

Fund Investment Report



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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	USD3,451.95m
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 MSCI All Countries Asia ex Japan Index fell by 1.32% in US Dollar terms in July. The Fund outperformed the benchmark on a relative basis over the month. The outperformance resulted primarily from our underweight India as the market underperformed and overweight Taiwan which outperformed. Stock selection in Taiwan and India also benefitted, offsetting stock selection in China.

ASE Technology, a Taiwan semiconductor packaging and testing services company, rose as management reported Q3 2019 guidance which was higher-than-expected with a positive view on 2020. This was due to seasonal new product launches for smartphone and 5G on the backdrop of improving sentiment from a pause in the trade war and Huawei ban. Powertech Technology, an integrated circuit package and memory assembly/testing company, rose after reporting in-line Q2 2019 results, on expectations for strong demand from customers in Q3 2019 and rising sentiment on the stabilising memory prices. Shares in Soulbrain rose more than 40% since Korea-Japan trade conflict surfaced on 1 July as investors speculated that this Korean manufacturer of semiconductor chemicals could benefit from localisation of Japanese Hydrogen Fluoride etchant.

Cosco Shipping Ports, a Chinese port operator, fell amid investor fears that an escalation in US-China trade tensions could impair the throughput growth outlook. Non-exposure to Tencent detracted, as shares in China's leading internet services provider rose. Tingyi, the largest Chinese food and beverage company with dominant position in instant noodles and leading market shares in selective soft drink categories, gave up some earlier gains due to slower-than-expected market share recovery.

Outlook

We are bottom up stock pickers, concerned almost exclusively about the price-to-value proposition at the stock level. As quality, Growth, 'low volatility' and momentum stocks continue to perform, we continue to find cyclical and Value stocks more attractive, with some trading below global financial crisis valuations.

Fund breakdown

Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
ASE Technology	Taiwan	4.91	0.15	4.76
Wuliangye Yibin-A	China	4.10	0.04	4.06
Kunlun Energy	China	3.68	0.05	3.63
Cosco Shipping Ports	China	3.52	0.03	3.49
Beijing Enterprise	China	3.45	0.05	3.40
CK Hutchison	Hong Kong	3.88	0.49	3.39
MediaTek	Taiwan	2.92	0.29	2.63
China South Publishing & Media Group	China	2.52	0.00	2.52
PetroChina	China	2.60	0.22	2.39
Lite-On Technology	Taiwan	2.44	0.06	2.38

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
ASE Technology	Taiwan	4.91	0.15	4.76
Alibaba (ADR)	China	4.61	4.74	-0.13
Wuliangye Yibin-A	China	4.10	0.04	4.06
CK Hutchison	Hong Kong	3.88	0.49	3.39
Samsung Electronic	Korea	3.85	3.52	0.33
Kunlun Energy	China	3.68	0.05	3.63
Cosco Shipping Ports	China	3.52	0.03	3.49
Beijing Enterprise	China	3.45	0.05	3.40
MediaTek	Taiwan	2.92	0.29	2.63
PetroChina	China	2.60	0.22	2.39

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
ASE Technology	Taiwan	4.91	0.15	13.53	0.64
Powertech Technology	Taiwan	1.96	0.04	12.50	0.24
Soulbrain	Korea	0.75	0.01	35.68	0.24
PICC Property & Casualty	China	2.18	0.16	10.54	0.22
Sinopharm	China	2.06	0.09	8.16	0.18
China Oilfield Services	China	1.25	0.04	14.91	0.18
Wuliangye Yibin-A	China	4.10	0.04	2.09	0.16
Hon Hai Precision	Taiwan	2.24	0.61	5.51	0.11
MediaTek	Taiwan	2.92	0.29	2.51	0.11
Lite-On Technology	Taiwan	2.44	0.06	2.31	0.10

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Cosco Shipping Ports	China	3.52	0.03	-11.16	-0.36
Tencent	China	-	5.17	-	-0.30
Tingyi	China	2.40	0.06	-10.23	-0.21
Youngone	Korea	1.89	0.01	-11.94	-0.21
Taiwan Semiconductor Mftg	Taiwan	2.18	3.96	8.35	-0.20
Hyundai Steel	Korea	2.36	0.05	-9.41	-0.19
Lotte Fine Chemical	Korea	1.62	0.01	-9.89	-0.14
Chow Tai Fook Jewellery	Hong Kong	1.27	-	-11.82	-0.14
Beijing Capital International Airport	China	2.28	0.03	-7.24	-0.13
Bangkok Bank	Thailand	1.61	-	-8.13	-0.11

