EVANS & PARTNERS

Asia Fund

QUARTERLY INVESTMENT UPDATE

SEPTEMBER 2018

All data is as at 30 September 2018 and in Australian dollar (AUD) terms, unless otherwise indicated.

PORTFOLIO COMMENTARY

During the September quarter (Q3), EAF provided a total return of -0.8% on a Net Tangible Assets (NTA) basis.

TSMC, a global leader in semiconductor manufacturing, was the best performing stock in Q3, up 23.8% as the company's results beat expectations. The stock is also the largest position in EAF's portfolio, making a significant contribution to the Fund's performance.

CNOOC, EAF's exposure to the energy sector, gained 19.9% during the quarter due to higher oil prices. TTI, a Chinese company that owns brands recognised worldwide such as Hoover, AEG and Milwaukee, gained 18.0% in Q3 despite the threat of tariffs. The company released a fantastic set of results that were well ahead of market expectations.

Stocks of a more defensive nature with a focus on domestic consumption and financials, which benefit from higher interest rates, also performed well. Ping-An Insurance (up 13.9%), Uni-President Enterprises (up 13.0%), Hang Seng Bank (up 11.7%), Singapore Telecom (up 10.8%) and Bank Central Asia (up 10.0%) significantly outperformed the MSCI Asia ex Japan Index (up 0.6%).

The Chinese IT companies in the portfolio suffered in Q3 as sentiment was impacted by trade war concerns. AAC Technologies, a supplier of mobile phone components, declined 24.2% as its products were directly affected by the US tariffs. YY Inc (down 23.8%) and Tencent (down 15.9%) have been negatively impacted by the suspension of online games approval. Meanwhile, CSPC Pharmaceutical Group declined 28.1% due to a vaccine scandal in China involving another pharmaceutical company.

FUND FACTS

KEY FUND DETAILS

ASX ticker	EAF
Asset class	Asia ex Japan equities
Structure	Listed investment trust
Inception	May 2018
Currency	AUD (unhedged)
Targeted no of securities	30-50
NTA	$1.22
Unit price	$1.17
Market capitalisation	$151 million
Units outstanding	129 million

ONGOING FEES[1]

Investment Management Fee	1.25% p.a.
Responsible Entity Fee	0.10% p.a.
Performance Fee[2]	10% of the excess return over Index Return Hurdle and Absolute Return Hurdle

1. Inclusive of GST and net of RITC

2. MSCI Asia ex Japan Net Total Return (measured in USD and converted to AUD) (**Index Return Hurdle**) and the 10-year US Government Bond yield (**Absolute Return Hurdle**), subject to a High Water Mark and overall cap

For more information on ongoing fees and costs associated with the product, please refer to Section 4 of the Product Disclosure Statement dated 23 March 2018.

DISTRIBUTIONS ANNOUNCED

Most recent semi-annual distribution

June 2018	2.6 cents per unit

FUND PERFORMANCE[1,2]

	1 month	3 month	6 month	1 year	3 years	Since inception
Unit price (%)	-1.7%	-3.3%	–	–	–	-7.5%
NTA (%)	-2.4%	-0.8%	–	–	–	-3.5%
MSCI Asia ex Japan Index[3] (%)	-2.0%	0.6%	–	–	–	-4.7%

Notes: 1. All returns beyond one year are annualised. Inception date 14 May 2018. 2. All performance numbers are total returns, with distributions reinvested and net of fees and costs. 3. Index net total returns are sourced from Bloomberg.

MARKET REVIEW

The MSCI Asia ex Japan Index was up 0.6% (down 1.6% in USD terms) in Q3, with a wide dispersion of returns between countries and sectors. Equity and currency markets remained volatile amid monetary tightening by the US Federal Reserve, as well as the escalation of trade tensions between China and the US.

Thailand (up 16.0%) was the best performing market in Q3, helped by a stronger currency. The equity market was supported by stronger-than-expected Q2 GDP growth at 4.6% yoy and higher oil prices. In September, the royal approval of legislation that set in motion a countdown for new elections by May 2019 led to improved market sentiment, as the country has been under military rule since 2014.

Taiwan gained 9.4% during the quarter, due largely to strength in semiconductor stocks and Apple suppliers ahead of the new iPhone launch, while an appreciating currency also led to higher returns in AUD terms.

The Southeast Asian markets performed relatively well in Q3, with Malaysia up 5.9%, Singapore gaining 4.4%, Indonesia up 3.7% and the Philippines up 3.4%. Korea and Hong Kong gained 2.5% and 1.2% respectively over the quarter.

The Indian market was down 0.2% in Q3, after declining 9.9% in September when equities corrected sharply due to concerns over deteriorating credit quality and liquidity issues in the non-banking finance segment. Higher oil prices and ongoing currency weakness have continued to dent market sentiment.

