

**Fund Fact Sheet**

29/06/2018

**Asset Class**

Equities Asia ex Japan, all cap

**Fund Characteristics**

AUM	USD 409,9 mn
Launch date	31/01/2014
Oldest share class (B)	LU1008593946
Turnover (2017) *	10%
Reference currency	USD
Available currencies (unhedged)	EUR
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European Passport	Yes
Countries of registration	AT, BE, DK, FI, FR, DE, ES, IT, LU, NL, NO, SG, SE, CH, GB

**Representative Market Index**

MSCI Asia ex Japan NR (USD)

**Team**



**Tanguy Kamp** has managed the fund since launch. He joined BLI in 2001.

**Management Company**

BLI - Banque de Luxembourg Investments S.A.  
16, boulevard Royal  
L-2449 Luxembourg  
Tel: (+352) 26 26 99 - 1

**Dealing & Administrator Details**

European Fund Administration (EFA)	
Tel	+352 48 48 80 582
Fax	+352 48 65 61 8002
Dealing frequency	daily**
Cut-off time	12:00 CET
Front-load fee	max. 5%
Redemption fee	none
NAV calculation	daily**
NAV publication	<a href="http://www.fundinfo.com">www.fundinfo.com</a>

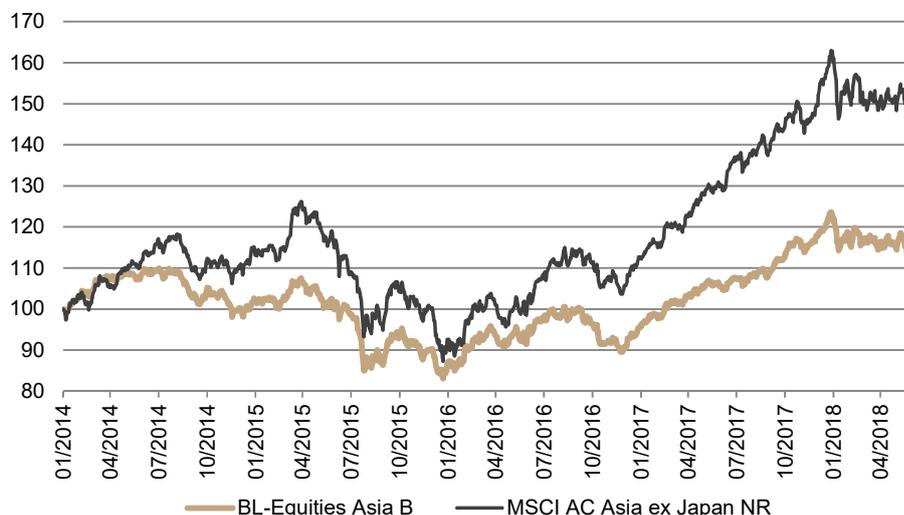
**Investment Objective**

The objective of the fund is to achieve long-term capital gains by investing in high-quality Asian companies (excluding Japan) benefiting from a sustainable competitive advantage.

The fund manager implements an active investment strategy based on strong convictions. The portfolio structure in terms of countries, sectors and market caps is not linked to a market index, but derives from the addition of individual investment opportunities selected by virtue of their quality and their valuation levels.

**Key Facts**

- Portfolio of 60-70 investments.
- Bottom-up portfolio construction process without consideration of relevant market structure.
- Significant deviations from relevant market given no candidates meeting our requirements in some heavily weighted sectors within the market.
- Focus on quality companies with a healthy balance sheet and delivering high returns on equity.
- Focus on valuation: for initial investment, we invest with a margin of safety against the company's fair value.
- Long only, fully invested.
- Low turnover.



