



February 2019

FOR PROFESSIONAL INVESTORS ONLY

A View From Asia

Samir Mehta, JOHCM Asia ex Japan Fund

Danshari (Japanese) – to dispose; separate. The genesis of the concept of decluttering as practised by Marie Kondo.

It is fascinating how certain concepts germane to a culture or people are adopted with gusto by another, while the host culture or people look on with ambivalence or scratch their heads. Take for instance the age-old practice of yoga. A tradition originated in pre-Vedic India, the physical, mental and spiritual practises have been co-opted by Americans and contorted into variations that defy imagination. On a more mundane level, the world's most populous nation, China, was swarming with bicycles until the 1980s. Today China is the largest market for automobiles while in many Western countries people pedal to work and indulge in cycling for recreation.

In a similar vein, Marie Kondo, a Japanese consultant, has found her niche. Danshari literally means to clean in Japanese. Her marketing genius has spun it differently to the Americans, where it is more about self-realisation – a 'how-to cleanse oneself' act. A recent profile of hers enumerated the ways she has cashed out on what I think might well be a fad. Grudgingly, I, too, have to admit there are learnings that I have taken away from reading her methods. Especially after the poor performance I delivered last year, I, too, adopted an approach to declutter the portfolio and retain or buy businesses that possess the one quality that we have always tried to focus on: resilience.

Several astute commentators have opined about the difficult macro-economic conditions we are currently experiencing. When the Chair of the Federal Reserve can diametrically alter his views in a matter of less than two months, it is best, in my view, to refrain from making any predictions. All I can reiterate is that most of the stocks now in the portfolio have

either been through some kind of a crisis and show signs of coming through that crisis, or have continued to deliver decent performance through the tough macro conditions. I have significantly reduced my cyclical exposure given the uncertainty, but compensated by increasing exposure to the ASEAN markets where stocks are cheap and unloved. As of the end of January, around 20% of the portfolio was invested in ASEAN – stocks from that region have, on average, done very poorly from their peak in 2013.

I do not have any new narrative to convince you about Asia. Similar to the UK and Europe, broad indices reflect cheap valuations relative to history. The as yet unresolved trade dispute, high debt levels and slowing growth are the known risks. Geopolitics and local elections in Thailand, India and Indonesia could be event risks. The direction of the US dollar will still be the overriding variable which likely determines whether capital starts to flow back to Asia. In any event, my comfort level with the stocks we own is reasonably high. As a result, you should expect to see the portfolio turnover fall to below 20% in 2019. I have heeded Marie Kondo's advice after all.

JOHCM Asia Ex Japan Fund 5 year discrete performance (%)

Discrete 12-month performance to:

	31.01.2019	31.01.2018	31.01.2017	31.01.2016	31.01.2015
A USD Class	-22.70	32.28	15.65	-14.35	15.55
Benchmark	-14.61	43.47	21.52	-18.26	13.23
Relative return	-9.48	-7.79	-4.83	4.79	2.05

Past performance is no guarantee of future performance.

Source: JOHCM/MSCI Barra/Bloomberg, NAV of Share Class A in USD, net income reinvested, net of fees. The A USD Class was launched on 30 September 2011. Benchmark: MSCI AC Asia ex Japan NR (12pm adjusted). Performance of other share classes may vary and is available on request.

Past performance is no guarantee of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation. Issued and approved in the UK by J O Hambro Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority. JOHCM® is a registered trademark of J O Hambro Capital Management Ltd. J O Hambro® is a registered trademark of Barnham Broom Ltd. Registered in England and Wales under No: 2176004. Registered address: Level 3, 1 St James's Market, London SW1Y 4AH, United Kingdom.

