



**WAVERTON**  
INVESTMENT MANAGEMENT

# WAVERTON ASIA PACIFIC A USD

FUND FACTSHEET - AS AT 30 JUNE 2018

## OBJECTIVES

### FUND AIM

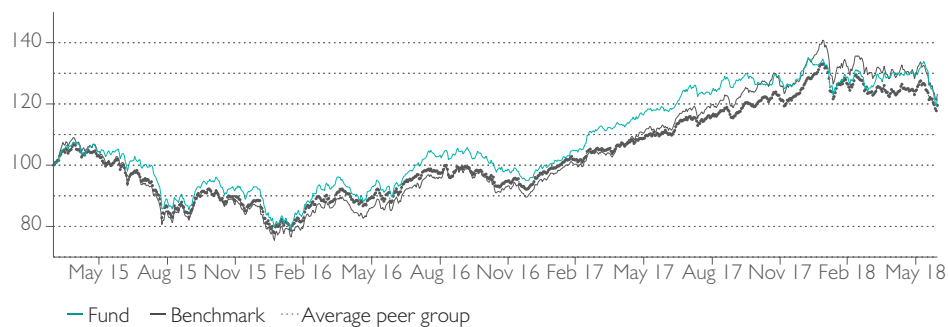
The Waverton Asia Pacific Fund seeks to achieve capital growth and generate an income through diversified investment in equities of Asian-Pacific companies (excluding Japanese equities).

### INVESTMENT STYLE

The Fund employs a pragmatic approach to investing in Asia through a combination of active country / sector allocations and disciplined stock selection in a reasonably concentrated portfolio (25-40 holdings).

## PERFORMANCE

### PERFORMANCE – SINCE 1<sup>ST</sup> APRIL 2015\*



**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 A 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.

\*William Hanbury co-managed the Fund from 1st Jan 2015 and became lead manager on 1st April 2015.

| Period                     | 1 Month | 3 Months | YTD  | 1 Year | 3 Years | 5 Years | Inception Oct 05 |
|----------------------------|---------|----------|------|--------|---------|---------|------------------|
| Portfolio (%)              | -6.5    | -2.8     | -7.0 | 3.3    | 18.1    | 28.8    | 161.8            |
| Benchmark (%)              | -4.8    | -5.4     | -4.8 | 9.9    | 22.6    | 48.5    | 206.1            |
| Morningstar Peer Group (%) | -3.7    | -3.3     | -3.8 | 9.4    | 22.4    | 41.5    | 168.2            |
| Quartile                   | 4       | 2        | 4    | 4      | 3       | 4       | 2                |

### DISCRETE CALENDAR YEAR PERFORMANCE

| Period        | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------|------|------|------|------|------|
| Fund (%)      | 36.4 | 4.1  | -4.8 | -2.1 | 9.9  |
| Benchmark (%) | 41.7 | 5.4  | -9.2 | 4.5  | 3.2  |

### STANDARDISED PERFORMANCE

| Period 1 year to | 30/06/2018 | 30/06/2017 | 30/06/2016 | 30/06/2015 | 30/06/2014 |
|------------------|------------|------------|------------|------------|------------|
| Fund (%)         | 3.3        | 26.4       | -9.5       | 2.1        | 6.8        |

## PORTFOLIO SUMMARY

| COUNTRY      |               | SECTOR                     |               | TOP 10 HOLDINGS                      |              |
|--------------|---------------|----------------------------|---------------|--------------------------------------|--------------|
| Hong Kong    | 42.5%         | Consumer Discretionary     | 34.1%         | Idfc Ltd.                            | 6.4%         |
| South Korea  | 13.1%         | Information Technology     | 20.0%         | China Maple Leaf Educational Systems | 6.3%         |
| India        | 12.5%         | Industrials                | 17.2%         | Korea Electric Power Corporation     | 6.2%         |
| China        | 7.1%          | Utilities                  | 7.0%          | China Meidong Auto Holdings Ltd.     | 6.1%         |
| Philippines  | 5.8%          | Financials                 | 6.4%          | Xingda International Holdings Ltd.   | 5.8%         |
| Thailand     | 5.5%          | Consumer Staples           | 5.8%          | Zhejiang Expressway Co. Ltd. Class H | 5.6%         |
| Others       | 4.9%          | Telecommunication Services | 5.1%          | Xinyi Glass Holdings Limited         | 4.7%         |
| Singapore    | 4.2%          | Health Care                | 3.5%          | Cox & Kings (India) Ltd.             | 4.5%         |
| Taiwan       | 3.5%          | Cash                       | 0.9%          | Ck Hutchison Holdings Ltd            | 4.4%         |
| Cash         | 0.9%          | <b>Total</b>               | <b>100.0%</b> | Baidu, Inc. Sponsored ADR Class A    | 4.3%         |
| <b>Total</b> | <b>100.0%</b> |                            |               | <b>Total</b>                         | <b>54.3%</b> |

