

MATTHEWS ASIA PACIFIC TIGER I ACC GBP

May 2016

Outcome: -

Asset Class: Equity

IA Sector: IA Asia Pacific Excluding Japan

Domicile: Luxembourg

Rating: AA

Currency: GBP

Fund Size (as at 26 Apr 2016): £236m

Fund Manager Name: -

Benchmark: MSCI AC Asia Ex Japan

Active/Passive: Active

Distribution Pay Date: Dec 01 (Final)

Ongoing Charge Figure: 1.29%

Annual Management Charge: 0.75%

Yield (as at 26 Apr 2016): -

Volatility: 14.24%

Financial Express Crown Rating: 

Financial Express Alpha Manager Rating: -

Fund Price: £14.5

Launch Date: 30/04/2010

Performance Objective: To outperform its MSCI All Countries Asia Pacific ex Japan benchmark over the longer-term

Fund Outcome

The fund is focused on providing long-term capital appreciation through a portfolio of Asian equities (excluding Japan). In the short term however the fund is exposed to moves in the Asian stock markets which can exhibit significant volatility.



Fund Opinion

Matthews is a major player in the Asian equities space and has attracted a significant level of assets with their range of US domiciled products. Potential investors into their European range should not be deterred by the reasonably short track records and fairly modest fund sizes. For example the strategy this fund follows was initially launched in 1994 and accounts for around a third of the group's total assets.

The nature of the house style results in a portfolio that has a preference for more growth-orientated stocks that are generally held for the long term. The emphasis on companies benefiting from growing consumer demand means the lead manager tends to avoid most of the index's largest names when constructing the portfolio. In turn, this can lead to a bias towards medium-sized companies and means that the fund's resulting sector weightings can be very different from the benchmark index. That said, the overarching focus on quality means that performance should be more resilient during market downturns.

Fund Description

Matthews International Capital Management is a San Francisco-based asset manager specialising in Asian investment. It was established in 1991 and is among the largest dedicated US investors to the Asian market. The investment team is well resourced and consists of around 40 fund managers and analysts; they share research and information across all strategies. This fund's lead manager, Sharat Shroff, is assisted by co-manager, Rahul Gupta and three analysts.

As the business and product mix has grown, the broader team has evolved into smaller sub-teams that are now dedicated to specific strategies. Nevertheless, the group employs an investment process and philosophy that is consistently applied across the fund range. Matthews are long-term investors and common across all their portfolios is a belief that Asia's long-term growth prospects remain strong, and investing in businesses that grow with the development of the region's middle class lifestyles provides a good backdrop for returns.

Preferred companies have to pass a strict set of quality criteria which looks at areas including the strength of its balance sheet and the sustainability and competitiveness of its business. The nature of a company's growth is important – the team will look at the firm's top and bottom line, its returns, margins and internal cash flows as well as its growth potential over 3 and 5 years, for instance. Regular company meetings are an integral part of the investment process with the team paying very close attention to the structure of the management team and their attitude toward minority shareholders. Valuation analysis and income models are used to gain an understanding as to what is already priced in by the market. Overall, the managers look to invest in companies that have sustainable long-term growth prospects with strong business models and quality management teams and are on reasonable valuations.

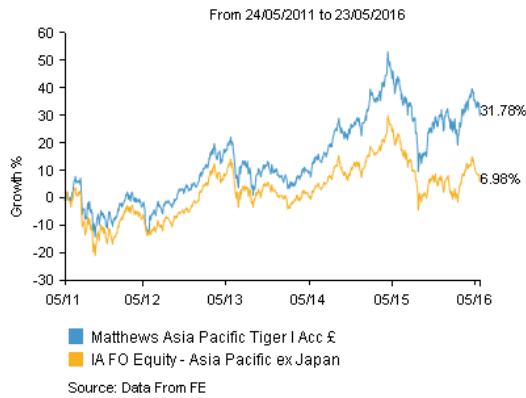
Mr Shroff constructs the portfolio with minimal regard for the benchmark. Initial positions are generally small (less than 1%) and are built up (to a maximum of 4%) over time as conviction in a company's ability to meet business targets and milestones increase.

Fund Objective

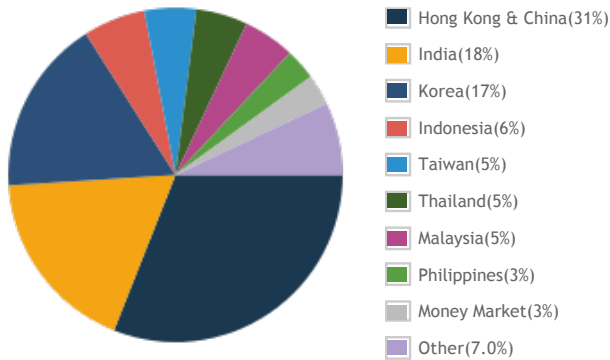
The fund aims to outperform the MSCI All Countries Asia ex Japan index over the longer-term. Investment is made into companies based, or having significant operations, in the region but excluding Japan, Australia and New Zealand.

Quantitative Data

Performance



Geographic Breakdown



Cumulative Performance

(Data as at 26 Apr 2016)

Period	Fund (%)	Sector (%)	Quartile Ranking
6 months	7.5	4.6	-
1 year	-7.6	-10.9	-
3 years	16.3	3.8	-
5 years	33.6	10.0	-

Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	-5.5	-8.1	-
12-24m	31.1	19.4	-
24-36m	-5.8	-6.9	-
36-48m	17.5	16.0	-
48-60m	-1.1	-6.1	-

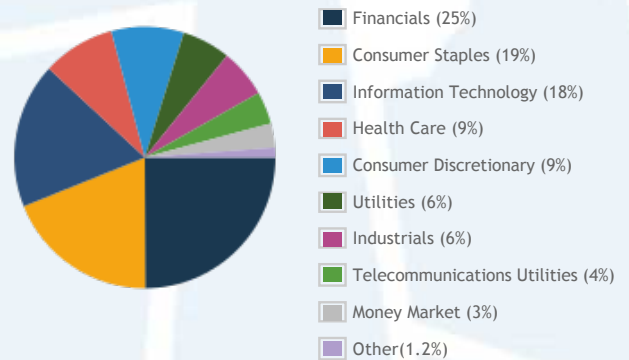
Top Ten Holdings

(Data as at 31 Jan 2016)

Company Name	%
NAVER CORP	3.5
VIETNAM DAIRY PRODUCT CO	2.8
ORION CORP	2.7
DKSH HLDG AG	2.7
BAIDU INC	2.7
AMOREPACIFIC CORP	2.6
DONGBU INSURANCE	2.5
CENTRAL PATTANA PUBLIC CO	2.5
KOTAK MAHINDRA BANK	2.5
SUN PHARMACEUTICALS INDUSTRIES	2.5

Sector Breakdown

(Data as at 31 Jan 2016)



Risk Summary

This is an equity fund investing in developing markets. This is a highly volatile asset class and returns do not only rest on the performance of the underlying companies but also the political and macroeconomic situations within the region. The fund invests overseas and exchange rate risks are significant. The fund can carry high active risks, which can lead to it looking and behaving very differently from the index.

FE Risk Rating

96

SRRI

7

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead manager were to leave.

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