



**WAVERTON**  
INVESTMENT MANAGEMENT

# SOUTHEAST ASIAN FUND I USD ACC

FUND FACTSHEET - AS AT 31 MARCH 2018

## OBJECTIVES

### FUND AIM

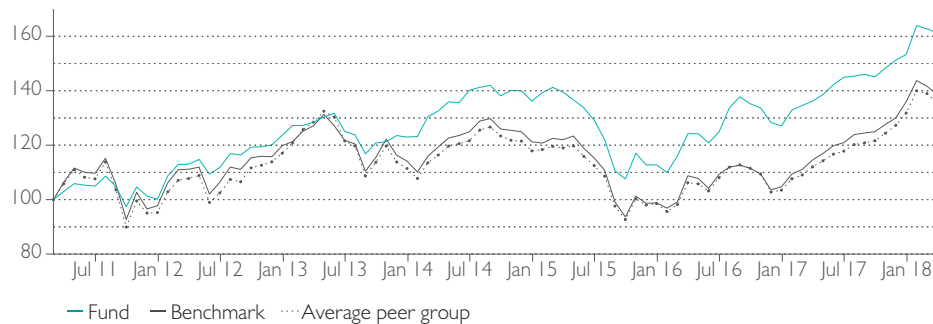
The investment objective is to generate capital growth by investing in a concentrated portfolio of no more than 30 listed Southeast Asian equities

### 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 (%)	-1.0	5.1	5.1	18.3	15.5	25.4	61.1
Benchmark (%)	-2.2	1.8	1.8	20.8	13.5	8.9	36.3
Morningstar Peer Group (%)	-2.6	2.7	2.7	19.9	11.4	6.8	29.9
Quartile	I	I	I	3	2	I	I

### DISCRETE CALENDAR YEAR

Period	2017	2016	2015	2014	2013
Fund (%)	20.7	12.7	-17.2	10.7	-0.5
Benchmark (%)	29.9	6.0	-18.5	6.2	-4.7

### STANDARDISED PERFORMANCE

Period 1 year to	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
Fund (%)	18.3	9.7	-11.0	5.2	3.2

## PORTFOLIO SUMMARY

COUNTRY		SECTOR		TOP 10 HOLDINGS	
Indonesia	30.6%	Financials	14.2%	Silverlake Axis	7.3%
Thailand	17.3%	Consumer Discretionary	13.2%	Sentul City	5.5%
Philippines	14.4%	Utilities	11.7%	BEC World	5.5%
Malaysia	12.2%	Real Estate	10.7%	Bank Tabungan Pensiunan Nasional	5.3%
Vietnam	10.0%	Industrials	8.9%	Bekasi Fajar Industrial Estate	5.2%
Singapore	4.1%	Consumer Staples	7.9%	Alliance Bank	4.9%
Cambodia	4.0%	Telecommunication Services	7.4%	Astra Agro Lestari	4.8%
Cash	7.3%	Information Technology	7.3%	Intouch	4.8%
<b>Total</b>	<b>100.0%</b>	Materials	4.0%	Singapore Post	4.1%
		Energy	3.8%	Siam City Cement	4.0%
		Investment Funds	3.6%	<b>Total</b>	<b>51.4%</b>
		Cash	7.3%		
		<b>Total</b>	<b>100.0%</b>		

## COMMENTARY

Global volatility persisted in March against the backdrop of a more hawkish US Fed, geopolitical uncertainties and the rising risks of a potential trade war between China and the US. Equity markets in Southeast Asia had a comparatively quieter month; the fund was down 1.0% ahead of the MSCI ASEAN index which was down 2.2%. This brings the Fund's return for Q1 2018 to +5.1% vs. the index's return of +1.8%. We're mindful of the protectionist rhetoric coming out of Washington and Beijing however, we believe the ASEAN nations are making serious efforts to move in a different direction. For example, we saw the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on the 8th March in Santiago, Chile. The new CPTPP agreement brings together the remaining 11 countries, 500m people and has a collective GDP of USD 12.4trn or 13.5% of global GDP. It is the biggest multilateral trade deal since NAFTA, though is less than half of the 38.2% global GDP under the old TPP deal with US participation. In the context of Southeast Asia Singapore, Malaysia and Vietnam are included and arguably Vietnam, with the lowest GDP per capita of the group, stands to benefit the most.

We visited Philippine National Bank (PNB) on the day they released 2017 results; reported earnings fell due to lower trading gains and a distortion caused by one-off gains from the sale of non-performing assets in 2016 – these sales continue but are slowing. On the plus side, they achieved mid-teens loan growth for the year and the percentage of SME and consumer loans is rising relative to corporate loans, which helped raise NIMs from 3 to 3.1%. Higher interest rates should help further in 2018 and the large depositor base is contributing to the low cost of funding. Whilst these numbers are slowly but surely heading in the right direction, the fact that PNB still occupy their 10-hectare HQ site in a fairly-central area of Manila (whilst also retaining the old Allied HQ building nearby) is a constant reminder that cost control at this bank is just not a priority. During the year they sold a 50% share of PNB Life to Allianz and integrated the Allied and PNB core banking systems, however headcount is not falling, nor expected to fall in the short term. Only around 10% of loans are high margin consumer (75% home, 20% auto) and credit cards are still a tiny part of the business. Very little cross-selling has ever taken place, although hopefully the Allianz deal can accelerate this. The CFO told us that "management and board know the problems and are addressing them – we aim to raise RoE to high single digits by 2020" from 7% currently. PNB is a great franchise and when the 83-year-old Chairman, Lucio Tan, finally retires, his successors are likely either to accelerate greatly the pace of the turnaround at the bank or to seek a new merger partner. Current RoA is barely 1% and PBV 0.6x so there's plenty of room for better returns AND a re-rating. However we may have to be patient.

We continue to identify wealth creating companies at attractive from across the ASEAN region and are excited about the prospects for the Fund.

## TEAM



Brook Tellwright



William Hanbury



Douglas Barnett

## FUND DETAILS

### FUND FACTS

Launch Date	1st March 2011
Morningstar Category	ASEAN Equity
Benchmark	MSCI AC ASEAN NR Index
Fund Size	\$36.5m
No. of Holdings	22
Domicile	Luxembourg
Sedol	BP4W4Z9
Bloomberg Code	SHAEAF:LX
Fund Type	SICAV
Base Currency	USD
Other Currencies	None
Ex Dividend Dates	N/A

### RISK STATISTICS

<b>3Y Annualised</b>	
Fund Volatility (%)	13.3
Index Volatility (%)	13.7
Sharpe Ratio	0.4
Information Ratio	0.1
Tracking Error	6.0
Alpha (%)	1.0
Beta	0.9
Active Share (% - Current)	98.9

### FUND INFORMATION

Share class	ISIN	Minimum investment	AMC	INC/ACC	NAV	Historic yield (%)	Ongoing charge (%)
I USD Acc	LU1060842033	1,000,000 USD	0.80%	ACC	829.871	N/A	1.31%
I USD Inc	LU1206605195	1,000,000 USD	0.80%	INC	1611.187	N/A	1.33%
R USD Lead	LU1060841571	100,000 USD	1.25%	ACC	1098.82	N/A	1.85%

## CONTACT DETAILS

### MARKETING CONTACT

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### DOMICILIARY AGENT

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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 Casa4 Funds. Waverton Investment Management is authorised and regulated by the Financial Conduct Authority. Sources: Waverton, Morningstar.

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