J O Hambro Capital Management Group

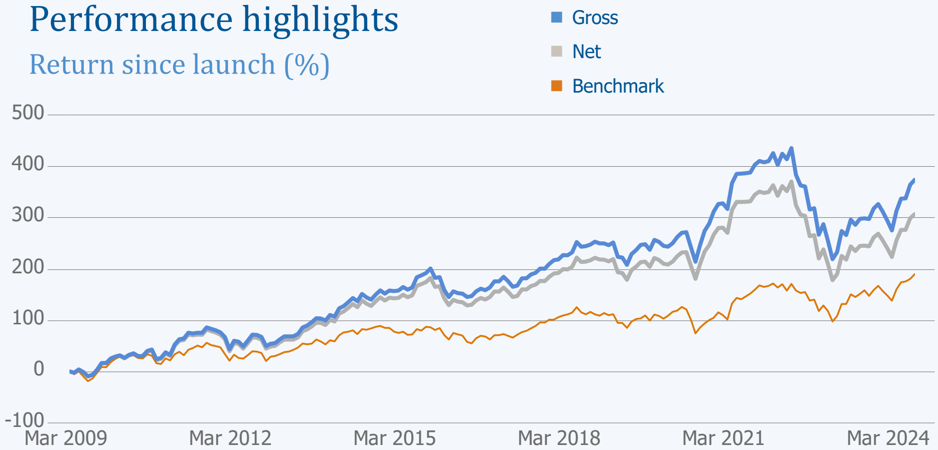
JOHCM International Select

Strategy overview

- The strategy aims to generate long-term total returns through active management of a concentrated portfolio of listed non-US equities securities.
- Fund managers Christopher Lees and Nudgem Richyal have a growth at a reasonable price (GARP) philosophy and aim for consistency of returns by exploiting multiple market anomalies/ inefficiencies.
- They believe that they increase the probability of finding attractive stocks by looking where traditional growth investors do not look: stocks early in the growth life-cycle, off the beaten track, or in out of favour areas of the stock market that are recovering.
- Benchmark: MSCI EAFE Index. The strategy is managed on an 'unconstrained basis' with no restrictions in terms of regional or sector allocation versus its benchmark.

Performance highlights

Return since launch (%)



Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised
Gross	2.07	8.41	19.15	-0.97	6.44	6.85	373.51	10.61
Net	1.99	8.14	17.95	-1.96	5.37	5.77	306.92	9.53
Benchmark	3.29	5.78	15.32	4.78	7.33	4.80	189.81	7.15

Past performance is no guarantee of future performance.

The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Investing in companies in emerging markets involves higher risk than investing in established economies or securities markets. Emerging Markets may have less stable legal and political systems, which could affect the safe-keeping or value of assets. Investments may include shares in small-cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile.

Source: JOHCM/MSCI Barra/Bloomberg. Gross and net composite performance, net income reinvested. Composite performance is based on the A GBP primary share class converted into USD. 3, 5 and 10 year and since launch performance is annualised. The composite was created on the 01 October 2008. Benchmark: MSCI EAFE NR. Statistics calculated using weekly returns.

Statistics

Annualised since launch			
Strategy volatility (%)	16.93	Correlation	0.90
Benchmark volatility (%)	16.71	Tracking error (%)	7.66
Alpha	4.06	Information ratio	0.42
R squared	0.81	Sharpe ratio	0.55

USD

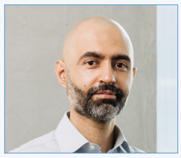
Strategy details

Strategy size	USD 6.40bn
Launch date	1 October 2008
Benchmark	MSCI EAFE NR
Available as	Delaware Statutory Trust, Mutual Fund, Segregated Accounts

Total strategy assets updated quarterly and shown as at 31 March 2024.

Portfolio managers

Christopher Lees
Senior Fund Manager
Chris has managed the Strategy since launch. He joined JOHCM in 2008 and has 34 years of industry experience.



