

VT HALO GLOBAL ASIAN CONSUMER FUND

August 2015 Monthly Fund Fact Sheet



All Data at 12.00 GMT 28 Aug. 2015

Portfolio Description

The VT Halo Global Asian Consumer Fund aims to achieve an annualised total return before fees of 8-12% over the long term. Primarily from investing in companies globally, which are exposed to the growth of the Asian middle class and the corresponding rise of consumption.

Fund Manager's Comments

The fund this month has fallen with markets - with no safe havens. Our European and US names selling off due to their exposure to emerging markets, and fears over the China economic slowdown impacting our Asian names even more significantly. The economic slowdown in China is in line with our long term expectations and we consider it to be healthy, as they move away from investing so much in property and parts of the manufacturing sector beset by overcapacity. Yes, the manufacturing PMI (Purchasing Managers Index) has fallen to 47 but this does not indicate contraction as generally interpreted by the market, since traditionally a reading of 50 has been associated with a 7-8% expansion of manufacturing in China. Probably there would need to be a PMI reading closer to 43 for manufacturing to actually be in recession. Also we believe the market hasn't noticed that the services PMI is currently at 53.8, up on the previous month, illustrating a healthy expansion. This is the area where the fund concentrates its investments and the results season from our Asian names in August has certainly been strong on the revenue line, with a number beating expectations and all saying they have not seen any broad slowdown - with July and August tracking ahead of Q2.

So now to comment directly on company results as a number have announced them in Asia in the last few weeks, this should provide colour as to how our companies are performing in the current economic environment in China. **Jumei**, the internet cosmetics retailer, **Autohome**, an internet car portal (which we would describe as a cross between Top Gear and Autotrader), both surprised on the upside in terms of revenue growth, beating by 10% or so, but in both cases are investing in further expansion, which will accelerate the top line growth but impact on margins in the short term. However, although downgrades to earnings are in the region of 5-10% for 2016 (half of which is due to Renminbi depreciation) the stocks are off substantially more and can now be bought on a 12 month forward mid-teens price earnings multiple, for 30-40% growth rates – unreasonably cheap.

In other sectors such as healthcare we have **Iking**, a private medical centre operator and **Universal Medical**, a hospital equipment lessor and healthcare consultancy, both show top line and earnings growth of 40% on 20x and 9x forward earnings respectively. Neither has suffered earnings downgrades since their results, but the share prices have fallen 30% and 25% respectively.

In the consumer sector we had results from **Samsonite** and **Hengan**, two of our top 10 holdings. Samsonite has seen 30% growth in sales in China in the first 6 months of 2015, with total group sales up 16% on a constant currency basis and 11% in USD, given the depreciation of virtually every currency against the USD in the first half of this year. The market has reduced numbers by 2-3% for this year and next year but again this is due to the strength of the USD,

NAV/Share: **91.11p**

Investment Manager:	Sturgeon Ventures LLP
Appointed Fund Manager:	Andrew Williamson-Jones
ACD:	Valu-Trac Investment Management Ltd.
Fund Type:	UK UCITS IV OEIC
Launch Date:	3 Nov 2014
Classes:	A, B, C
Base Currency:	Sterling
Dealing & Valuation:	Daily 12.00pm GMT
Year End:	30 June
Management Fees:	A: 0.95% p.a. B: 0.65% p.a. C: 0.45% p.a.
ISIN:	
A \$ Acc	GB00BRJTG644
A £ Acc	GB00BRGCDR64
B \$ Acc	GB00BRWQWY25
B \$ Inc	GB00BRJTG867
B £ Acc	GB00BRWQWX18
B £ Inc	GB00BRGCD571
C \$ Acc	GB00BRWQX051
C \$ Inc	GB00BRJTG974
C £ Acc	GB00BRWQWZ32
C £ Inc	GB00BRGCDT88
Depository:	National Westminster Bank PLC
Dealing Frequency:	Daily
Daily NAV available:	Bloomberg, Morningstar & Valu-Trac

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its reporting currency. Sales growth is expected to remain in the low teens as global travel continues to grow in the 4-5% range, driven by Asia, and Samsonite continues to capture market share. Hengan is witnessing strong trading up to premium products in women's sanitary napkins, nappies and tissues and this has not slowed as we move into the second half of the year. This is a company that exhibits mid-teens growth on a mid-teens multiple and remains a high conviction stock for us.

Outside of China, we had results from **Universal Robina**, the consumer staple company which is expanding rapidly into other ASEAN countries outside its home market of the Philippines, and **GT Capital**, the owner of the Toyota franchise and part owner of a bank in the Philippines, both reporting in line numbers with no change to guidance. Again the shares of both companies have fallen in line with the selloff in Asia. **CP All** in Thailand, the convenience retailer, had strong numbers and beat expectations and the shares have held their ground over the last couple of weeks.

In terms of activity within the fund, we sold two stocks, **China Huishan** a Chinese dairy company whose share price has defied gravity and has been up virtually every day in August on the back of the Chairman accumulating further stock. The valuation is now looking rich and we sold it and reinvested the proceeds in **AIA**, the pan Asian insurer, and added back to **Amorepacific** after it fell following the MERS scare in Korea. We also added to **Nestle** from our cash holding following decent recent performance.