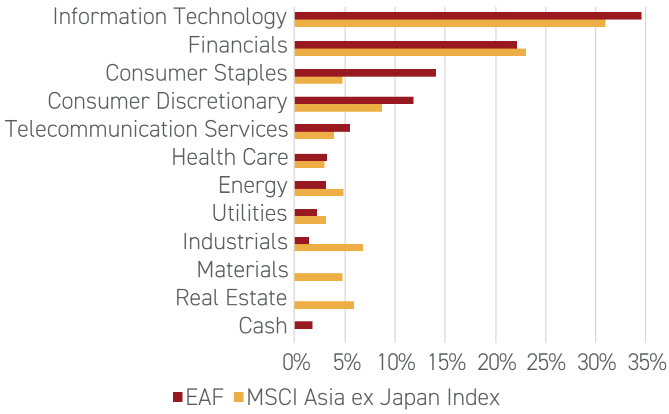
Meanwhile, China (down 5.4%) was the worst performing market, as trade tensions with the US escalated during the quarter. The first round of US tariffs on USD34 billion worth of Chinese imports kicked in on 6 July, followed by the second round on USD16 billion worth of imported goods in August. In September, Trump announced additional tariffs on USD200 billion worth of Chinese imports. China's retaliation to the US tariffs and the government's efforts to support the economy failed to prevent the slide in the equity market.

Energy (up 15.8%) was the best performing sector in Q3 due to higher oil prices, followed by Telecommunication Services (up 9.1%) and Industrials (up 6.3%). Consumer Discretionary (down 8.7%), Healthcare (down 4.2%) and Consumer Staples (down 2.1%) all finished at the bottom.

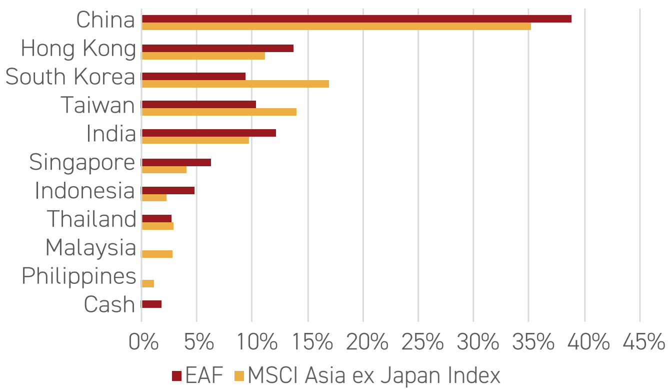
TOP 10 PORTFOLIO HOLDINGS

Listed A – Z	Sector (GICS)
AIA Group Ltd	Financials
Alibaba Group	Information Technology
ASM Pacific Technology	Information Technology
HCL Technologies Ltd	Information Technology
Naver Corp	Information Technology
Samsung Electronics	Information Technology
Shenzhou International	Consumer Discretionary
TSMC	Information Technology
Tencent Holdings	Information Technology
United Overseas Bank	Financials

SECTOR ALLOCATION (GICS)



COUNTRY ALLOCATION



INVESTMENT OBJECTIVE

The objective of the Fund is to provide investors with attractive risk-adjusted returns over the long term by investing in high-quality companies in the Asia ex Japan region.

INVESTMENT STRATEGY

Evans and Partners Investment Management Pty Limited (the **Investment Manager**) will target a concentrated portfolio of 30–50 securities domiciled in the Asia ex Japan region.

Securities are assessed against the following key criteria:

- quality management and good corporate governance standards
- sound business model
- solid financial position
- sufficient growth to justify a premium over the current price.

The Investment Manager will invest directly in listed securities and other investments, with an intention to provide investors with a portfolio of investments in markets including China, India, Hong Kong, Singapore, South Korea, Taiwan, Indonesia, Thailand, Malaysia and other Asian countries.

The portfolio will be overweight countries and sectors which the investment team believes offer greater potential for higher risk-adjusted returns. The investment team will actively manage the risk profile of the Fund to provide Unitholders with an appropriate level of downside protection and upside gain as broader investor sentiment in the market fluctuates.

The investment process is conducted by the Investment Manager who coordinates with the investment team to assist with investment decisions.

ABOUT THE INVESTMENT MANAGER

Evans and Partners Investment Management Pty Limited is a subsidiary of the Walsh & Company Group. The Walsh & Company Group is a Sydney-based specialist global fund manager established in 2007. The Company has around $5 billion of assets under management across global equities, residential and commercial property, private equity, fixed income and sustainable and social investments. The team provides investors with access to unique investment strategies that are not otherwise readily accessible to investors, with a focus on building high-quality, diversified portfolios.

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IMPORTANT INFORMATION