

**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	32.33%
Large	46.40%
Medium	20.50%
Small	0.77%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	55	
Assets in Top 10 Holdings	44.98%	
Name	Sector	% of Assets
Kunlun Energy Co Ltd	Energy	6.23%
Baidu Inc ADR	Technology	6.20%
ASE Technology Holding Co Ltd	Technology	4.10%
COSCO SHIPPING Ports Ltd	Industrials	3.90%
Beijing Enterprises Holdings Ltd	Industrials	3.87%
Alibaba Group Holding Ltd ADR	Consumer Cyclical	3.76%
Hyundai Steel Co	Basic Materials	3.53%
2.16000 % 03/12/18bnpaie	-	3.45%
Samsung Fire & Marine Insurance Co Ltd	Financial Services	3.13%
PetroChina Co Ltd H	Energy	2.83%

Volatility Measurements	
3-Yr Std Dev (volatility)	15.54%
3-Yr Mean Return (average)	19.15%

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FUND PERFORMANCE

Performance from 1st January 2014 to 28th February 2019:

	2014	2015	2016	2017	2018	2019
Hermes Asia ex Japan Equity Fund	14.69%	4.24%	30.65%	33.27%	-10.14%	5.67%
iShares MSCI AC Far East ex Jpn ETF	8.54%	-5.92%	27.34%	28.84%	-10.18%	5.11%

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	-3.57%	63.40%	100.26%	157.87%
iShares MSCI AC Far East ex Jpn ETF	-5.74%	56.79%	65.24%	68.78%

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....

The fund (and management team) have an excellent reputation and track record as shown in the performance figures. The team have always stated that there is an upper limit to assets they manage and therefore this fund is not open to new investors and has been soft closed for three years.

Jonathan started by explaining that the original strategy goes back to 2010 and therefore they are approaching the ten-year anniversary. However, the last quarter of 2018 was the worst they had had, and this has impacted the returns. It also highlights how they are approaching investing and how this hasn't changed during the time the fund has been running.

They are fundamentally bottom-up stock pickers looking for a good deal relative to the quality of the company. This could be a quality company at a good price, or a low-quality business at a very good price. The team don't pay attention to sectors and countries; it can therefore appear that they are taking punchy country and sector positions. Compared to the index they are overweight China and Korea, but underweight India and Financials. Effectively they are overweight where they see the opportunities.

In 2018 China and Korea underperformed the benchmark, Hong Kong, Asean and India all outperformed. Effectively the allocation meant that they missed out in 2018. However, consistently the majority of the returns of the fund come from stock selection and not country allocation.

In terms of the fund position, the fund has a high active share class. This means many of the stocks are either not in the benchmark or only a small proportion. The top ten are the biggest bets and these all offer attractive valuations compared to the market. They believe these will go up in the long term although there will be short term volatility. They have a five-year time horizon with an expectation that stocks will double over that time.

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In terms of India they like the country but they feel it is expensive and inefficient. As stock pickers they can find opportunities elsewhere but there are companies they are monitoring. China has been impacted by a slowdown and the trade war and this has opened up opportunities.

In terms of liquidity, 20% of the stocks could be liquidated within one day, 60% within 10 days. This is something they monitor and part of the reason for soft closing. They could reduce the time to liquidity but this would mean investing in large boring companies and effectively tracking the index which is not what they are about.

In summary, this review is for those investors who currently hold this fund. If the fund opens in the future, there will always be limited options to invest in it. However, the team have shown consistency in performance and management since launch and this is really what makes it one of the best Asia Funds in the market.

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