In summary the results season has been broadly positive with all our companies demonstrating good to strong earnings growth and we expect this to be maintained into the second half of 2015 and 2016. In spite of headlines one may read about China and its growth, its retail sales growth continues to track above 10% and per capita income growth also remains healthy, the service sector expansion has not slowed and the companies we own are benefitting from this. The PE multiple of the fund has fallen from its peak of just over 17.5x, when forecast earnings growth for the fund was 15% for the next 12 months, to 14.5x today, based on forecast growth of 12.5% plus dividends of 2% (source Thomson Reuters) - still above our long term target of a total return of 10-12%. The fall in the NAV of the fund has therefore principally been driven by a de-rating of the companies, with currency depreciation being an additional factor. We believe these earnings will be delivered, and over the medium to long term the compounding of earnings growth will drive share prices higher.

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B \$ Inc	GB00BRJTG867
B £ Acc	GB00BRWQWX18
B £ Inc	GB00BRGCDS71
C \$ Acc	GB00BRWQX051
C \$ Inc	GB00BRJTG974
C £ Acc	GB00BRWQWZ32
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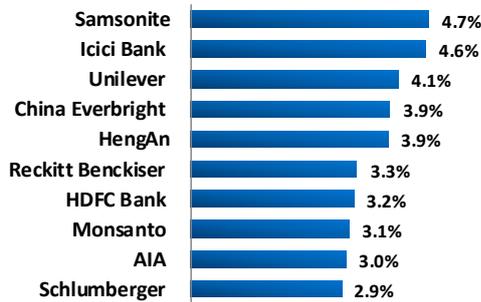
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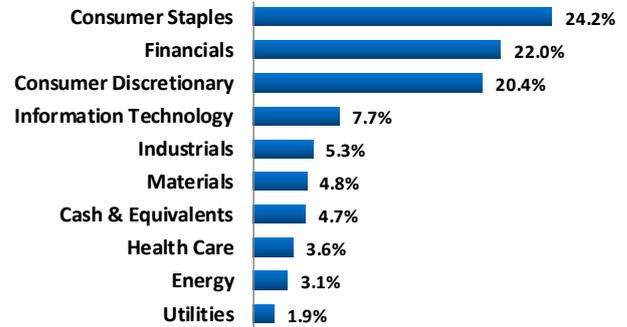
All Data at 12.00 GMT 28 Aug. 2015

Fund Profile.

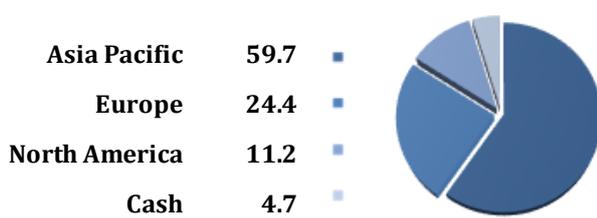
Top 10 Holdings (% of NAV)



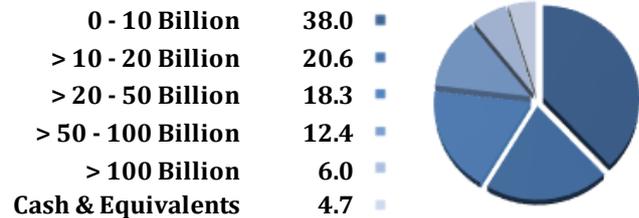
Sector Allocation (% of NAV)



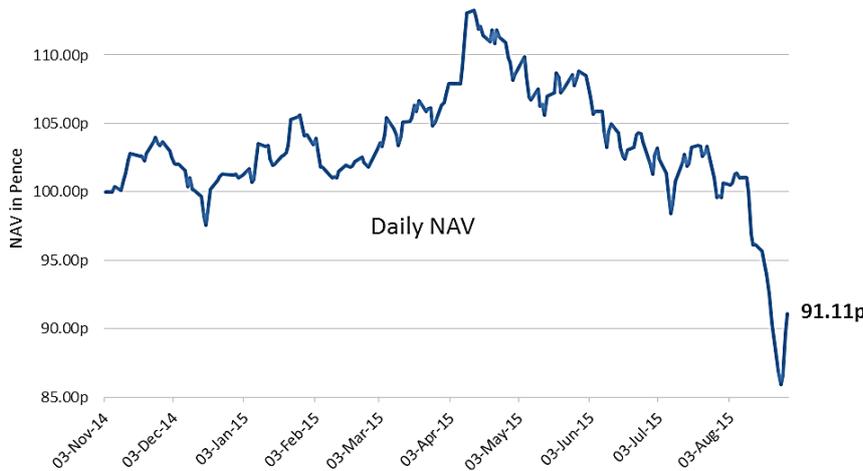
Geographical Allocation (% of NAV)



Market Cap Allocation in USD (%)



Fund Performance since Inception



**Year to Date
-9.81%**

Performance data shown is of the B E Net Acc. share class. Past performance is not a guarantee of future returns. Data from Valu-Trac Administration Services

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