

Fund Investment Report



Page

2	Fund information Overview of Fund
3	Executive summary Overview of period
4	Fund breakdown Top 10 positions
5	Performance attribution Key contributors and detractors
7	Fund characteristics Style factors
8	Risk analysis Key contributors to risk Tracking error and volatility history
9	Contact details

Fund information

Investment objective

The Investment objective of the Fund is to achieve long-term capital appreciation.

Investment policy

The Fund will seek to achieve its objective by investing primarily in a portfolio of equity and equity-related securities of, or relating to companies in, or companies that derive a substantial proportion of their revenues from, the Asia ex-Japan region. These companies will be listed or traded on a Regulated Market worldwide. The Investment Manager will focus investment in (or exposure to) companies that derive revenue from emerging market countries within the Asia ex-Japan region.

Approach to ESG integration and stewardship

ESG integration and stewardship are integral to delivering sustainable returns. Through quantitative data and fundamental bottom-up research, we assess the absolute and change in ESG performance of companies. Engagement allows us to understand the effectiveness of their approach, the management of strategic issues and to exert positive influence.

Fund information

Fund inception date	1 November 2012
Fund value	USD2,261.71m
Benchmark	MSCI AC Asia ex Japan IMI Net
Lead Fund Manager	Jonathan Pines
Deputy Portfolio Manager	Sandy Pei
Base currency	US Dollar

Market and Performance review

The benchmark MSCI All Countries Asia ex Japan Index returned 3.73% in August. The Fund underperformed the benchmark index over the period, primarily resulting from stock selection in Taiwan and China.

Youngone Corporation, a Korean manufacturer of outdoor clothing and products, gained with other clothing original design manufacturers as US retailer Gap reported better-than-expected earnings and on optimism relating to its bicycle division. Not holding Tencent contributed after US President Donald Trump signed an order restricting US persons from transacting with WeChat, its messaging and payments app. Haier Smart Home, a global home appliance manufacturer, rose after issuing results that showed strong revenue growth, in particular in its overseas businesses and as it advanced merger plans with its subsidiary.

ASE Technology, a Taiwanese semiconductor packaging and testing services company, and MediaTek, a Taiwanese chip supplier, both fell as shares of Huawei suppliers dropped after the U.S. Commerce Department announced new curbs. Samsung Electronics underperformed on continued weakness in memory prices.

Activity

We have added to mainly economically sensitive stocks with strong balance sheets that have been hit hard and continue to seek new opportunities where stocks have adjusted inappropriately in response to the changing economic landscape.

We sold Trip.com into recent strength from its March lows and sold Lifestyle International amid a challenging outlook. We added to Kumho Petrochemical, which stands to benefit as a supplier for materials used in the medical glove production process and Asustek Computer, which is on a 6% dividend yield that we consider to be sustainable in the context of stable demand for its products.

Outlook

E-commerce, Mega Cap, Growth and Quality stocks have risen to record valuations as a result of an improved relative industry positioning and still lower interest rates. While the valuations of some of these companies are potentially justified in view of these new dynamics, others have in our view risen too much. While we are not calling a bubble in the largest benchmark names, there are some slightly smaller companies that are trading at valuations that are hard to justify given even optimistic assumptions. The market is highly focussed on opportunities among the fastest growing companies, while it 'looks away' from other stocks, which have the potential to rerate from depressed levels despite a less rosy outlook. It is in this second category that we believe there is better potential for outperformance over a medium-to-long term horizon.

Fund breakdown

Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Samsung Electronics	Korea	7.64	3.37	4.27
ASE Technology	Taiwan	4.16	0.11	4.05
Tingyi	China	3.52	0.06	3.46
Yunnan Baiyao	China	3.26	0.02	3.24
CK Hutchison	Hong Kong	3.38	0.27	3.10
Sinopharm	China	2.82	0.05	2.76
Youngone	Korea	2.59	0.01	2.58
Asustek Computer	Taiwan	2.63	0.09	2.54
Beijing Enterprises	China	2.54	0.02	2.52
KB Financial	Korea	2.62	0.19	2.42