Nudgem Richyal
Senior Fund Manager
Nudgem has managed the Strategy since launch. He joined JOHCM in 2008 and has 24 years of industry experience.

Please note that for capacity reasons the strategy is now 'soft-closed' to new investors.

Contact details

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Strategy analysis (%)

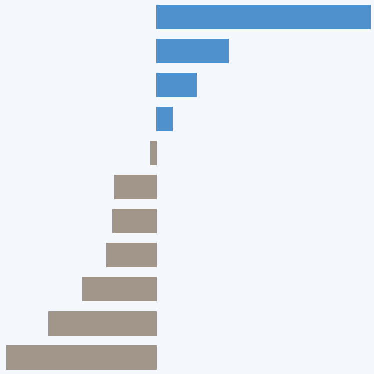
Data as at 31 March 2024

Top 10 holdings

Equities	Absolute	Relative
Zealand Pharma	2.9	2.9
SK hynix	2.8	2.8
Disco	2.8	2.6
JPX	2.6	2.6
CRH	2.6	2.2
NEC	2.6	2.5
Ferguson	2.6	2.6
EQT	2.6	2.5
Hitachi	2.5	2.0
Novo-Nordisk	2.5	0.1
Total	26.5	

Sector breakdown

	Absolute	Relative
Information Technology	18.8	9.4
Health Care	15.9	3.2
Materials	9.0	1.8
Financials	20.3	0.7
Industrials	16.7	-0.1
Communication Services	2.3	-1.7
Energy	2.3	-1.8
Real Estate	0.0	-2.1
Utilities	0.0	-3.1
Consumer Discretionary	7.9	-4.6
Consumer Staples	2.1	-6.4
Cash	4.7	4.7



Active bets

Top 5	Relative
Zealand Pharma	2.9
SK hynix	2.8
Ferguson	2.6
Disco	2.6
JPX	2.6

Bottom 5	Relative
ASML	-2.3
Nestlé	-1.7
Toyota	-1.6
LVMH	-1.5
Shell	-1.3

Regional breakdown

	Absolute	Relative
Emerging Markets	10.9	10.9
United States	6.3	6.3
Japan	28.5	4.9
UK	13.2	-1.0
Pacific ex Japan	1.8	-8.7
Europe ex UK	34.5	-17.2
Cash	4.7	4.7

Attribution (%)

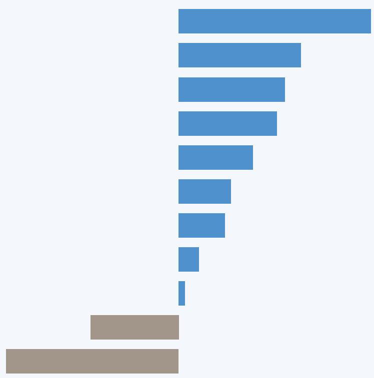
Data from 1 January 2024 to 31 March 2024

Stock attribution

Top contributors	Relative return
Zealand Pharma	1.18
Disco	0.94
Tokyo Electron	0.67
Advantest	0.63
JPX	0.54
Top detractors	
Aixtron	-0.89
B3	-0.61
Globant	-0.49
ASML	-0.43
Toyota	-0.39

Sector attribution*

	Relative return
Health Care	1.39
Industrials	0.89
Information Technology	0.77
Consumer Staples	0.71
Materials	0.54
Utilities	0.38
Energy	0.34
Real Estate	0.15
Communication Services	0.04
Financials	-0.63
Consumer Discretionary	-1.24



*Excludes cash

Source: JOHCM/MSCI Barra/Bloomberg. Benchmark: MSCI EAFE NR. Please note that due to rounding breakdowns may not add to 100.00%. All Attribution figures are as at end of day and are calculated on a gross basis. Stock holdings are subject to change at any time and are not recommendations to buy or sell any security. A list of all holdings during the period, corresponding performance contributions and attributions, and the calculation methodology is available upon request. Data based on a representative account.