Performance	YTD	2017	2016	2015	2014***
Fund (B shares)	-5,4%	29,8%	0,5%	-9,9%	0,3%
MSCI AC Asia ex Japan NR (USD)	-4,2%	37,0%	6,8%	-9,4%	8,3%

Performance	1 month	3 months	6 months	1 year	3 years	since launch***
Fund (B shares)	-3,3%	-4,3%	-5,4%	5,7%	10,8%	11,5%
MSCI AC Asia ex Japan NR	-3,8%	-3,6%	-4,2%	9,6%	22,9%	37,6%

Annualised Performance	1 year	3 years	since launch***
Fund (B shares)	5,7%	3,5%	2,5%
MSCI AC Asia ex Japan NR (USD)	9,6%	7,1%	7,5%

Annualised Volatility	1 year	3 years	since launch***
Fund (B shares)	10,4%	11,9%	10,8%
MSCI AC Asia ex Japan NR (USD)	14,2%	15,9%	14,5%

The market index (MSCI AC Asia ex Japan NR) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy.

Investors are also invited to consult the performance chart disclosed in the key investor information document of the sub-fund.

\* min (purchases, sales) / average of net assets  
\*\* Luxembourg banking business day  
\*\*\* 31/1/2014

**Current Portfolio**

29/06/2018

**Top Holdings**

TSMC	3,5%
Samsung Electronics	3,1%
Tencent Holding	2,9%
Alibaba	2,8%
Thai Beverage	2,8%
Sands China	2,7%
CK Hutchison Holdings	2,7%
Jardine Strategic Holdings	2,5%
Jardine Matheson Holdings	2,5%
Infosys	2,4%
<b>Weight of Top 10</b>	<b>27,8%</b>
<b>Number of holdings</b>	<b>69</b>

**New Investments in June**

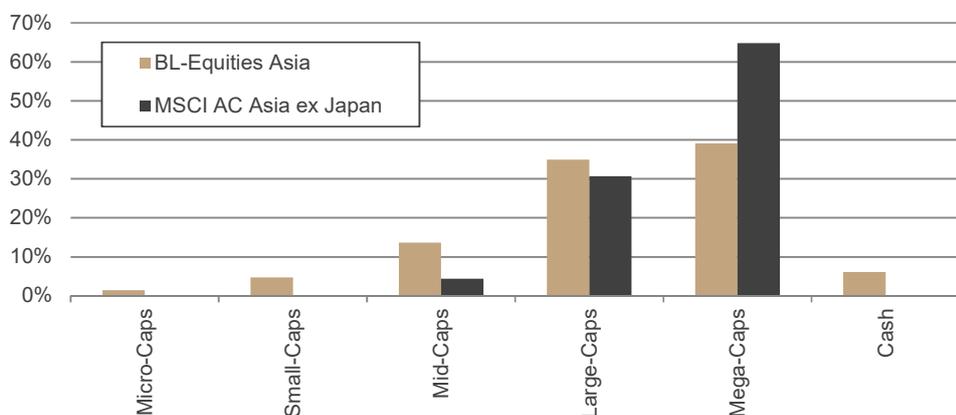
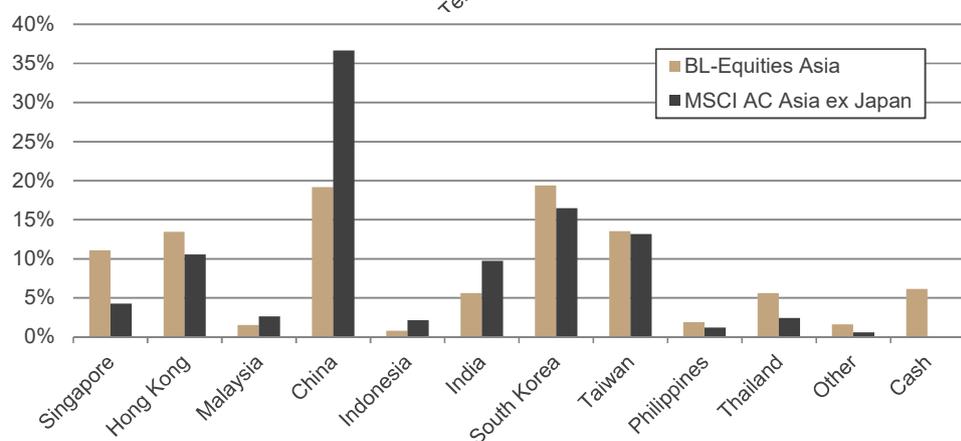
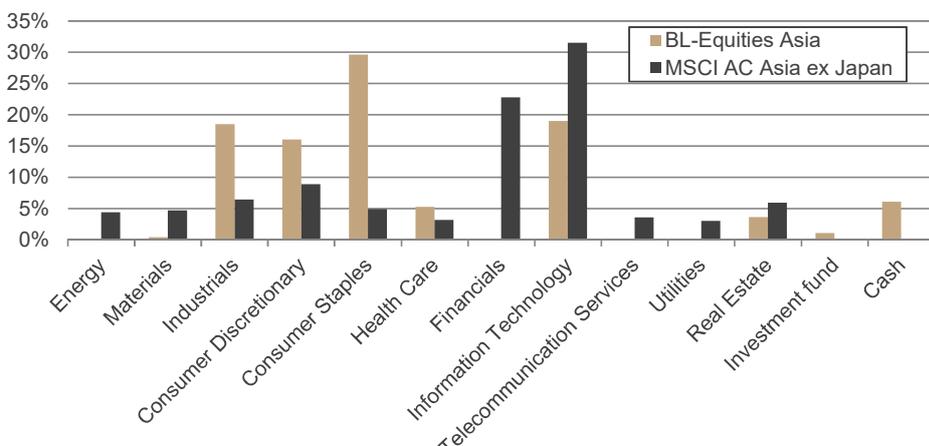
no transactions