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Soulbrain	Korea	0.75	0.01	35.68	0.24
China Oilfield Services	China	1.25	0.04	14.91	0.18
ASE Technology	Taiwan	4.91	0.15	13.53	0.64
Powertech Technology	Taiwan	1.96	0.04	12.50	0.24
PICC Property & Casualty	China	2.18	0.16	10.54	0.22
Taiwan Semiconductor Mftg	Taiwan	2.18	3.96	8.35	-0.20
Sinopharm	China	2.06	0.09	8.16	0.18
Chongqing Changan	China	-	-	7.37	0.00
Ctrip.com (ADR)	China	1.55	0.31	5.68	0.08
Hon Hai Precision	Taiwan	2.24	0.61	5.51	0.11

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Daishin Securities	Korea	0.04	0.01	-16.18	-0.01
AtlasBX	Korea	0.18	-	-14.12	-0.03
KCC	Korea	0.28	0.02	-13.71	-0.03
Youngone	Korea	1.89	0.01	-11.94	-0.21
Chow Tai Fook Jewellery	Hong Kong	1.27	-	-11.82	-0.14
Cosco Shipping Ports	China	3.52	0.03	-11.16	-0.36
Tingyi	China	2.40	0.06	-10.23	-0.21
Weibo (ADR)	China	1.17	0.04	-10.06	-0.10
Lotte Fine Chemical	Korea	1.62	0.01	-9.89	-0.14
Hyundai Steel	Korea	2.36	0.05	-9.41	-0.19

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Information Technology	26.49	16.87	9.62	1.97	0.06	0.38	0.39	0.82
Energy	3.86	4.03	-0.17	6.39	-0.01	0.00	0.25	0.25
Health Care	2.06	3.40	-1.34	11.05	0.01	0.01	0.19	0.21
Materials	7.30	4.96	2.34	3.56	-0.09	-0.09	0.35	0.17
Real Estate	1.59	7.09	-5.50	1.06	-0.01	0.12	0.02	0.13
Financials	10.18	22.37	-12.19	-0.42	-0.15	0.15	0.09	0.10
Utilities	11.08	3.35	7.73	-0.87	0.02	0.12	-0.10	0.04
Consumer Staples	6.50	5.19	1.31	-0.98	0.01	0.00	-0.07	-0.06
Consumer Discretionary	12.50	13.51	-1.01	-2.08	-0.05	0.00	-0.21	-0.26
Communication Services	6.42	11.59	-5.17	-4.81	0.00	-0.07	-0.33	-0.40
Industrials	11.31	7.63	3.69	-2.94	0.03	-0.10	-0.37	-0.44
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.70	-	0.70	-	0.03	0.01	-	0.04

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Taiwan	23.07	14.24	8.83	2.34	0.03	0.41	0.51	0.95
India	1.83	10.81	-8.97	8.61	-0.07	0.46	0.15	0.53
Pakistan	-	0.09	-0.09	-	0.00	0.00	-	0.00
Malaysia	-	2.64	-2.64	-	-0.02	0.01	-	-0.01
Philippines	-	1.32	-1.32	-	-0.01	-0.02	-	-0.03
Singapore	-	4.37	-4.37	-	0.03	-0.07	-	-0.03
Japan	2.38	-	2.38	-	0.00	-0.05	-	-0.05
Indonesia	-	2.60	-2.60	-	-0.03	-0.05	-	-0.08
Thailand	3.40	3.76	-0.37	-3.58	0.00	0.00	-0.12	-0.12
Hong Kong	6.02	11.23	-5.21	-3.25	-0.01	0.09	-0.20	-0.13
Korea	17.62	14.24	3.38	0.18	-0.07	-0.10	0.03	-0.14
China	44.99	34.70	10.29	-1.02	-0.02	0.11	-0.42	-0.32
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.70	-	0.70	-	0.03	0.01	-	0.04

