



WAVERTON
INVESTMENT MANAGEMENT

SOUTHEAST ASIAN FUND I USD ACC

FUND FACTSHEET - AS AT 30 JUNE 2019

OBJECTIVES

FUND AIM

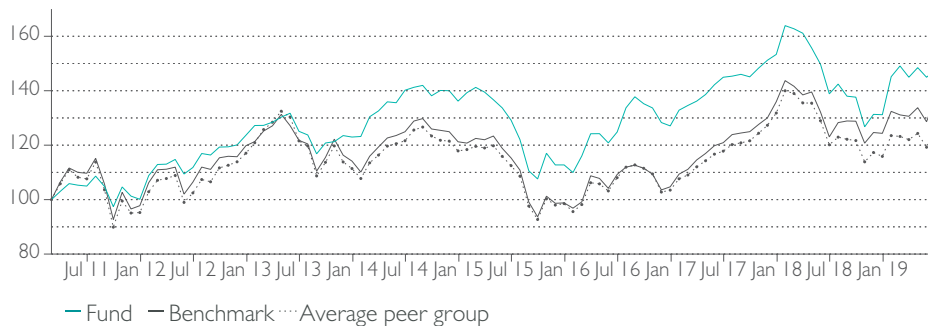
The investment objective is to generate capital growth by investing in a concentrated portfolio of no more than 30 listed Southeast Asian equities

INVESTMENT STYLE

The Fund seeks to construct concentrated portfolios from the bottom up, unconstrained by the composition of the index. The managers seek to make a small number of long-term investments, primarily in growing companies, with strong management and operating in favourable business environments.

PERFORMANCE

PERFORMANCE SINCE INCEPTION



Risk Warning: Past performance is no guide to future performance. The value of holdings may fall as well as rise and investors may not get back their initial investment.

Important information: Performance displayed is for the I Share Class. Performance is calculated on a NAV to NAV basis and does not take into account any initial fees. Performance is displayed net of fees and assumes income is reinvested.

Period	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Inception Mar 11
Portfolio (%)	1.9	1.9	12.5	6.3	18.3	5.3	47.7
Benchmark (%)	7.0	5.4	10.7	11.8	26.0	10.1	35.5
Morningstar Peer Group (%)	5.9	3.5	8.7	4.1	15.7	1.0	23.3
Quartile	4	4	1	2	2	2	1

DISCRETE CALENDAR YEAR PERFORMANCE

Period	2018	2017	2016	2015	2014
Fund (%)	-14.4	20.7	12.7	-17.2	10.7
Benchmark (%)	-8.6	29.9	6.0	-18.5	6.2

STANDARDISED PERFORMANCE

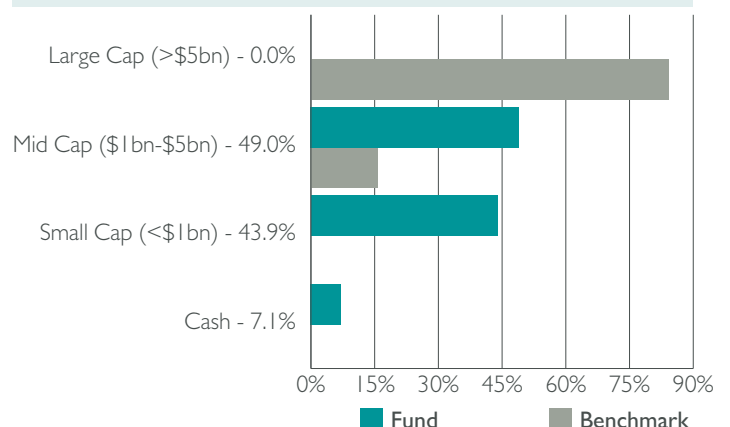
Period 1 year to	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015
Fund (%)	6.3	-4.2	16.1	-3.4	-7.9

