

Commentary

January 2020

What a month for the fund's 9th anniversary! Results, budgets, and everything else have firmly been pushed into the background by the headline-grabbing coronavirus. Market reaction has been predictably unpredictable, as paranoia and common sense engage in an almighty tussle. While we don't want to sound unduly sanguine, we do think it's worth trying to step back and view events with some perspective and reason. To our mind, the most important issues include the low fatality rate (about 3% in Hubei, and much less than 1% elsewhere)* which stem from the Chinese government's decisive action to effectively quarantine the whole province. As a result, some 97% of all deaths from the virus are limited to the overwhelmed Hubei *– which at under 500* at the time of writing still pales into insignificance compared to well-known threats like influenza. Outside the province, the infection and mortality numbers are absolutely tiny.

How has this impacted our investment strategy? Without wanting to sound flippant, it hasn't. Our process includes the ability to recognise and react to macro inflection points and identify and invest in the beneficiaries. In this case, we've actually done very little. We believe we already own the best long term compounding franchises, which are unlikely to be significantly impacted by the unfolding coronavirus; certainly not over the mid to long term. We already have limited exposure to China. We have some dry powder allowing us to avail of opportunities provided by market volatility. And that's about it.

The fund NAV dipped a disappointing -1.45% in January, but we'll take that relative to the -4.53% plummet in the index. The winners and losers have generally behaved independently of WuFlu news: oversold Indian midcaps have rebounded, befitting Sheela Foam (up 16%) and Kajaria Ceramics (+10%). That said, one holding that the market does view as a WuFlu beneficiary is China's ecommerce giant JD.com. It continued its gradual recovery from multi-year valuation lows, gaining 7% in January. Its world class ecommerce delivery capabilities are in much demand as the population hides behind closed doors.

We've suffered continued weakness in Vietnam; Sabeco and Vinamilk both dropped 7% in spite of reporting decent numbers. Restructuring under professional management drove 21% profit growth for the year at the former (we're buying more) while the latter reported a more muted 7% revenue and 3% annual profit growth. While Vinamilk isn't exactly turning sour yet we are reviewing whether our money could be put to better use elsewhere. Just look at our other Vietnam holding, leading jewellery retailer PNJ, which finished the year strongly. Sales in 4Q19 soared 31% (yoy) and net profit 45% (yoy), driven by robust demand, a favourable product mix towards higher margin gemstones and effective cost management.

Over our 9 years, we've returned 96.4% to investors – healthily ahead of the index gain of 32.2%. It's also worth noting that we remain uncorrelated with a beta of around 0.5, because we have very little overlap with the index. So while there are periods we may underperform on a relative basis, we believe our strategy of owning well run market leaders in growth sectors is proving itself, and we look forward to many more years of compounding returns with low volatility.

* Statistics taken from press conference with National Health Commission of the Peoples Republic of China, 4th Feb 2020

Book Exposures	Fund Highlights	Investment Objective																		
<table border="1"> <thead> <tr> <th></th> <th>No. Stks</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Est Franchises</td> <td>5</td> <td>22.3</td> </tr> <tr> <td>High Growth Leaders</td> <td>13</td> <td>49.3</td> </tr> <tr> <td>Special Situations</td> <td>1</td> <td>5.3</td> </tr> <tr> <td>Tightly Held Dominators</td> <td>6</td> <td>19.9</td> </tr> <tr> <td>Cash & Other</td> <td>0</td> <td>3.2</td> </tr> </tbody> </table>		No. Stks	%	Est Franchises	5	22.3	High Growth Leaders	13	49.3	Special Situations	1	5.3	Tightly Held Dominators	6	19.9	Cash & Other	0	3.2	CC Asian Evolution offers investors high quality, high conviction concentrated exposure to the consumer sector in the Asia ex Japan region. The fund will aim to invest in between 20 and 35 stocks. The fund size will be capped to allow it to invest in the best opportunities, regardless of size or liquidity.	To seek to provide investors with long term capital appreciation through an actively managed portfolio of listed equities in the Asia ex Japan consumer sector. It may also reduce market volatility, via the use of cash and derivatives.
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Fund Statistics		Cumulative performance (%) ⁽¹⁾						
Investment Manager	Coupland Cardiff Asset Management LLP		1 mth	YTD	1 Yr	3 Yrs	5 Yrs	Inception
Investment Advisor	Coupland Cardiff Management (Singapore) pte Ltd	USD A	-1.45	-1.45	8.71	32.42	34.02	96.36
Portfolio Advisor	Rory Dickson	GBP B	-1.54	-1.54	7.93	26.58	26.90	74.97
Fund Size:	USD 78m	Index	-4.53	-4.53	5.40	29.07	28.08	32.22
Launch Date:	12.01.2011	Discrete annual performance (%) full calendar years ⁽¹⁾						
Dealing:	Weekly		2019	2018	2017	2016	2015	2014
Denomination:	USD	USD A	14.60	-9.86	32.87	3.19	-4.01	-4.01
Benchmark:	M1ASJ : MSCI AC Asia ex Japan Net Total Return USD Index	GBP B	13.65	-11.69	30.71	2.30	-4.02	-3.97
Structure:	Irish OEIC, UCITS V	Index	18.09	-14.33	41.93	5.44	-9.17	4.80