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Alibaba (ADR)	China	9.13	8.37	0.76
Samsung Electronics	Korea	7.64	3.37	4.27
Taiwan Semiconductor Mftg	Taiwan	4.79	5.56	-0.76
ASE Technology	Taiwan	4.16	0.11	4.05
Tingyi	China	3.52	0.06	3.46
CK Hutchison	Hong Kong	3.38	0.27	3.10
Yunnan Baiyao	China	3.26	0.02	3.24
Sinopharm	China	2.82	0.05	2.76
JD.com (ADR)	China	2.71	1.04	1.67
MediaTek	Taiwan	2.63	0.44	2.19

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Youngone	Korea	2.59	0.01	30.41	0.52
Tencent	China	-	6.09	-	0.27
Haier Smart Home	China	0.99	0.02	26.47	0.24
JD.com (ADR)	China	2.71	1.04	24.22	0.22
Asustek Computer	Taiwan	2.63	0.09	12.13	0.14
Yunnan Baiyao	China	3.26	0.02	7.49	0.12
Cosco Shipping Ports	China	2.40	0.02	8.65	0.10
Kumho Petrochemical	Korea	1.51	0.02	19.04	0.08
China Construction Bank	China	-	1.06	-	0.08
Alibaba (ADR)	China	9.13	8.37	14.44	0.08

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
ASE Technology	Taiwan	4.16	0.11	-17.05	-1.06
MediaTek	Taiwan	2.63	0.44	-20.78	-0.68
Samsung Electronics	Korea	7.64	3.37	-6.45	-0.48
Meituan Dianping	China	-	1.82	-	-0.40
PowerTech Technology	Taiwan	2.04	0.03	-11.68	-0.39
Beijing Enterprises	China	2.54	0.02	-8.98	-0.36
Kunlun Energy	China	2.32	0.05	-10.89	-0.35
AAC Technologies Holdings	China	0.96	0.07	-20.77	-0.31
Nexon	Korea	2.07	-	-9.31	-0.29
Lite-On Technology	Taiwan	1.50	0.05	-6.64	-0.17

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Youngone	Korea	2.59	0.01	30.41	0.52
Hyundai Motor	Korea	0.07	0.34	28.96	-0.07
Hyundai Motor (Pref)	Korea	0.18	0.04	27.74	0.01
Haier Smart Home	China	0.99	0.02	26.47	0.24
JD.com (ADR)	China	2.71	1.04	24.22	0.22
Kumho Petrochemical	Korea	1.51	0.02	19.04	0.08
Alibaba (ADR)	China	9.13	8.37	14.44	0.08
Adani Port & SEZ	India	1.24	0.04	13.87	0.06
Vietnam Dairy Products	Vietnam	0.43	-	13.09	0.03
Lifestyle International	Hong Kong	0.63	0.01	13.08	0.05

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
MediaTek	Taiwan	2.63	0.44	-20.78	-0.68
AAC Technologies Holdings	China	0.96	0.07	-20.77	-0.31
ASE Technology	Taiwan	4.16	0.11	-17.05	-1.06
PowerTech Technology	Taiwan	2.04	0.03	-11.68	-0.39
Kunlun Energy	China	2.32	0.05	-10.89	-0.35
Nexon	Korea	2.07	-	-9.31	-0.29
Beijing Enterprises	China	2.54	0.02	-8.98	-0.36
Lite-On Technology	Taiwan	1.50	0.05	-6.64	-0.17
Samsung Electronic	Korea	7.64	3.37	-6.45	-0.48
China Overseas Land & Investmnt	China	1.66	0.17	-4.82	-0.10