PORTFOLIO SUMMARY

TOP 10 HOLDINGS

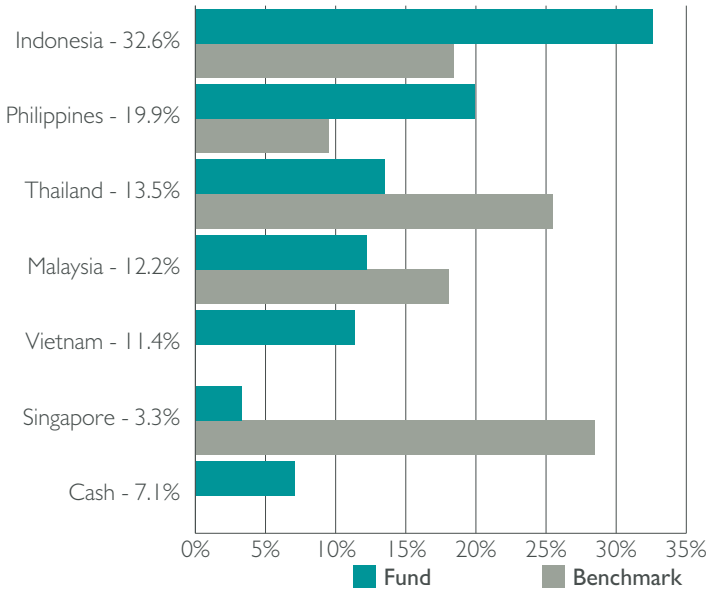
Silverlake Axis Ltd	8.0%
Bekasi Fajar Industrial Estate IDR100	5.3%
Sentul City TBK LKD Shs	5.2%
Siam City Cement Public Co., Ltd.	4.9%
Manila Water Co PHP1	4.7%
Hana Microelectronics Public Co., Ltd.	4.6%
PT Link Net Tbk	4.5%
Astra Agro Lestari IDR500	4.4%
Aboitiz Power Corp	4.3%
Alliance Financial MYR1	4.3%
Total	50.2%

MARKET CAP

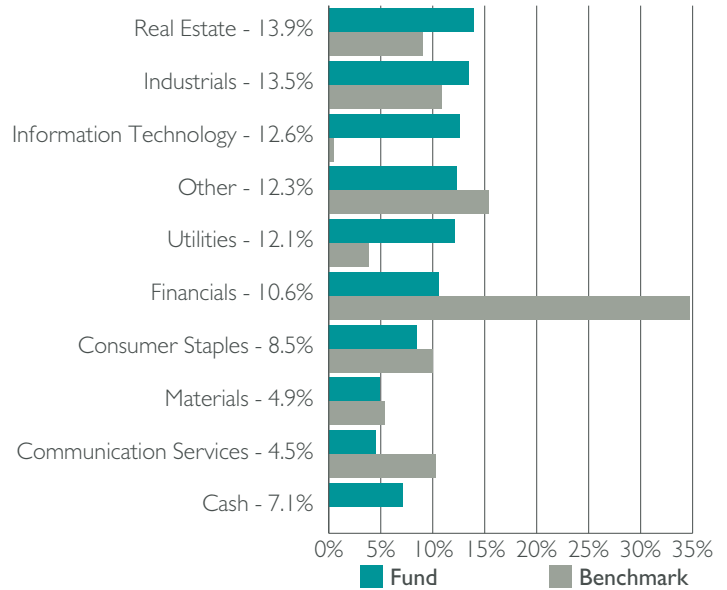


PORTFOLIO SUMMARY - CONTINUED

COUNTRY



SECTOR



PORTFOLIO ACTIVITY

Purchase

Month

Sale

Link Net
Jaya Real Property
Alliance Global Group
Bank Tabungan Negara
Kinh Bac City Development

Apr - Jun 2019

Genting Bhd.
Singapore Post

MARKET REVIEW

External influences set the tone for Southeast Asian equities in the second quarter, with the US Fed's increasingly dovish tilt pushing markets to strong gains. The Fund's benchmark MSCI ASEAN index rose by 5.4%, bringing year-to-date gains to 10.7%. The Fund itself lagged in Q2, with a gain of just 1.9%, although it had performed strongly in Q1 and is ahead year-to-date by 12.5%. Relative performance in Q2 suffered because momentum rotated from small and mid-cap stocks in Indonesia, Vietnam and the Philippines, which performed well in Q1 and where the Fund is overweight, towards more liquid stocks in Singapore and Thailand, where it is not. With the Fed now clearly signalling lower rates ahead, the US dollar no longer looks quite so all-conquering, and weakened against the major Southeast Asian currencies in Q2. This has raised hopes for interest rate cuts across the region.