Source: Independent returns are calculated weekly by Northern Trust International Fund Administration Services (Ireland) Limited. All performance details shown are net NAV to NAV percentage returns with gross income re-invested. You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. Investments denominated in foreign currencies expose investors to the risk of loss from currency movements as well as movements in the value, price or income derived from the investments themselves; and some of the investments referred to herein or underlying investments undertaken by issuers may be derivatives and may involve different and more complex risks as compared to listed or other securities. All figures quoted are in USD.

Top 10 Countries

Country	(%)
India	29.9
Indonesia	18.3
HK & China	16.3
Vietnam	12.2
Philippines	9.1
Bangladesh	6.2
Korea (South)	4.8
Cash & Other	3.2
Total	100.0

Top 10 Holdings

Holding	(%)
JD.com	7.0
Mitra Adiperkasa	6.3
Saigon Beer Alcohol Beverage	5.8
Godrej Properties	5.3
Philippine Seven Corp	5.3
LG Household & Health-Pref	4.8
Bank Central Asia	4.6
Trip.com Group	4.2
Sheela Foam	4.0
Arwana Citramulia	4.0
Total	51.3

Top 10 Sectors

Sector	(%)
Retail	26.0
Banks	11.5
Internet	11.2
Insurance	10.2
Beverages	9.0
Building Materials	7.9
Real Estate	5.3
Household Products/Wares	4.8
Food	3.2
Tobacco	3.2
Total	92.3

Share Class Detail				
Share Class	A USD	B GBP	C USD	C GBP
NAV	19.636	17.497	22.775	11.157
Currency	USD	GBP	USD	GBP
Launch Price	\$10	£10	\$10	£10
Dealing Frequency	Weekly	Weekly	Weekly	Weekly
Management Fee	1.50%	1.50%	1.00%	1.00%
Ongoing Charges Figure (incl. Mgmt Fee) ⁽²⁾	1.89%	1.89%	1.39%	1.39%
Performance Fee	15% relative	15% relative	n/a	n/a
Minim. Investment	\$100,000	£100,000	\$5,000,000	GBP equivalent of \$5,000,000
Launch date	12.01.2011	03.05.2011	12.01.2011	03.10.2017
Sedol	B5B3NW5	B4L0PJ0	B65D8Q7	BYQMT7
ISIN	IE00B5B3NW58	IE00B4L0PJ09	IE00B65D8Q73	IE00BYQMT78
Bloomberg	CCAEUA ID	CCAEBGA ID	CCAECUI ID	CCAECGB ID

Key Risks

Liquidity risk – The Fund may encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

Credit and counterparty risks – the Fund may be exposed to credit and counterparty risks in relation to the securities and counterparties it invests in and with whom it transacts.

Concentration risk – This Fund holds a limited number of investments. If one of these falls in value, it can have a greater impact on the Fund's value than if the Fund held a larger number of investments.

Currency risk – Investing in assets in a currency other than your own exposes the value of your investment to exchange rate fluctuations.

Derivatives – the Fund may use derivatives as investments or to manage the risk profile of the Fund. Their use may increase the risk of losses as well as enhance potential gains as compared to funds that do not use derivatives.

Emerging market risk – Investment in emerging markets may be considered speculative. Commonly legal and accounting regimes can offer less protection to investors than in developed markets.

