

# VT HALO GLOBAL ASIAN CONSUMER FUND

## August 2018 Monthly Fund Fact Sheet



All Data at 12.00 GMT 31<sup>st</sup> Aug 2018

### 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. This will be achieved from investing in companies globally, which are exposed to the growth of the Asian middle class and the corresponding rise in their consumption

### Fund Manager's Comments

This has been a month of strong economic data from the US, which has led to a strengthening US Dollar against all currencies. The currency crisis in both Argentina and Turkey, has triggered a "risk off" mentality in all emerging markets irrespective of the individual economies' bottom up factors. Within Asia, we have witnessed developed Asia, (including Korea and Taiwan), hold up better than the emerging Asian economies of China, India and ASEAN, which is the Halo Fund's focus. We do not believe that the consumer is going to stop spending, but a slowdown for a short period might occur in some of these economies over the next 6-12 months. In our view equity markets are overreacting and extrapolating this potential slowdown to be deeper and longer. We view the US Dollar strength as temporary, given we think the rate of growth in US GDP will slow after the third quarter of this year and with the US running ever bigger fiscal and current account deficits, which will ultimately lead to a weakening of the currency.

Key for us is to focus on the individual stocks and their ability to compound earnings growth over the medium to long term and to remind ourselves that the correlation of earnings and share prices over a one year time horizon is less than 20%. We are witnessing a classic example of this at the moment, with strong earnings and in some cases upgrades to earnings being ignored and met with declining shares prices of 15-20% over the last couple of months. August has been a good month for our companies delivering their results. We have seen Health and Happiness, a Chinese baby nutrition and adult vitamins and supplements business, upgrade revenue growth for the year from 20% to 30%, with a corresponding increase in profits. The shares have subsequently fallen 15% and now trade on 16x for 30% growth. Li Ning, the Chinese sports shoe and leisure wear company, also provided good guidance for the rest of this year and again the shares are off. Lastly, we have seen strong casino revenues from our holdings in Nagacorp in Cambodia, Bloomberry in Philippines and Sands China in Macau. Nagacorp has held up well but the other two are down over 20%. All the companies' management are indicating no slowdown in Q3 so far.

Outside China, we have seen good numbers from Samsonite, which was subject to a short seller report back in June and the shares have now recovered to be down less than 10% from where they were prior to this report. All allegations have been refuted and there is no on-going investigation, and nothing has since been heard from the short seller. Indonesia has been punished as investors have sold the market on the back of a weakening currency, as it has a current account deficit of 2%. The central bank has raised interest rates to prevent the slide in the currency and our two bank holdings Bank Rakyat and BTN, exposed to micro finance and mortgages respectively, are down 19% and 28% from their highs on concerns the increase in interest rates will hurt their net interest margins. Analysts have cut their earnings numbers in anticipation of this but, both banks have said the interest rate increase will have little impact and in Bank Rakyat's case has increased its guidance due to strong loan demand. Our other holding Gudang Garam, the cigarette company has reported strong results and earnings are experiencing small upgrades for the year. India's currency is also on the slide and is down 3.7% over the month, due to its twin

**NAV 144.8p**

<b>Investment Manager:</b>	Halo Investment Management
<b>Fund Manager:</b>	Andrew Williamson-Jones
<b>ACD:</b>	Valu-Trac Investment Management Ltd.
<b>Fund Type:</b>	UK UCITS IV OEIC
<b>Launch Date:</b>	3 Nov 2014
<b>Classes:</b>	A, B, C
<b>Base Currency:</b>	Sterling
<b>Dealing &amp; Valuation:</b>	Daily 12.00pm
<b>Year End:</b>	30 June
<b>Management Fees:</b>	A: 1.15% p.a. B: 0.85% p.a. C: 0.65% p.a.
<b>ISIN:</b>	
A \$ Acc	GB00BRJTG644
A £ Acc	GB00BRGCDDR64
B \$ Acc	GB00BRWQWY25
B \$ Inc	GB00BRJTG867
B £ Acc	GB00BRWQWX18
B £ Inc	GB00BRGCDS71
C \$ Acc	GB00BRWQX051
C \$ Inc	GB00BRJTG974
C £ Acc	GB00BRWQWZ32
C £ Inc	GB00BRGCDDT88
<b>Asset Under Mgt</b>	\$51.8m
<b>Depository:</b>	National Westminster Bank PLC
<b>Dealing Frequency:</b>	Daily
<b>Daily NAV available:</b>	Bloomberg, Morningstar & Valu-Trac

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deficits, but the market has been resilient as we have seen faster GDP growth, with evidence the rural consumer is gaining confidence and starting to spend again. Our Vietnam holdings have also not been immune to the global sell off in EM, even though both PNJ the jeweller and Vincom Retail, the mall operator posted strong results. The economy continues to grow robustly at 7.1% GDP growth and the country is likely to be a beneficiary of FDI, as manufacturing supply chains look to other countries other than China to avoid Donald Trump's tariffs.

Conversely our holdings in Europe and the US, such as Pernod, Estee Lauder and Reckitt Benckiser have produced good results thanks to their exposure to China and India and their shares have held up. So Western companies who are more reliant on Asian markets for their growth have not sold off but those based in Asia have. We have started to trim these holdings and invest more in the Asian quoted names as we see greater value there on a 3-5 year view. We may continue to do more of this if the disparity in valuations continue to widen.

