J O Hambro Capital Management Group

A VIEW FROM ASIA

JOHCM Asia ex Japan Fund

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- There is currently a dichotomy between country performances within Asia, with those countries more dependent on exports (Taiwan, China and South Korea), particularly to the US, in a relatively better position.
- The rest are a mixed bag. The second wave has exposed the vulnerabilities of physical infrastructure, especially healthcare and human resources.
- It is a confusing time in markets and though my bias is still on the optimistic side, I prefer to be watchful in light of universal bullishness.

Alief – In philosophy and psychology, an alief is an automatic or habitual belief-like attitude, particularly one that is in tension with a person's explicit beliefs. For example, a person standing on a transparent balcony may believe that they are safe, but alieve that they are in danger. A person watching a sad movie may believe that the characters are fictional, but their aliefs may lead them to cry nonetheless.

As the Q1 2021 results season progresses, a few trends are evident. The big have gotten bigger. The digitally adaptable have fortified their dominance. In the US, thanks to large-scale government transfers, consumers have witnessed income growth despite a pandemic that stopped large parts of the global economy. As a result, there is a dichotomy between country performances within Asia. Those more dependent on exports, particularly to the US, are in a relatively better position – Taiwan, China and South Korea. The rest are a mixed bag. The second wave has exposed the vulnerabilities of physical infrastructure, especially healthcare and human resources.

I referred briefly to the unfolding crisis from the second wave in India. From all accounts – newspapers/media, company contacts, friends and family – the message is the same: it is far worse than what you read in the press. From what we have seen across Europe and now India, in my opinion we have to accept that waves will hit at different times across the world. For emerging markets, especially poorer countries, a stop/start economic pattern with hardships borne mostly by the lower strata of society might be the norm. Ironically, the worse the suffering, the more temptation for governments to 'do something on the fiscal side'. What a world we live in.

As I mentioned in my past couple of monthlies, I choose to exercise some caution. It is a confusing time in markets and though my bias is still on the optimistic side, I prefer to be watchful in light of universal bullishness. From a portfolio risk perspective, the biggest debate internally revolves around whether 'value' could continue to outperform 'quality'. I read several knowledgeable and articulate commentators who argue a case for both sides of the debate. So far, I have kept only quality cyclicals in the portfolio, allowing us to participate in the rally without taking risk of leveraged entities. However, there is no definitive signal I have to convincingly add risk in the portfolio.

Strange as it may sound, it is my firm belief that the effects of these second waves will lead to much slower growth and loss of income, especially in poorer Asian economies. Yet my alief is that liquidity pumped by central banks and deficit funding by governments can keep markets buoyant.

FUND WEBINAR | Q1 2021

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

Discrete 12 month performance (%):

	30.04.21	30.04.20	30.04.19	30.04.18	30.04.17
A USD Class	59.23	-2.29	-8.07	6.30	21.59
Benchmark	47.69	-7.14	-4.04	23.94	21.18
Relative return	7.82	5.22	-4.20	-14.23	0.34

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 as at 30 April 2021. 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.