

Man Asia (ex Japan) Equity

Opinion

- This Recommended fund is managed by an experienced practitioner who has a track record in managing Asian equities through different cycles. The team works from Australia and Hong Kong, providing a global perspective towards investing across the Asian region.
- The earnings revisions methodology is clear and disciplined and often points them towards stocks outside of the largest index constituents that have the potential to generate substantial alpha.
- In a sector that is well-endowed with highly stylised stock-picking funds, the blending of top-down and bottom-up investment disciplines is relatively unusual and supports the team's overtly flexible and broadly style-agnostic approach.

Characteristics and Utility

- This is a flexible offering that is relatively concentrated in nature. The team aims to tilt the portfolio as the backdrop changes and so the approach is deliberately style agnostic.
- From a market-cap perspective, the fund has a larger-cap bias. However, the manager is prepared to allocate capital to investments across the market-cap spectrum when opportunities arise.
- The fund has a high degree of idiosyncratic stock risk. Also, the manager is prepared to deploy material country and sector bets when he sees the opportunity. As such, there is scope for meaningful risk/return deviations from the benchmark, particularly at inflection points for the market or the economy. However, idiosyncratic risk taking will always be the primary risk and return driver.
- While the approach has in-built pragmatism, investors who are concerned about relative performance over shorter-term periods should consider pairing the fund with an index-orientated offering.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

The fund does not yet have a 5-year track record. The calculation is based on either the historical volatility of the fund's benchmark, or the manager's value at risk limit for the fund. An SRRI score of 6 is in keeping with that of its peer group funds, which is what we would expect of this reasonably mainstream offering. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	15 October 2020
Manager(s) Since:	Andrew Swan (Oct 20)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI AC Asia ex Japan
IA Sector:	Asia Pacific excluding Japan

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

An Asia ex Japan equity fund that is managed flexibly with no pre-determined style bias. The manager aims to navigate the fund through different market cycles with consistency. The focus is upon earnings revisions, and the team looks for those companies that have the greatest potential in this regard. Within its sector, the fund features in our 'Larger-Cap, Blend' category.

Investment Team

Andrew Swan is Head of Asian Equities at Man Group and is based in Australia. He joined the firm in August 2020 from BlackRock, where he spent nine years leading the Asian and Global Emerging Market Fundamental Equity teams. Previously, he was a fund manager at JP Morgan Asset Management. He is supported by a team of analysts based in Australia and Hong Kong.

Investment Philosophy

At the core of the team's approach are relative earnings revisions and the focus is upon capturing turning points in companies that have high earnings-per-share (EPS) revision potential over a forecast period of 12-18 months. The team is broadly style agnostic and sets its sights upon the prevailing opportunity set, looking for the strongest ideas from across the market-cap spectrum.

Investment Process

First and foremost, this is a stock-picking fund, with detailed fundamental analysis and financial modelling at the heart of the process. In seeking companies with the highest EPS revision potential, the team reviews a company's revenues, costs, margins and cash flows to help formulate a forward-looking assessment of the earnings prospects and the scope for positive (or negative) surprise. The drivers of a potential surprise could be management strategy, competitive dynamics, or macro factors. They use data extensively but combine this work with further analysis, including company meetings and input from the firm's broader investment platform. Ultimately, the team is looking to capture the turning points in earnings revisions to maximise alpha potential from stock selection.

Notwithstanding the team's primary focus upon bottom-up stock selection, in order to achieve their objective of adding value through the economic cycle, there is a top-down element to the process. The intention is to identify the prevailing economic environment and how that may change in the future. The macro environment is assessed within the confines of high, stable or low, depending on whether real and nominal growth is accelerating or decelerating. This assessment will inform their views on countries, industries or investment styles, with the aim of ensuring favoured areas are over-weighted versus the benchmark.

Portfolio Construction and Risk Controls

The fund is concentrated, typically featuring between 35 and 45 stocks. Positions enter the portfolio with a relative weight versus the benchmark of up to 4%, depending upon conviction and underlying stock liquidity. Country and sector exposures are typically no more than +/-20% versus the benchmark, although these are not hard limits. There are various layers of risk management, beginning with the portfolio managers themselves. Separately, the fund is monitored constantly by the independent risk management team and the investment risk compliance team.

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