

SHINING A LIGHT ON THE..... Liontrust Asia Income Fund

AT A GLANCE

Investment Objective	
The investment objective of Liontrust Asia Income Fund is to provide a high level of income with long term capital appreciation.	

Inception Date	5 th March 2012
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000NOQH

Management	
Manager Name	Start Date
Mark Williams	5 th March 2012
Carolyn Chan	5 th March 2012

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	16.05%
Large	38.32%
Medium	36.05%
Small	9.57%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	52	
Assets in Top 10 Holdings	27.78%	
Name	Sector	% of Assets
Indiabulls Housing Finance Ltd	Financial Services	4.12%
Kingboard Laminates Holdings Ltd	Technology	3.39%
Samsung Electronics Co Ltd Participat...	Technology	2.72%
Industrial And Commercial Bank Of Chi...	Financial Services	2.65%
Xinyi Glass Holdings Ltd	Basic Materials	2.62%
SITC International Holdings Co Ltd	Industrials	2.56%
China Machinery Engineering Corp	Industrials	2.52%
Man Wah Holdings Ltd	Consumer Cyclical	2.44%
Advanced Semiconductor Engineering Inc	Technology	2.41%
King Yuan Electronics Co Ltd	Technology	2.35%

Volatility Measurements	
3-Yr Std Dev (volatility)	14.51%
3-Yr Mean Return (average)	16.12%

FUND PERFORMANCE

Performance from 5th March 2012 to 31st October 2017:

	2012	2013	2014	2015	2016	2017
Liontrust Asia Income Fund	6.04%	9.31%	7.88%	-2.76%	33.27%	15.48%
iShares MSCI AC Far East ex Japan	0.71%	-1.21%	6.63%	-7.98%	24.94%	24.88%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Liontrust Asia Income Fund	11.81%	52.73%	83.31%	87.13%
iShares MSCI AC Far East ex Japan	17.82%	44.94%	60.77%	52.30%

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 update with the manager was primarily to discuss the underperformance of the fund over the previous 12 months. In having this conversation, it acted as a reminder as to how the fund is managed. The fund looks to invest in companies that will grow and are paying dividends, so this means there will likely be parts of the market that the fund does not invest in.

Some of the big movers in the market included Tencent, Baidu and Alibaba. Of these, only Tencent pay a dividend and this is such that it would not be included in the portfolio. Additionally, some of the other movers were commodity based stocks which were at distressed valuations, where a small level of profitability has pushed up the share prices. Much of the underperformance is about what they do not hold rather than what they have held.

The fund is all about finding well run businesses with money on the balance sheets and good valuations. The view is that combining both capital and dividend growth will deliver good long returns. To change this, by chasing glamour stocks is against the philosophy of the fund, and therefore there are periods when it will underperform, but it is the long term that the managers are focused on.

Mark added that the fund also suffered some underperformance from Fletcher Building in New Zealand. This is a construction company; for the last two years it has been in a sweet spot with a lot of investment in infrastructure within the country. However, there were some poor contracts which meant they had to write off losses on some contracts. Although this is negative for the company, a new CEO is transforming the business, and this continues to be a long-term hold.

In terms of positioning, Korea is an area they like. Moon Jae-In, the new President, is reforming the country by forcing companies to embrace better corporate governance. These changes mean that certain parts of the market will benefit. Some of the holdings include KB Financial, LG Chemical and Samsung.

They have also increased exposure to India from 5% to 8%. A correction in the market enabled them to buy in at cheaper valuations. They hold a REIT which invests in toll roads and this should be a beneficiary of a growing economy.

We discussed whether the macro pictures drive decisions and Mark explained it is a factor, but fundamentally this is about picking good stocks. In Australia (as an example), there is high consumer debt, expensive housing and retail is coming under threat from the likes of Zara. This means there are fewer opportunities but even in this environment they can find good companies.

We discussed Trump and the potential impact on the region and as he explained, China is not the problem. If you tax China then it doesn't remove exports from overseas; actually, China is declining in terms of exports to the US, whereas other regions are growing. But to hit China will also hurt the US as well; 25% of Boeing's new 737 goes to China, and in turn they are big exporters of computers to the US. The reality is that the macro noise sometimes opens up opportunities.

In conclusion, the fund has underperformed over the last 12 months but much of that is about what stocks they don't have rather than the ones they do. It is a reminder of the philosophy of the fund and when it might under perform. Long term this continues to deliver strong returns, focusing on companies which can grow both in terms of capital and dividend.

The source of information in this note has been provided by Liontrust and is correct as at November 2017. 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.