
iShares MSCI AC Far East ex Japan ETF	9.74%	27.34%	28.84%	-12.30%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
First State Asia Focus Fund	-3.04%	50.73%	65.40%
iShares MSCI AC Far East ex Japan ETF	-10.93%	44.21%	57.89%

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 is a relatively new fund with performance slightly above the benchmark we set. The performance is important as it shows a significant trait of the fund. First State manage a number of Asian strategies and they tend to outperform more in down markets than in up markets. What this means is that they are more defensive. Since launch this fund has outperformed in down markets 75% of the time and in up markets 54.5%.

In 2017 when Asian Funds were performing strongly this fund lagged because it doesn't tend to hold the stocks others will hold, in particular some tech names. As they explained they like Tencent because they believe it to be an honest business. The founders are not majority shareholders and there is just one share class. There is some debate within the team on Tencent. As a company they don't like gambling and tobacco. 60 to 70% of the revenues from the company come from gaming which is highly addictive, and the question is should they have a company which encourages addiction.

The company is also under pressure from government measures to restrict gaming, and there is no doubt this will impact and slow revenues moving forward. Currently, the holding remains in the fund, but it is obviously one that is up for debate.

In contrast, the fund doesn't hold Alibaba because they are uncomfortable with the different share structures of the company. Not holding the main tech stocks did hurt the fund but this reflects their style of investment.

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We discussed Chinese Banks, and this is another area they avoid. If we look back in history, in 1987 the largest banks were in Japan, in 2007 the UK and now China. If history repeats, then this is a troubled sector and one they want to avoid.

China remains a long-term growth story but there is a shift in the types of companies they like, particularly consumer companies, selective tech stocks and healthcare. The trade wars are a concern and there have been some concessions but even if a deal is struck it is likely to continue. This is the new cold war and the US are never going to be happy with a new super power. It is not all bad news as the US did the same with Japan and Japanese companies just adapted. The same is likely to happen in China.

They like Vietnam and see this as being in the same place as China 20 years ago. Samsung have built a factory in Vietnam and others are following. There are signs that there are changes in Korea around corporate governance. Some Korean stocks have been hit by a ban by China of its citizens to visit the country.

India is another area they are optimistic about. Key reforms have been implemented and these will have a lasting impact.

One other point to add is that part of the profit shares the managers receive go into the funds they manage. They cannot access this for a minimum of three years. This is a demonstration of synergy between the managers and the investors of the funds.

In summary, this is a well-respected fund management team whose fund has slightly outperformed the index since launch. We would expect over time for this gap to increase. The focus is on quality growth at sensible price. It is also worth adding that environmental, social and governance issues have always been at the heart of the process. For investors interested in this fund it is worth comparing to others and deciding whether to use as a blend or stand-alone fund.

The source of information in this note has been provided by First State and is correct as at October 2018. 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.