

SHINING A LIGHT ON THE..... Baring Eastern Trust Fund

AT A GLANCE

Investment Objective	
<p>The investment objective of the Trust is to achieve capital growth by investing in the economic sectors in Asia and the Pacific excluding Japan through securities in any country. The Trust offers investors the opportunity to participate in a managed fund concentrating on the Asia/Pacific markets. The Manager's policy is to focus mainly on the larger markets, Hong Kong, Singapore and Malaysia, but does not exclude investing in those markets which are slowly opening up, such as Korea, the Philippines, Taiwan and Thailand, nor in other areas, such as China and India which have either expressed a wish to set up stock markets or to open them to foreigners.</p>	

Inception Date	22 April 1985
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR04RV6

Management	
Manager Name	Start Date
HyungJin Lee	1 September 2012

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	45.97%
Large	26.28%
Medium	23.56%
Small	4.19%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	49	
Assets in Top 10 Holdings	38.37%	
Name	Sector	% of Assets
Tencent Holdings Ltd	Technology	8.01%
SK Hynix	Technology	4.85%
Taiwan Semiconductor	Technology	3.61%
PT Telekomunikasi	Communication Services	3.60%
Baring China	-	3.20%
Baring India	-	3.11%
Maruti Suzuki India	Consumer Cyclical	3.06%
Wijaya Karya	Industrials	3.05%
Brilliance China Automotive	Consumer Cyclical	2.96%
Zee Entertainment	Consumer Cyclical	2.92%

Volatility Measurements	
3-Yr Std Dev (volatility)	3-Yr Mean Return
14.37%	15.97%

FUND PERFORMANCE

Performance 1 January 2012 to 30 September 2016

	2012	2013	2014	2015	2016
Baring Eastern Europe Fund	19.58%	-2.31%	-29.26%	-3.69%	38.71%
iShares MSCI AC Far East ex-Japan	14.03%	-1.21%	6.63%	-7.98%	27.40%

Performance over 1 year, 3 years, and 5 years:

	1 year	3 years	5 years
Baring Eastern Europe Fund	42.21%	-7.02%	8.39%
iShares MSCI AC Far East ex-Japan	34.88%	26.19%	51.07%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This is a flagship fund for Barings but has suffered from years of underperformance. Jin took over the fund in 2012 and performance has been mixed since then with exception of 2016. This makes it difficult for investors to judge whether this is a fund worth investing in, as there are other Asian Funds with a more consistent track record.

What I liked about Jin was his knowledge of the region and companies he invests in. The main thesis of the fund is to invest in quality companies and therefore there is a bias to large cap companies. The companies they invest in aren't cheap but they believe that they can still grow.

An example Jin used was SM Prime which is a retail developer. When they purchased this in 2015 they could see further upside but in August 2016 this started to slow. Where I struggled with Jin's arguments is that he has sold most of the holding to invest in other opportunities but continues to hold some because he still thinks there is something left with SM Prime. As a conviction manager, my feeling is that you either hold the stock or you don't. It is almost like he is hedging his bets, and he couldn't explain his reasons for this.

A company he believes in is Tencent and this is by far the largest holding in the fund at just over 8%. All other holdings in the top ten are around 3 to 4%. Again, this seems a big bet on one company which he may be right about but it seems to skew the risk.

Another area which seems odd is that he does hold two Barings Funds within the portfolio; China and India and there doesn't seem any logical reason for this.

But having said all of this he has been able to outperform the index this year and over twelve months; perhaps this is a turning point for the fund. His style seems slightly different and maybe this is what will make this fund stand out from the crowd.

He believes that Asia offers growth where developed markets are struggling. Much of what developed markets are going through Asia has already seen. He is not saying that now is the perfect time to invest but he believes the opportunities are there.

In conclusion, there are parts of the strategy which I don't understand particularly around still holding stocks when he sees no value, and investing in Barings funds but this year the performance has been exceptional. The question is whether this a one-off or an indication of what the future might hold.

The source of information in this note has been provided by Baring and is correct as at October 2016. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.