**Investments sold in June**

no transactions

**Currencies**

HKD	23,6%
KRW	19,4%
USD	14,6%
TWD	13,6%
SGD	7,4%
CNY	3,6%
INR	3,2%
THB	2,8%
PHP	1,9%
MYR	1,5%
VND	1,3%
IDR	0,8%
Cash	6,1%



Market capitalisation classifies stocks based on their position in the cumulative capitalisation of their market region. Mega-cap stocks account for the top 40% of the market capitalisation of the market region, large-cap stocks represent the next 30%, mid-cap stocks the next 20%, small-cap stocks the next 7% and micro-cap stocks the remaining 3%.

Investor Type	Clean Share	Eligibility Restrictions	Share class	Currency	Currency Hedging	Income	Mgmt fee	On-going Charges	SRRI	ISIN	Bloomberg Ticker
Retail	No	No	<b>A</b>	USD	No	Dis	1,25%	1,48%	5	LU1008593862	BLEQAIU LX
Retail	No	No	<b>B</b>	USD	No	Cap	1,25%	1,51%	5	LU1008593946	BLEQBAU LX
Retail	No	No	<b>BC</b>	EUR	No	Cap	1,25%	1,51%	5	LU1008594084	BLEQCAE LX
Retail	Yes	Yes	<b>AM</b>	USD	No	Dis	0,85%	1,08%	5	LU1484142549	BLEQAMU LX
Retail	Yes	Yes	<b>BM</b>	USD	No	Cap	0,85%	1,10%	5	LU1484142622	BLEQBMA LX
Retail	Yes	Yes	<b>BCM</b>	EUR	No	Cap	0,85%	1,11%	5	LU1484142895	BLEQBME LX
Institutional	No	Yes	<b>BI</b>	USD	No	Cap	0,60%	0,82%	5	LU1008594837	BLEQAIA LX

## Management Report

29/06/2018

In June, BL-Equities Asia gave up 3.27% (in USD), compared to -4.79% for the MSCI Asia ex Japan index.

The Asian markets were volatile in June, mainly due to the Fed's decision to raise interest rates and the corollary of the dollar's appreciation. Fears of an increase in protectionism worldwide also contributed to instability on the Asian markets.

In terms of sectors, consumer staples and healthcare held up best, with losses of 2.1% and 2.47% in dollars. Industry and consumer discretionary were the weakest sectors with losses of 7.73% and 5.73% in dollars.