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Consumer Discretionary	22.08	19.68	2.40	1.22	0.22	0.12	0.06	0.41
Health Care	6.08	5.41	0.67	1.78	0.07	0.01	0.04	0.11
Industrials	8.25	6.18	2.07	1.33	0.05	-0.01	0.07	0.10
Financials	5.39	16.93	-11.54	0.60	0.00	0.07	0.02	0.09
Communication Services	6.96	12.20	-5.25	-0.14	0.10	0.09	-0.10	0.09
Consumer Staples	3.94	5.26	-1.32	-0.18	0.02	0.03	-0.04	0.02
Energy	1.08	3.11	-2.03	-1.08	0.00	0.04	-0.03	0.01
Real Estate	3.38	5.12	-1.73	-2.69	0.02	0.03	-0.11	-0.05
Materials	6.16	4.39	1.77	-2.51	-0.01	0.01	-0.15	-0.15
Utilities	6.13	2.27	3.86	-6.90	0.09	-0.19	-0.54	-0.64
Information Technology	29.82	19.46	10.36	-5.65	-0.07	-0.74	-1.84	-2.64
Foreign Exchange	0.01	-	0.01	-	-	-	-	-
Cash	0.73	-	0.73	-	-0.01	-0.03	-	-0.04

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Thailand	3.32	2.30	1.02	6.43	0.00	-0.04	0.20	0.16
Malaysia	-	2.08	-2.08	-	-0.03	0.14	-	0.11
Singapore	-	2.98	-2.98	-	-0.01	0.07	-	0.05
Japan	1.97	-	1.97	-	-0.01	0.06	-	0.05
Vietnam	0.43	-	0.43	-	0.00	0.04	-	0.03
Philippines	-	0.81	-0.81	-	-0.01	0.03	-	0.02
Indonesia	-	1.60	-1.60	-0.33	0.00	0.01	0.00	0.01
Pakistan	-	0.08	-0.08	-	0.00	0.00	-	0.00
India	2.51	9.63	-7.12	1.20	-0.09	0.04	0.03	-0.02
Hong Kong	5.52	8.25	-2.73	-4.35	0.01	-0.11	-0.25	-0.35
China	43.74	43.74	0.00	-0.89	0.69	-0.01	-1.06	-0.39
Korea	19.89	13.56	6.33	-1.89	-0.01	-0.04	-0.37	-0.41
Taiwan	21.89	14.96	6.93	-6.11	-0.05	-0.37	-1.53	-1.94
Foreign Exchange	0.01	-	0.01	-	-	-	-	-
Cash	0.73	-	0.73	-	-0.01	-0.03	-	-0.04

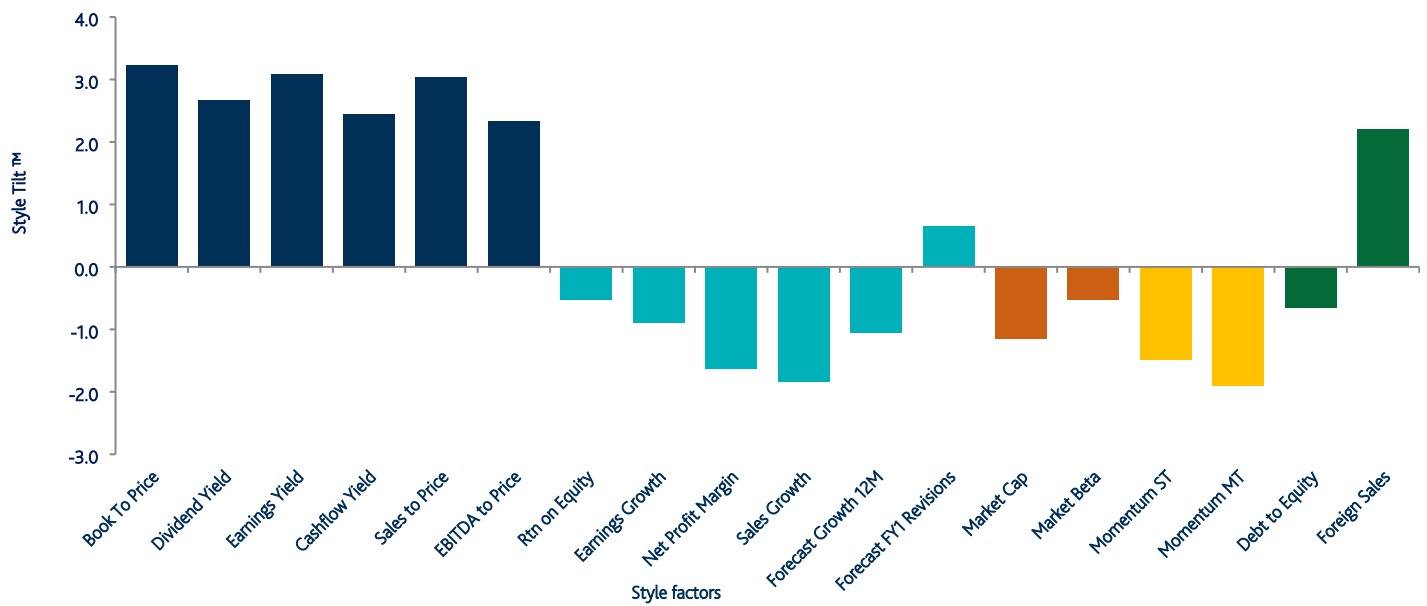
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 0.25B	-	0.10	-0.10	-	0.00	0.01	-	0.01
0.25 - 1B	4.11	3.76	0.36	4.43	0.01	-0.03	0.28	0.26
1 - 5B	25.24	14.31	10.93	-1.78	0.07	-0.07	-0.42	-0.41
5 - 10B	14.50	11.18	3.31	-1.68	0.00	0.02	-0.12	-0.10
10 - 20B	8.91	14.18	-5.27	-4.61	-0.04	-0.02	-0.59	-0.65
20B+	44.78	56.46	-11.68	-3.66	-0.24	-0.07	-1.46	-1.76
Unclassified	1.72	0.01	1.71	19.39	0.00	-0.31	0.30	-0.01
Foreign Exchange	0.01	-	0.01	-	-	-	-	-
Cash	0.73	-	0.73	-	-0.01	-0.03	-	-0.04