## COMMENTARY

June was a difficult month for the fund, underperforming by 1.7% due to some adverse news from Beijing Capital International Airport (BCIA). The Chinese government decided that they would no longer pass on to BCIA the payment for the landing fee it collected from its passengers. This represented about 20% of the companies' earnings and its valuation immediately reacted, falling 26% on the day. On its revised earnings, the company is trading at a valuation of 6.5x EV/EBITDA, a significant discount to regional peers who trade at multiples about 3x higher, despite having similar earnings growth profiles. We try to be aware of the behavioural aspects of investing and here "loss aversion" (as defined by Amos Tversky and Daniel Kahneman) encourages us to hold on rather than crystallise the loss. Despite this, we are continuing to hold the shares because: the landing fee refund was the only source of revenue BCIA received from the government and so there is no prospect of a similar event occurring; the decline in the share price resulted in the BCIA's valuation (in terms of EV/EBITDA, P/E) remaining the same or marginally improving.

We have also halved our position in KEPCO after the new CEO gave a disappointing interview in which he said "KEPCO can endure [its] worsening bottom line" a statement we interpreted to mean that there is unlikely to be tariff hike (and corresponding increase in profitability) in the short to medium term.

The proceeds from the sale of KEPCO are being put to work in some companies which we believe now represent excellent value after being sold off unfairly in the current concerns China-slowdown. The management of many of the names in the fund seem to agree because, whilst buybacks in Asia are rare, (last week only 30 companies undertook them out of 1300 in our universe), in the fund 25% of our holdings recently bought back stock or the senior management made significant share purchases. Whilst clearly no guarantor of future performance, it does provide significant reassurance.

### FUND MANAGER



William Hanbury

### INVESTMENT TEAM



Brook Tellwright

### ANALYST



Alena Isakova

## FUND DETAILS

### FUND FACTS

|                      |                              |
|----------------------|------------------------------|
| Launch Date          | 31st October 2005            |
| Morningstar Category | Asia-Pacific Ex-Japan Equity |
| Benchmark            | MSCI AC Asia Ex Japan Index  |
| Fund Size            | \$120.3m                     |
| No. of Holdings      | 27                           |
| Domicile             | Ireland                      |
| Sedol                | B0NLMSI                      |
| Bloomberg Code       | WAVAPAU ID                   |
| Fund Type            | OEIC                         |
| Base Currency        | USD                          |
| Other Currencies     | GBP, EUR                     |
| Ex Dividend Dates    | 31st April and 31st October  |

### RISK STATISTICS

#### 3Y Annualised

|                            |      |
|----------------------------|------|
| Fund Volatility (%)        | 16.5 |
| Index Volatility (%)       | 15.5 |
| Sharpe Ratio               | 0.7  |
| Information Ratio          | -0.2 |
| Tracking Error             | 7.3  |
| Alpha (%)                  | -0.7 |
| Beta                       | 1.0  |
| Active Share (% - Current) | 74.3 |

### FUND INFORMATION

| Share class | ISIN         | Minimum investment | AMC   | INC/ACC | NAV   | Historic yield (%) | Ongoing charge (%) |
|-------------|--------------|--------------------|-------|---------|-------|--------------------|--------------------|
| A USD       | IE00B0NLMS18 | 2,500 USD          | 1.00% | INC     | 22.5  | 0.87%              | 1.25%              |
| A EUR       | IE00B0NLMP86 | 1,500 EUR          | 1.00% | INC     | 23.49 | 0.89%              | 1.23%              |
| A GBP       | IE00B0NLMR01 | 1,500 GBP          | 1.00% | INC     | 28.34 | 0.83%              | 1.25%              |

The benchmark was FTSE All World Asia Pacific ex Japan TR from inception to 30th September 2014. From 1st October 2014 the benchmark for the Waverton Asia Pacific Fund is MSCI AC Asia ex Japan.

## CONTACT DETAILS

### MARKETING CONTACT

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### ADMINISTRATOR

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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). Sources: Waverton, Morningstar.

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