We continue to remind ourselves the Fund invests in companies with robust business models that benefit from consumption growth over the long term. Consumption is still growing in all of the markets we invest in and there will be periods markets are volatile and do not reflect the fundamentals. Correlation of a company's earnings to its stock price works on a 5-10 year view but not necessarily on a one year view. So today the Fund trades on a forward PE of 13.1 having been on 15.0, some 2 months ago and the forward expected earnings growth for the Fund is broadly unchanged having declined from 16.4% to 16.0%.

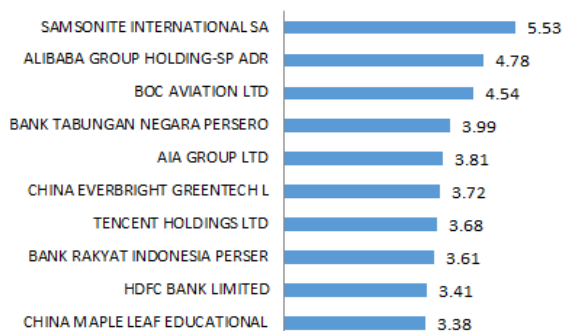
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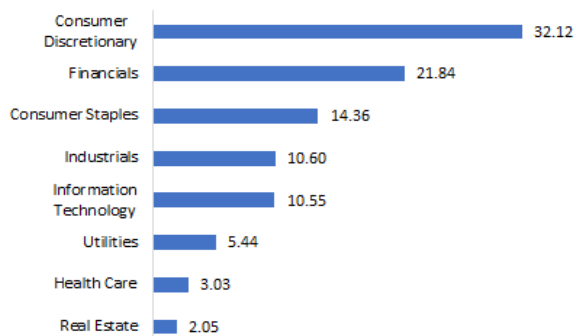


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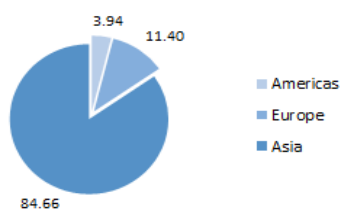
## Top 10 Holdings (% of NAV)



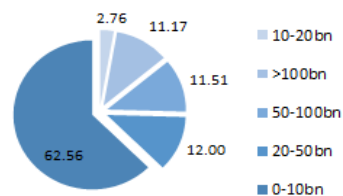
## Sector Allocation (% of NAV)



## Geographical Allocation % (USD)

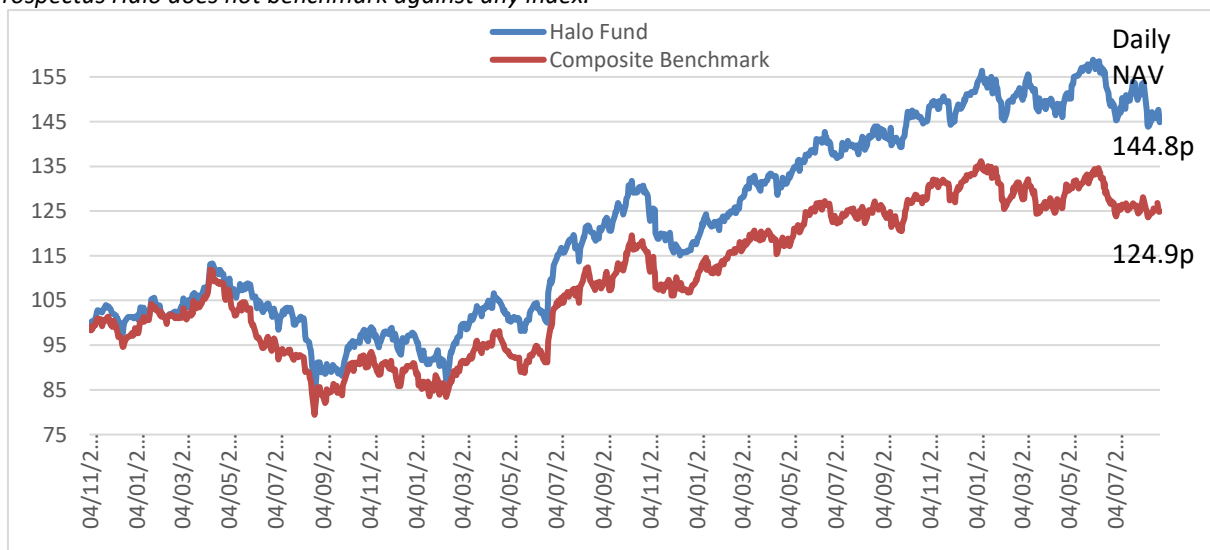


## Market Cap Allocation % (USD)



## Fund Performance since Inception

Performance data shown is of the B £ Net Acc. share class. Custom Benchmark, 30% MSCI AC Asia ex Jap Consumer Staples, 40% MSCI AC Asia ex Jap Consumer Discretionary and 30% MSCI AC Asia ex Japan Index. Past performance is not a guarantee of future returns. Data from Valu-Trac Administration Services and Reuters. This is for illustrative purposes only and in accordance with our Prospectus Halo does not benchmark against any index.



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