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
44.03	80.29	3.43	123,659.60	9.66

Fund Style Skyline™



Source: *Northern Trust. ** Barra. ***Style Research, Market Cap is the Portfolio Weighted Average.

Risk analysis

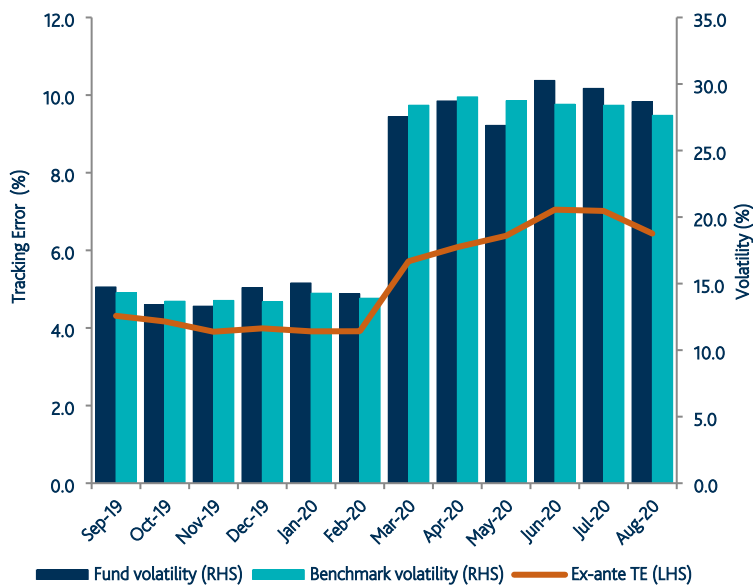
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Tencent	China	11.56
Youngone	Korea	7.68
Samsung Electronics	Korea	6.72
ASE Technology	Taiwan	6.57
KB Financial Group	Korea	6.09
Lotte Fine Chemical	Korea	5.90
CK Hutchison	United Kingdom	4.62
Cosco Shipping Ports	China	4.34
Sinopharm Group	China	3.51
Kunlun Energy	China	3.33

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	6.43	1.01	28.66	27.65	-	-
Ex-post	5.79	1.01	19.05	18.04	-0.76	-0.07

Tracking error (TE) and volatility history (ex-ante)



Fund statistics

Number of stocks (Fund)	50
Number of stocks (Benchmark)	2542
Upside market capture ratio	86.20
Downside market capture ratio	103.61

Contact us

If you have any general questions concerning your investment, or specifically related to the content of this Fund investment report, please let us know using the contact details below.

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