Fund manager's commentary

- The portfolio outperformed its benchmark index during the quarter. This was primarily due to positive sector allocation
- We are positioned for 2024 probably being a vice versa of 2023 in several ways, with better performance from 2023's laggards
- After the significant rally in Q1 2024, we would not be surprised by a momentum reversal or a shallow correction in Q2 2024

Q1 performance	%
Gross	8.41
Net	8.14
MSCI EAFE NR	5.78

The portfolio outperformed its benchmark index during the quarter. This was primarily due to positive sector allocation (overweight technology and underweight consumer staples). Positive stock selection in the healthcare and industrial sectors was slightly offset by negative stock selection in the consumer discretionary and financial sectors.

Q1 winners included *Zealand, Disco, Tokyo Electron, Advantest and Japan Exchange,* all due to positive news. We trimmed them back to model weight. **Q1 losers** included *Aixtron, B3, Globant, Fortescue and Sandoz,* all due to disappointing news. We sold *Aixtron* to deteriorating earnings outlook; the rest are currently under review.

Year-to-date transactions and themes:

1. Weed out the losers quicker: sold Aixtron, AstraZeneca, Novartis, and Rio Tinto as their earnings outlook and price momentum deteriorated.
2. New bull market in Japan: bought NEC as its earnings outlook and price momentum improved.
3. New bull market in small-mid cap biotechnology: bought next-generation anti-obesity company Zealand Pharma with positive drug results.
4. Obesity drug success is bad news for the consumer staples sector: consumer staples is our biggest underweight relative to the index.
5. European companies with the majority US revenues relisting in the US creates significant value: holdings CRH and Linde continue to outperform since they moved their listing from Europe to the US last year.
6. Emerging markets growth stocks (avoid the value traps):holdings Mercadolibre (Latin American retail) and Hynix (Korean high bandwidth memory).
7. Growth stocks in the financial sector are working again, and now the rate shock is over: holdings Partners Group and EQT(European private equity).
8. Broadening bull market into mid-caps away from mega-caps: bought mid-cap Publicis (digital marketing) and will probably continue increasing mid-caps.
9. Our momentum stocks (semiconductors & anti-obesity) are due a pause after a big run: we trimmed our biggest winners back to model weight.
10. What's next? Lead indicators are improving; the global industrial/manufacturing recession appears to be ending and we expect a broadening bull market with better performance from more cyclical stocks/sectors/regions.

We are positioned for 2024 probably being a vice versa of 2023 in several ways, with better performance from 2023's laggards, such as small and mid-caps, select emerging markets, and Japanese equities as earnings recover in these areas.

Our scenario analysis and outlook is 80% bullish and 20% bearish:

Scenario 1 = 10% probability US Magnificent Seven leadership continues. The Magnificent 7 is now down to the Magnificent 4, as *Tesla* and *Apple* earnings disappointed, and *Google* earnings are now being questioned.

Scenario 2 = 70% probability of a broadening bull market. Inflation & interest rates stabilising and China (the world's second-largest economy) stabilising are catalysts for this positive outcome.

Scenario 3 = 20% probability of bear market or zig-zag. Resurgent inflation and interest rates rising, or geopolitics/Middle East escalating, are catalysts for this negative outcome.

After the significant rally in Q1 2024, we would not be surprised by a momentum reversal or a shallow correction in Q2 2024. The momentum signals we've seen recently suggest that small and mid-caps will see strong gains and outperform over the next 6 to 12 months. However, just because small and mid-caps look poised to outperform doesn't mean there isn't a place for some mega-caps with positive earnings revisions in the portfolio, particularly those exposed to the mega-trends of AI and obesity drugs.

Our top-down scorecard shows several important changes. The technology sector has become significantly overvalued but still has good fundamentals and trend. We expect other cyclical sectors fundamentals and trend to improve next. The success of the new anti-obesity drugs is becoming bad news for both the Healthcare and Consumer Staples sectors (i.e. less comorbidities and less food & beverage consumption).

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Investments include shares in small cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile.

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