

Commentary

May 2020

We truly are living in exceptional times. The global response to the coronavirus pandemic sweeping the globe has at once left economies teetering on the brink of collapse as populations hunker down, while administrations attempt to revive them with the biggest adrenaline-fuelled stimulus packages the world has ever seen. That said, we firmly believe that Asia's economies will emerge far stronger from this crisis with lower debt levels and higher growth rates driven by a young and ambitious population. Meanwhile, global markets have sailed on benignly, continuing their rebound in May – the World MSCI index returned +4.6%, finishing down a mere -8.9% year-to-date. More than anything, we are seeing again the simple impact of flows versus fundamentals; active versus passive; in short, liquidity trumping value discovery as the Fed put continues to prop up assets everywhere. Until of course it doesn't, and we are reminded of Buffet's classic aphorism, "You only learn who has been swimming naked when the tide goes out..."

Notwithstanding Asia's (by far) better handling of the pandemic, and its relatively more advanced position coming through the crisis, the region's index has underperformed; it dropped -2% in May taking its loss for the year to date to -12.6%. Yet the story is more nuanced, with China's stronger showing (-6.5% year-to-date) and heavy weighting masking the difficulties endured by the markets of South and South East Asia: India is down -21.3% year-to-date, Indonesia -24.5% and the Philippines -25.3%, as investors remain fearful of the impact of Covid 19 on these populous markets. That the numbers tell a different story seems to have been glossed over for now, and it's these market dislocations that have us revelling in opportunity.

Could our relative outperformance in May – the NAV nudged up +40bps – mark the pendulum swinging back in favour of fundamentals? Certainly the passive outflows from Asia are now being replaced by local investors being tempted by attractive valuations – a move that has really gained momentum since month end, sparking a rally into June. Our month was driven by China's ecommerce leader JD.com returning +26%, buoyed by news of a secondary listing in Hong Kong. Two oversold holdings rebounded nicely: Indonesia's MAPI (+11%) and Vietnam's Saigon Brewery (+8%). However, we took a hit from the -24% plunge in Jollibee's share price, as management kitchen-sinked 1Q20 results and announced forward-thinking measures to prepare for the "new normal". While these resonated with us the initial market reaction was savage. No matter; we believe in management and the opportunity, and like most of our holdings, we're loving the valuation.

Operationally, we're now seeing some proverbial green shoots. Examples include Topsports in China, the retail partner of adidas and Nike, which reported positive y-o-y growth in May, driven by its ability to shift to store level-ecommerce and O2O, and expects growth to resume in the second half of the year. Pizza Hut Indonesia suffered a 23% drop in sales m-o-m in April, marking its low, but its delivery business drove a 24% recovery in May. We look forward to June with interest.

Book Exposures			Fund Highlights	Investment Objective
	No. Stks	%	CC Asian Evolution offers investors high quality, high conviction concentrated exposure to the consumer sector in the Asia ex Japan region.	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.
Est Franchises	5	20.1	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.	
High Growth Leaders	15	56.2		
Special Situations	1	3.6		
Tightly Held Domina-	6	17.5		
OTC Option	1	0.2		
Cash & Other	0	2.4		

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	0.40	-16.06	-12.39	-1.51	15.69	67.25
Portfolio Advisor	Rory Dickson	GBP B	0.39	-18.72	-15.77	-8.34	6.10	44.44
Fund Size:	USD 67m	Index	-1.97	-12.62	-0.51	3.78	9.70	21.02
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

Registered for sale in: UK, Ireland, Germany, Luxembourg, Finland & Sweden. Available to Qualified Investors only in Switzerland and Institutional and Accredited Investors only in Singapore.

For KIID documents and more information, please visit: www.couplandcardiff.com

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	(%)
HK & China	26.8
India	26.2
Indonesia	15.4
Vietnam	9.8
Philippines	8.0
Bangladesh	6.3
Korea (South)	5.1
Cash & Other	2.4
Total	100.0

Top 10 Holdings

Holding	(%)
Saigon Beer Alcohol Beverage	7.0
Mitra Adiperkasa	6.3
JD.com	5.9
LG Household & Health-Pref	5.1
Tencent Holdings	4.9
Topsports International	4.3
AIA Group	4.2
ICICI Lombard General Insura	4.1
Kotak Mahindra Bank	4.1
Arwana Citramulia	4.1
Total	50.0

Top 10 Sectors

Sector	(%)
Retail	23.4
Beverages	14.5
Insurance	11.4
Internet	9.6
Banks	9.5
Household Products/Wares	5.1
Telecommunications	4.9
Building Materials	4.8
Apparel	4.3
Real Estate	3.6
Total	91.1

Share Class Detail				
Share Class	A USD	B GBP	C USD	C GBP
NAV	16.725	14.444	19.430	9.227
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
Launch date	12.01.2011	03.05.2011	12.01.2011	03.10.2017
Sedol	B5B3NW5	B4L0PJ0	B65D8Q7	BYQMTH7
ISIN	IE00B5B3NW58	IE00B4L0PJ09	IE00B65D8Q73	IE00BYQMTH78
Bloomberg	CCAUAU 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 29.05.2020 unless stated otherwise. All information is sourced from CCAM unless stated otherwise.

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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 Telco 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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