

Matthews Pacific Tiger I Acc GBP

September 2019

Outcome

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

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Performance Objective

To outperform the MSCI AC Asia ex Japan index over the longer term. We consider rolling three to five years as a reasonable timeframe to measure the fund's performance.

Active/Passive: Active	Domicile: Luxembourg
Asset Class: Equity	IA Sector: IA Asia Pacific Excluding Japan
Launch Date: 30/04/2010	Fund Size (as at 31 Aug 2019): £985.3m
Yield: -	Distribution Pay Date: Dec 12 (Final)
Fund Manager: -	Ongoing Charge Figure: 1.09%
	Transaction Cost ex Ante: 0.03



Fund Opinion

We have a high regard for the fund's management team as well as their investment culture and disciplined approach, particularly the consistency to which they apply their process. 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. 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 growth companies with durable business models that are generally held for the longer term. With an investment horizon of at least three to five years, Mr Shroff is ultimately aiming to find companies that can deliver above average growth across cycles. The focus on companies benefiting from growing domestic consumer demand can lead to a bias towards small and medium-sized companies and the portfolio exhibiting a significant exposure towards consumption, services and healthcare segments. In strong rising markets where riskier stocks and cyclical segments such as energy and commodities are rallying hard, the fund might lag, but the overarching focus on sustainable growth 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-managers, Rahul Gupta and Raymond Deng and two 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, the durability and competitiveness of its business as well as the transparency of the management team. The nature of a company's growth is important and for instance, 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 three and five years. 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 is 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 management teams and which are on reasonable valuations. Mr Shroff constructs the portfolio with minimal regard for the index but 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.

Risk Summary

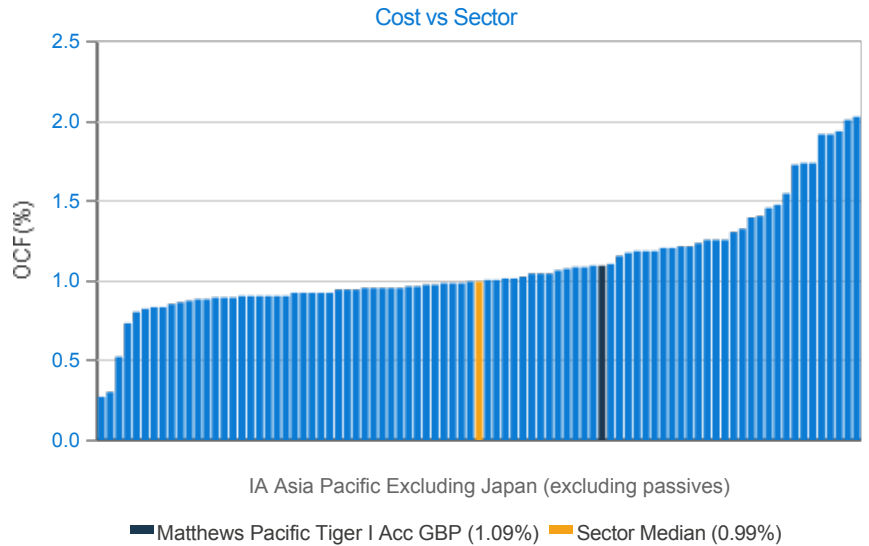
This is an equity fund investing in developing markets. This is a highly volatile asset class and returns do not only rest on the performance of the underlying companies but also the political and macroeconomic situations within the region. The fund invests overseas and exchange rate risks are significant.

This fund is a strong and wholly viable option for long-term investors who wish to access the region, but in a more conservative manner, where the emphasis is on identifying sustainably growing companies. Companies are assessed on their own merits and not in comparison with other stocks listed on the stock market. We think that this is a sensible approach to have when investing in this region but it can lead to significant positioning and performance deviations versus the index at times, for good or for ill.

Value for Money

(Calculation as at 15 Sep 2019)

The ongoing charge figure (OCF) of this fund is above the IA Asia Pacific excluding Japan sector median. Whilst there is room for improvement in terms of the overall costs, we believe the fund offers reasonable value for money as investors have access to a high quality management team and an established and proven process. Such factors are difficult to find and hard to replicate.



This chart shows the ongoing charge figure (OCF) for the fund relative to the median and all other funds in the sector. Each blue bar represents the OCF of an individual fund's 'primary' share class as meets the Investment Association's definition.

Additional Information

Annualised Return	7.83%
Annualised Volatility	10.82%
Max Drawdown	-9.23%
Max Gain	11.72%
Max Loss	-7.43%
Sharpe Ratio	0.40
Sortino Ratio	0.41

(3 year data to last month end)

Currency of Share Class

GBP

Fund Price (as at 13 Sep 2019)