As regards companies in the portfolio, a highlight was CITIC Capital's offer to buy the Chinese leader on the blood plasma market, China Biologic Products. This offer represents a 34% premium over the pre-announcement closing price.

Also during the month, Merida gained 17.3% thanks to good prospects for sales of electric bikes, which are set to account for around 30% of the group's sales this year, with strong growth expected in Europe and the United States.

The Indian IT services company Infosys also performed well (up 9.44% in USD) helped by the depreciation of the Indian rupee against the dollar). Remember that a 1% change in the INR/USD exchange rate means a change of 0.25%-0.30% in profit margins for Indian IT companies.

In South Korea, Orion enjoyed a sparkling near 12% rise. This Korean specialist in confectionery products is expected to see strong profit growth this year thanks to new product launches.

In terms of disappointments, Thai Beverage ended the month down 7.5% in the wake of the expensive takeover of the leading Vietnamese brewer SABECO. The Taiwanese company Hiwin, active in the manufacture of high-precision products, like linear motion products and ballscrews, plummeted by 16.6 in June. We had reduced part of our position in May for valuation reasons. The company recently raised its prices and is operating at full capacity. It is forecasting record profits for this year. Consequently, the share is trading at particularly high multiples.

Lastly, the weakness of casinos in Macau should be noted. Sands China and Galaxy fell by 10.6% and 12% over the month. Visitor numbers at casinos were lower than expected due to the football world cup.

## Investment Approach

### Investment Principles

#### **Investment**

Equity investments are considered as a long-term participation in a business.

#### **Focus on Quality**

We seek companies with a sustainable competitive advantage.

#### **Invest with a margin of safety in terms of valuation**

The price paid for an investment determines its potential return.

#### **Investment Risks**

Risks arise when the parameters of an investment are not properly understood.

#### **Active Management**

The portfolio structure results from the addition of individual investment opportunities.

### Equity Investment Approach: Business-Like Investing

#### **Rationale**

We consider an equity investment as a long-term participation in a business. The companies we target enjoy a sustainable competitive advantage that differentiates them from their competitors. This should be translated into higher profitability and high generation of free cash-flow. Typically these businesses pay also good dividends.

#### **Quality**

In the first step of our investment process, we perform an in-depth review of the targeted company's business model in order to identify its competitive advantage. A competitive advantage differentiates the company from its competitors and creates barriers to entry for competitors, adding value for its investors.

In the second step we analyse whether the competitive advantage translates into recurrent free cash-flow & high ROCE. We put a special emphasis on the analysis of the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by investment needs to sustain its current business operations.

In the third step, we analyse how the targeted company has used and will use its capital. The company's management faces the following options: investment in current business activities, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments.. We favour companies with good track record in terms of capital allocation and those that are run in shareholders' best interest. Treatment of minorities is also critical.

Only companies that meet our investment criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the market indices.

#### **Valuation**

Any investment may lead to permanent capital losses if the price paid for the investment is too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash-flow (including depreciation and amortisation, after maintenance capex) and serves as reference point for our buy and sell discipline.

We initiate an investment only if the company's stock price offers a discount against its fair value.

### Portfolio characteristics

BL-Equities Asia's investment portfolio consists of 60 to 70 stocks from Asian companies (excluding Japan) that meet our quality and valuation criteria.

Investments are mostly concentrated in defensive sectors such as health care, consumer goods or industrials. On the other hand there are sectors like energy, financials, utilities or telecom where we find few - if any - companies that meet our criteria.

When implementing our bottom-up investment strategy we are able to identify more candidates in the mid- and small cap market segments benefiting from a competitive advantage than in the large cap segment. In Asia, the latter is dominated by large financial holdings or resource companies with few meeting our investment criteria. Many of the companies held in the portfolio are local or regional players with dominant market position.

The portfolio structure is purely the outcome of individual bottom-up investment opportunities. We do not rely on any top-down considerations in terms of countries, sectors, market cap to manage the portfolio allocations.

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