In May, the market's confidence was briefly but sharply ruffled by an escalation in US-China trade tensions. Most Southeast Asian economies remain primarily export-driven, so fears of a long, drawn-out trade war inevitably lead to a downgrading of expectations for regional exports, with knock-on implications for GDP growth and corporate earnings. As a trans-shipment port, Singapore is the most trade-dependent of all, with exports equivalent to 173% of GDP in 2017. Not surprisingly, confidence there has been a little fragile recently, but in June, hopes of a trade ceasefire between Presidents Trump and Xi began to rise ahead the G20 summit in Osaka. Combined with the ever more dovish noises emanating from the Fed, this helped drive Southeast Asian equities, led by Singapore, to a strong quarterly close. We will soon discover if that is supported by Q2 earnings. Reports from many companies suggest that economic conditions remain quite tough.

PERFORMANCE REVIEW

The Fund's performance in Q2 was disappointing, rising by just 1.9% against a gain for the benchmark MSCI ASEAN index of 5.4%. The second quarter saw a reversal of some of the trends that benefitted us most in the

first. Vietnam, which rose by 14.4% in Q1, lost momentum and declined by 3.8%. Indonesia eked out a rather feeble gain of 0.4%. The Philippines also lagged with a gain of just 1.3%. Regional small and mid-cap stocks rose by 3.6%, trailing large caps. Vietnam was especially disappointing, given that it has been the big winner to date from supply chain reorganisation resulting from rising US-China trade tensions. Its economy is performing well, on a combination of strong foreign direct investment and good export growth. We believe the stock market weakness was mainly due to a technical factor; disappointment over the country's failure to make it onto an MSCI watch list for an upgrade to emerging markets status. In Q2 the Fund's holding in struggling Thai broadcaster BEC rose by 30% as the new management team set out its turnaround plan. Philippine National Bank declined by 17% on an announcement of a rights issue.

STOCK EXAMPLE

One of the principal objectives of the Fund is to seek out opportunities from the rise of the middle class in Southeast Asia. One holding that helps to illustrate this is Puregold Price Club, a Philippines food retailer with more than 350 retail stores, including Puregold hypermarkets and supermarkets and S&R wholesale membership stores. Penetration of modern retail formats in the Philippines is low at around 29%, compared to 45% in Thailand, and Puregold is the market leader and most trusted supermarket brand in a less competitive environment than elsewhere in Southeast Asia. Consumer confidence in the Philippines is strong, but may gain further if interest rates decline on lower inflation and a stable currency. This would help to propel same store sales towards the top end of their historic growth range of 5-10%. Further gains will come from 20 new store openings in 2019 and 22 planned for 2020, and over 80% of these will be located in provinces outside Manila, where the purchasing power of Filipinos is growing fastest. Puregold sells on a multiple of 16x prospective 2019 earnings. With a strong balance sheet and mid-teens return on equity, we believe it has the potential to grow earnings at around a 15% rate for several years ahead.

OUTLOOK

With most regional markets making impressive gains in the first half of the year, the focus will now turn to Q2 earnings reports. Slower global trade could lead to a few disappointments around Southeast Asia. Some of this has been well flagged, especially in the electronics sector, but we suspect that analysts' expectations are still on the high side. During a visit to Jakarta in late-June, we heard from several companies that economic conditions there are sluggish, held back by high real interest rates and weak incomes resulting from lower commodity prices, especially coal and palm oil. The central bank has been cautious about cutting rates, understandably in the light of last year's currency crisis, but conditions are now moving in a direction that will permit them to do so. Inflation is falling, S&P has upgraded the country's debt, and President Jokowi's re-election will build confidence at home and abroad. Lower US rates will also help. We anticipate that, barring another external scare, Indonesian rates could fall by as much as 100 basis points over the next 12 months.

That should help Indonesia to close the gap by which it underperformed other regional markets in Q2, although first we have to get through a potentially slow earnings season and the risk of renewed trade tensions. We suspect these concerns will be the same for almost every market, although investors may perceive the trade war in a decreasingly binary way going forwards. If President Trump chooses to de-couple the US and China economies and enter into a destructive new Cold War, that will have high costs for all, but we suspect it is not the preferred route of a President facing re-election next year. On the other hand, a lower level trade war that rumbles on could give rise to new opportunities in Southeast Asia. Vietnam has demonstrated its ability to attract foreign direct investment as companies reorganise supply chains. This should continue to drive GDP growth and corporate earnings there for at least the next few quarters. We suspect that investors in Vietnam became too focused in Q2 on the issue of the potential MSCI upgrade to emerging markets status, and the related questions of foreign access to the market and potential foreign inflows to ETFs. These are a distraction; Vietnam's strong fundamentals should soon reassert themselves.

