

## SHINING A LIGHT ON..... LIONTRUST ASIA INCOME FUND

### Update....

In the last review we concluded this was a well-managed fund with a good track record, but potential investors should be aware of the expenses associated with the fund. In the latest update we met with two key members of the investment team, Mark Williams and Carolyn Chan, and discussed fund positioning as well as views from across the region.

Currently the fund's largest geographical exposure is Hong Kong and China which makes up 45%. I asked whether this meant the fund was over exposed to this region and whether this meant it was carrying too much "risk". Mark explained that he didn't think this was the case, they don't hold A Shares as they feel they are expensive and price doesn't tend to reflect fundamentals. He feels China is about the new economy, and focusing on those companies with good domestic consumption stories is where returns will be driven rather than on government backed companies.

He also added that the market tends to see China from a western view point. There is increased debt and this needs to be addressed but this is not a crisis. There is a rebalance and change happening but this is important to enable the country to adapt to a new world. For all the concerns the first ever bond default was in 2014 and the markets reacted badly, but this is important for the broader economy.

I questioned why there was little exposure to India and he feels it is overvalued compared to other parts of the market, where there are better opportunities at cheaper valuations. China is seeing reform driven by the government whereas Indian reform is being hampered by local government and bureaucracy.

As an example it took 18 months for the Indian Railways to agree whether ceramic mugs should be chained or not! But it is not all bad, infrastructure is key and the golden triangle is 85% complete; getting this finished would make a big difference. His argument is that small changes can make a big difference and there is no reason why India can't be like investing in China 20 years ago.

At the moment they are waiting for cheaper valuations with the right companies, and whilst China still offers opportunities that will remain the focus.

Other areas they like are Taiwan (with electronics) and Thailand covering domestic consumption. The team are positive about Asia compared to other DM economies. He feels that despite the stellar performance of economies like the US there remains greater risk. Many Asian economies have not grown to such extents where they have debt overhangs, and can do little to address this.

Unfortunately, Asia seems to be lumped with the movement of oil irrespective of whether it has a positive or negative impact. Unlike many economies valuations are down to financial crisis levels, but there is already a flow of positive data surprises coming in.

Interestingly despite seemingly negative sentiment on Asia, the fund is seeing positive inflows most days and perhaps this is a better sign of what individual investors are thinking.

In summary this remains a well-managed fund with a good track record. China does form a large part of the fund and this may deter some investors but most Asian Funds will have this exposure. It is worth adding that the fund is currently positioned more in the mid-cap space and any extreme volatility could impact returns. However, the team explained that 80% of the fund can be liquidated in a single day and they could move to more defensive stocks if needed.

## Fund performance

Performance from launch (5 March 2012 to 9 June 2016)

	2012	2013	2014	2015	2016
<b>Liontrust Asia Income Fund</b>	6.04%	9.31%	7.88%	-2.76%	7.49%
<b>iShares MSCI AC Far East ex-Japan</b>	0.71%	-1.21%	6.63%	-7.98%	4.32%

Performance over 1 year, 3 years and since launch:

	1 year	3 years	Since Launch
<b>Liontrust Asia Income Fund</b>	-4.21%	11.97%	30.70%
<b>iShares MSCI AC Far East ex-Japan</b>	-10.16%	0.54%	1.82%

*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.*

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