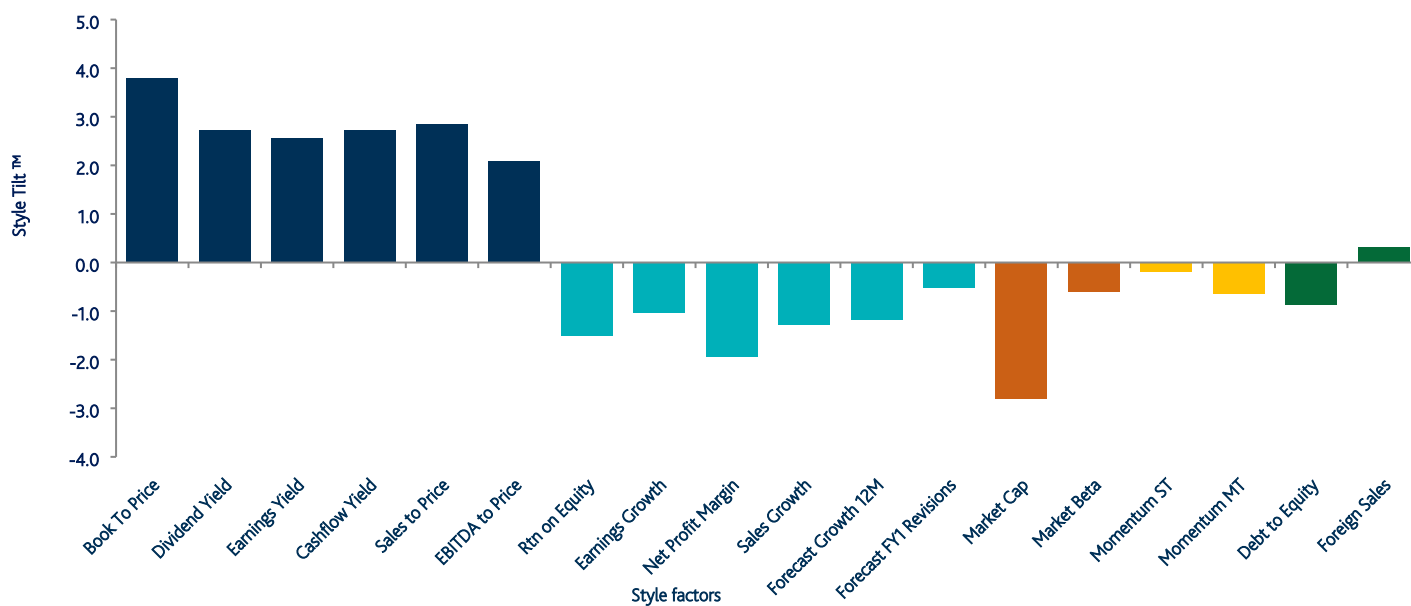
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 0.25B	-	0.14	-0.14	-	0.00	0.01	-	0.01
0.25 - 1B	4.26	4.95	-0.70	6.42	-0.01	-0.01	0.41	0.40
1 - 5B	34.05	17.17	16.89	-0.02	-0.09	-0.14	0.07	-0.17
5 - 10B	19.94	11.45	8.49	4.43	0.04	-0.08	0.84	0.80
10 - 20B	15.86	16.08	-0.22	-2.66	-0.04	0.00	-0.38	-0.43
20B+	23.60	50.15	-26.55	0.73	-0.05	-0.14	0.20	0.00
Unclassified	1.59	0.06	1.53	-0.50	0.01	0.00	-0.07	-0.06
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.70	-	0.70	-	0.03	0.01	-	0.04

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
37.53	84.22	3.58	47,814.04	9.85

Fund Style Skyline™



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

Risk analysis

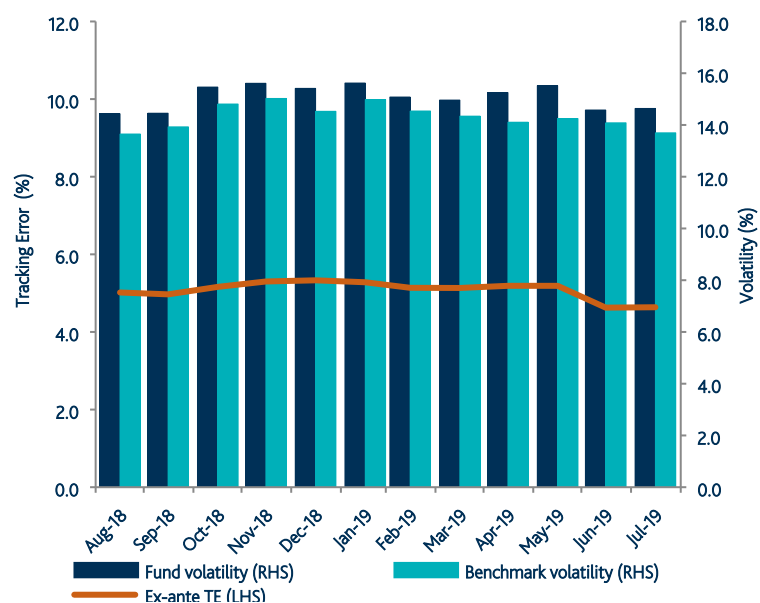
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Wuliangye Yibin-A	China	11.20
ASE Technology	Taiwan	9.68
Kunlun Energy	China	5.93
Cosco Shipping Ports	China	5.66
Tencent	China	4.12
China South Publishing & Media Group	China	4.02
MediaTek	Taiwan	3.58
Beijing Enterprises	China	3.40
Beijing Capital International Airport	China	2.97
Tingyi	China	2.87

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	4.64	1.01	14.64	13.70	-	-
Ex-post	5.45	0.99	14.83	13.92	0.15	0.50

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



Fund statistics

Number of stocks (Fund)	55
Number of stocks (Benchmark)	2378
Upside market capture ratio	93.34
Downside market capture ratio	85.00

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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Hermes Marketing Marketing@hermes-investment.com

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