BIOGRAPHIES

BROOK TELLWRIGHT

Brook has managed the Southeast Asian Fund since its inception in 2011 and came to Waverton upon the acquisition of 2CG Senhouse which he co-founded in 2010. Prior to this he co-managed the Ton Poh Emerging Thailand Fund at Ton Poh Capital which he had co-founded in 2004. Brook was at Cazenove & Co between 1984 and 2002 leading both the Emerging Markets Desk and the North American Desk during his time there. He has an Economics degree from Queen Mary College, University of London (1984) and a Masters in Asian History from the School of Oriental and African Studies, University of London (2004).

TEAM



Brook Tellwright

RICHARD HARDING

Richard joined Waverton in September 2018 as Head of Asian Equity Research. He is based in the Bangkok research office and works closely with Brook Tellwright and Will Hanbury on the Southeast Asian and Asia Pacific long only equity investment strategies. Prior to joining Richard was Head Of Asian Equities in Singapore for Maybank Kim Eng (2005-2018), during which time he collaborated strongly with Waverton identifying interesting opportunities across Asia. Richard was Head of Asian Equity Sales for Nomura, HSBC Swiss Bank and Barings Securities between 1989-2005. The first decade of his career was spent as a Global Bond and Equity fund manager for Den Norske Creditbank (1986-1989) and as a Japanese Warrant Trader for Hoare Govett (1981-1985). Richard read Economics at Bath University in 1980, holds four London Stock Exchange exams and has Modules IA and 6A from the Institute of Banking and Finance Singapore.



Richard Harding

HOON VALYASEVI

Hoon joined Waverton in June 2017 as an analyst for the Waverton Southeast Asian Fund. Previously he worked in the Business Development department of Thailand's state-owned energy corporation, PTT Public Company Limited. Hoon graduated from Imperial College, London with a Masters in Chemical Engineering (MEng) in 2014. He is currently studying for a Masters in Financial Investment and Risk Management (MSc) at the National Institute of Development Administration of Thailand, and his CFA examinations.



Chaiyarit 'Hoon' Valyasevi

FUND DETAILS

FUND FACTS

Launch Date	1st March 2011
Morningstar Category	ASEAN Equity
Benchmark	MSCI AC ASEAN NR Index
Fund Size	\$25.3m
No. of Holdings	23
Domicile	Ireland
Sedol	BP4W4Z9
Bloomberg Code	SHAEAFALX
Fund Type	OEIC
Base Currency	USD
Other Currencies	None
Ex Dividend Dates	30th April

RISK STATISTICS

3Y Annualised

	FUND	AVERAGE PEER GROUP
Fund Volatility (%)	12.9	12.1
Index Volatility (%)	11.7	-
Sharpe Ratio	0.3	0.3
Information Ratio	-0.3	-0.7
Tracking Error	7.4	4.3
Alpha (%)	-1.3	-2.7
Beta	0.9	1.0
Active Share (% - Current)	99.3	-

FUND INFORMATION

Share class	ISIN	Minimum	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I USD Acc	IE00BF5KTT11	1,000,000 USD	0.80%	ACC	1476.5	N/A	1.18%
I USD Inc	IE00BF5KTV33	1,000,000 USD	0.80%	INC	972.34	N/A	1.18%
R USD	IE00BF5KTR96	100,000 USD	1.25%	ACC	1419.6	N/A	1.63%

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Risk Warning: Past performance is no guide to future performance. The value of holdings may fall as well as rise. All financial investments involve an element of risk. The level of income from the investment may fluctuate in value. Currency movements may also affect the value of the investment. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The Fund may invest assets in Emerging Market Countries. The risks involved in investments in Emerging Market Countries are likely to exceed the risks of investment in more mature markets. For full details of investment risks please refer to the Prospectus. A copy of the full prospectus and the KIID is available from Waverton Investment Management or Administrator, RBC Investor Services (Ireland). Waverton Investment Management is authorised and regulated by the Financial Conduct Authority.

Sources: Waverton, Morningstar.

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