The Fund prospectus gives you further details about all the risks for this fund – see under “Important Information” for how to obtain a copy.

(1) The benchmark performance is that of the MSCI ac Asia ex Japan index in US\$ (MXASJ for the period to 31.08.2013, M2ASJ for the period from 01.09.2013 to 09.10.2013 and M1ASJ from 10.10.2013). Benchmark performance & A USD Share class performance since 12.01.2011 & B GBP Share Class performance since 03.05.2011. NB Month end returns for March 2018 and August 2015 were calculated by CCAM. Since 13 July 2017 the benchmark performance has been based on a midday price consistent with the valuation point.

(2) Ongoing Charges Figure: as at 30.11.2019

All data as at 31.01.2020 unless stated otherwise. All information is sourced from CCAM unless stated otherwise.

This document does not purport to provide investment advice and should not be relied on for the purposes of any investment decision. It is not an offer to sell or the solicitation of an offer to purchase shares in CC Asian Evolution Fund (a sub-fund of Coupland Cardiff Funds plc, an open-ended investment company with variable capital incorporated in Ireland and authorised by the Central Bank of Ireland as a UCITS pursuant to the UCITS Regulations). Any such offer or solicitation can only be made by means of the formal subscription documentation and the related Prospectus dated 29th November 2019 together with the CC Asian Evolution Fund Supplement dated 29th November 2019 (together the Prospectus) and only in those jurisdictions where it is permitted by law. CCAM, as investment manager, has discretion in managing the investments of the CC Asian Evolution Fund (the "Fund") and selects equities through research using fundamental, bottom-up stock selection techniques. The Fund is actively managed, which means that CCAM has discretion over the composition of the Fund's portfolio, subject to the Fund's stated investment objective and policy. Accordingly, although the performance fee of the Class A and Class B shares is calculated in reference to the Benchmark (as defined in the Prospectus), CCAM will select the Fund's investments based entirely on its stock selection techniques, irrespective of whether such stocks are components of the Benchmark. In particular this document is not intended for distribution in the United States or for the account of U.S. persons (as defined in Regulation S under the United States Securities Act of 1933, as amended (the Securities Act)) except to persons who are "accredited investors" (as defined in Rule 501(a) under the Securities Act). Coupland Cardiff Asset Management LLP (CCAM) is not registered with the United States Securities and Exchange Commission as an investment adviser. CC Asian Evolution Fund will not be registered under the Securities Act or the securities laws of any of the states of the United States and shares may not be offered, sold or delivered directly or indirectly into the United States, or to or for the account or benefit of any US person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of such securities laws. The shares will be subject to restrictions on transferability and resale. CC Asian Evolution Fund will not be registered under the United States Investment Company Act of 1940. An investment in CC Asian Evolution Fund is speculative and is not suitable for all investors. It is intended for investors who are willing to bear the risks of the investment which are described in the Prospectus.

PROSPECTIVE INVESTORS SHOULD REVIEW THE PROSPECTUS, INCLUDING THE RISK FACTORS THEREIN, BEFORE MAKING A DECISION TO INVEST.

Please note that, in Switzerland, the distribution of the Fund is restricted to Qualified Investors only, as per Collective Investment Scheme Act ("CISA"), article 10 para 3. The representative in Switzerland is 1741 Fund Solutions Ltd, Burggraben 16, CH-9000 St. Gallen. The Swiss Paying Agent in Switzerland is Tellico Ltd, Bahnhofstrasse 4, CH-6430 Schwyz. The principal documents of the Fund being the prospectus, the relevant supplements, the key investor information documents, the articles of association and the annual and semi-annual reports may be obtained from the Representative by Qualified Investors only, free of charge. In respect of shares distributed in or from Switzerland to Qualified Investors, the place of performance and jurisdiction is at the registered office of the Representative.

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Copies of the Prospectus and the latest annual report and any subsequent half-yearly report of the Company in English, may be obtained free of charge from the Administrator, Northern Trust International Fund Administration Services (Ireland) Limited, George's Court, 54 – 62 Townsend Street, Dublin 2 or the Investment Manager, Coupland Cardiff Asset Management LLP, 31-32 St James's Street, London SW1A 1HD. Tel : 0207 321 3470.

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