£22.1

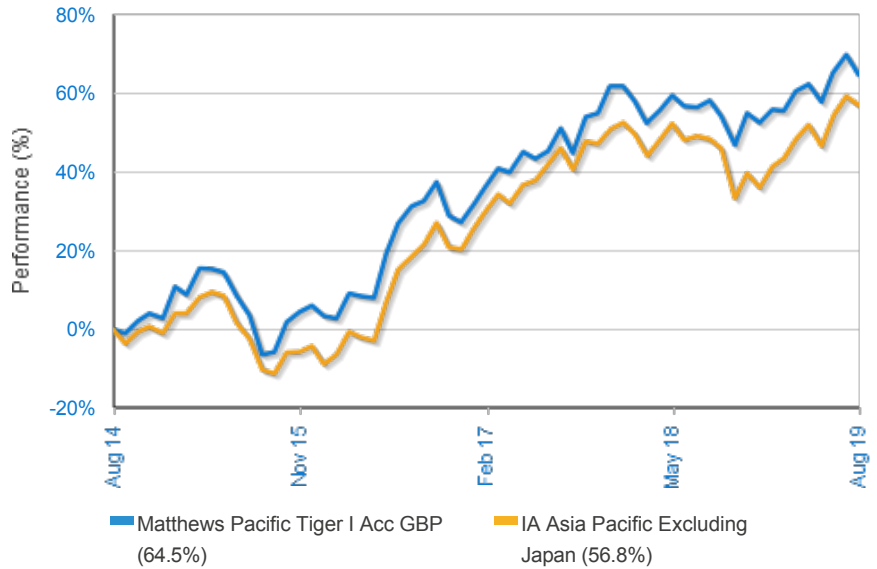
Benchmark

MSCI AC Asia Ex Japan

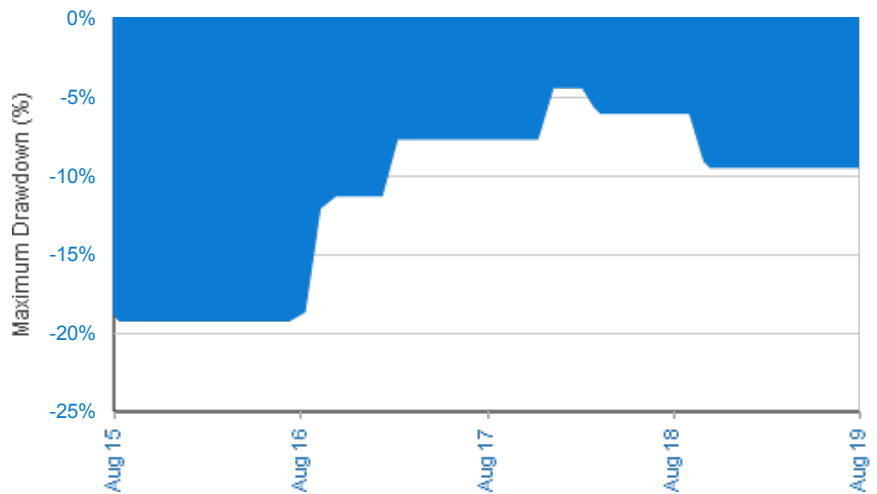
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	5.4	4.2	1
12-24m	9.3	7.5	2
24-36m	20.1	28.7	3
36-48m	10.0	5.4	1
48-60m	17.2	8.5	1

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 31 Jul 2019)

Company Name	%
TENCENT HLDGS LTD	4.3
NAVER CORP	4.2
ALIBABA GROUP HLDG LTD	3.9
CHINA RESOURCES LAND	3.9
PING AN INSURANCE(GR)CO OF CHINA	3.8
AIA GROUP LTD	3.5
COGNIZANT TECHNOLOGY SOLUTIONS CORP	3.2
BANK CENTRAL ASIA	3.0
DKSH HLDG AG	2.8
INNER MONOGOLIA YILI	2.7

Sector Breakdown

(Data as at 31 Jul 2019)



- Financials (24%)
- Consumer Staples (18%)
- Communications (17%)
- Consumer Discretionary (10%)
- Information Technology (8%)
- Real Estate (8%)
- Industrials (7%)
- Health Care (4%)
- Utilities (2%)
- Other (1.2%)

Geographic Breakdown

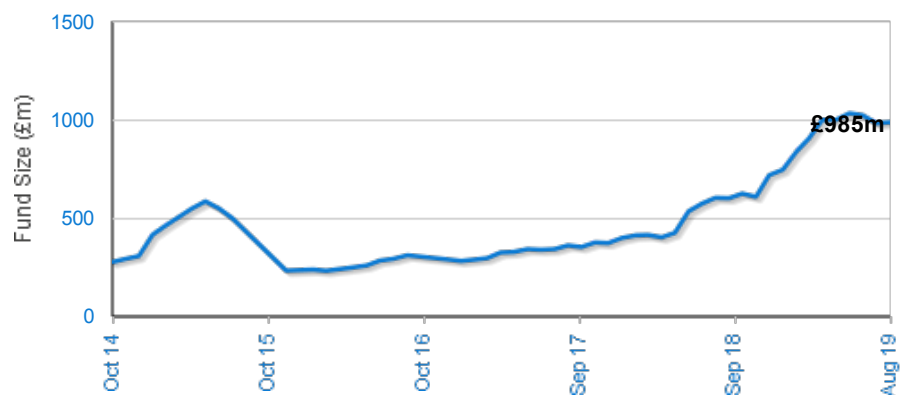
(Data as at 31 Jul 2019)



- Hong Kong & China (42%)
- India (17%)
- Korea (11%)
- Indonesia (9%)
- Thailand (4%)
- Philippines (4%)
- Taiwan (4%)
- USA (3%)
- Switzerland (3%)
- Other (4.4%)

Assets Under Management

(Data as at 31 Aug 2019)



Financial Express Crown Rating



Financial Express Alpha Manager Rating

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.

FE Risk Rating: 106

SRRI: 7

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