



## **LWM Consultants Ltd**

### **Meeting the Fund Manager**

#### **Fund manager meeting – Schroder Asian Income Fund**

We do not directly invest in the Schroder Asian Income Fund but its strategy underpins the Schroder Asian Income Maximiser Fund. The fund is managed by Richard Sennitt. Richard has over 18 years' experience investing in Far Eastern markets. The team has 26 analysts based in 6 regional offices and so has the breadth and depth to support Richard.

It was excellent to have the opportunity to meet Richard and talk through his strategy. Asian companies seem to be strong dividend payers, with the current dividend yield sitting at around 4.6% p.a.

#### **Investment objective and profile**

The Fund's investment objective is to provide a growing income and capital growth for investors over the long term primarily through investment in equity and equity related securities of Asian companies which offer attractive yields and growing dividend payments. The emphasis of the fund will be investment in the Asia Pacific excluding Japan (including Australia and New Zealand) region. Investment will be in directly held transferable securities. The Fund may also invest in collective investment schemes, warrants and money market instruments.

#### **Themes and investments**

We briefly discussed the general approach to investing. The fund consists of between 60 to 80 stocks at any one time. Ideas are generated by analysts in the various regions and these ideas are considered by looking at a company's worth over the long term. Effectively is the company cheap against their valuation.

As an example of holdings we looked at Swire Pacific which is based in Hong Kong. As a business it has a string of businesses including commercial property, a bottling plant in China which supplies Coca Cola as well as owning Cathy Pacific. This is currently their biggest holding. In the fourth quarter the stock price was low against the company valuation which meant they started to add to their holdings.

We then looked at country holdings – they like Australia but are currently underweight. Due to the size of Australia and logistics there are numerous barriers to entry for businesses which makes investing in companies attractive when the prices are right. They are overweight in Hong Kong.

They are currently underweight in China, as has been the discussion point across all the meetings it was interesting to get a take on this. What we have seen is an export driven country and this has been and will continue to be a driver across the regions. But clearly as the Chinese become wealthier then the country will become more of a consumption play and this is really the driver for future growth.

Investing in any emerging market company can be tricky – you are not an insider so you will always face problems. It was interesting to see how Richard approaches these issues. There seemed to be no magic formula, in fact to some extent it was the same as looking at any company. The key components are the management, the business model, the ability to add value over time and crucially as with any investment some form of comfort factor.

The fund has consistently outperformed its benchmark and with the opportunities offered by the Asian markets this provides a good underpin to the Asian Income Maximiser Fund.

## **Conclusion**

Although we don't directly hold this within the portfolios it is the underlying part of the Asian Income Maximiser Fund. We were impressed by Richard's enthusiasm for the fund and the style he adopts to manage the fund.

The source of information in this note has been provided by Schroders and is correct to the end of April 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.