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December 2019 – A Sino-US trade truce at last!



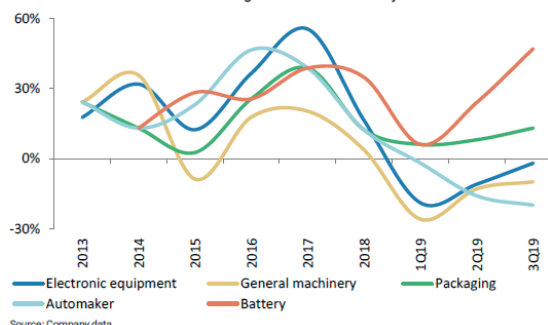
In December, Asian markets rose (+4.8% in €, +6.7% in \$), outperforming the US market (S&P +0.9% in €) and European markets (Stoxx 600 +2.1%). Over the whole year, Asia ex Japan delivered decent performance: +20.3% in € vs. S&P at +31% and Europe +23%. Amongst Asian emerging markets, China and Taiwan increased over 22% while ASEAN underperformed. We applaud the good performance of index heavyweight stocks: Alibaba +55%, TSMC +47%, Samsung Electronics +44% and Tencent +20%. As the year ends, international investors reassured by the US-China Phase One trade deal have returned. With this initial agreement, Donald Trump shall not threaten with new tariffs in the short term which is good news. This normalization of Sino-US trade relationship should, in our opinion, enable the dollar to reverse its upward trend (see chart on the left) which is another positive factor for Asian emerging markets. In this context, Asian EM growth could accelerate in 2020 (return of confidence, re-stocking, introduction of 5G, ongoing monetary easing). This environment is therefore positive for equities. After recording an 8% decline in 2019, corporate earnings should grow again, especially in the technology sector.

Stock Focus: AirTac (sales of \$520m; market capitalization of \$2.7bn; 1.5% of GemAsia)

AirTAC As a result of weaker Chinese demand, lower semi capex and inventory overbuilding, the automation market has declined for 2 years since its peak in 4Q17. We expect this market to recover in 2020, backed by multiple drivers such as 5G capex (both infrastructure and devices), new smartphone design and improved general machinery demand. As a result, industrial pneumatic component leader **AirTac** is well positioned to benefit from this upward trend. Established in Taiwan in 1988, **AirTac** manufactures cylinders, valves, filter-regulator lubricators (FRL) units and linear motion guides. These components are used in the field of automation equipment in various sectors, amongst which 5 applications (cf. the chart below) being the most important and contribute to 65% of its revenue on a combined basis.

AirTac: business yoy growth momentum by end market

Exhibit 3: AirTAC's business YoY growth momentum by end market



While the company is still in a downcycle with low demand visibility (2019 revenue growth target being revised down to low single digit from +10% initially), AirTac has started to see monthly shipments improve recently. Activity is expected to further recover in 2020. On one hand, the general operating environment should improve after 2 years of weakness. On the other hand, management feels confident in their ability to continue to gain market share (+10% for pneumatic sales even in a flattish market). It is worth noting that in its key market China (93% of revenue), AirTac enjoys an early mover advantage and a strong

market position. It is the #2 player with 20% market share only behind Japanese SMC. Its vertical integration (85% manufactured internally), localized production (2 plants), large choice of SKUs (150-160,000 now and expanding) and strong direct sales channels are among its key competitive advantages. The stock trades at a 2020 PER of 24x consensus earnings which have been revised downward from August 2018. Analysts forecast earnings CAGR of 28% for next 2 years. We believe the company could deliver superior growth should the cycle upturn materializes.

Fund performance

In December, GemAsia rose 5.7%, outperforming its benchmark MSCI Asia ex Japan Total Return index (+4.8% in €). **For the whole 2019, GemAsia delivered 25.9% in €, outperformed its index by 5.5%.**

Over the month, our underweight India and ASEAN and our overweight China contributed positive alpha to the fund. We note the strong performance of **Tencent** which has partially caught up with its 2019 underperformance.

Fund positioning

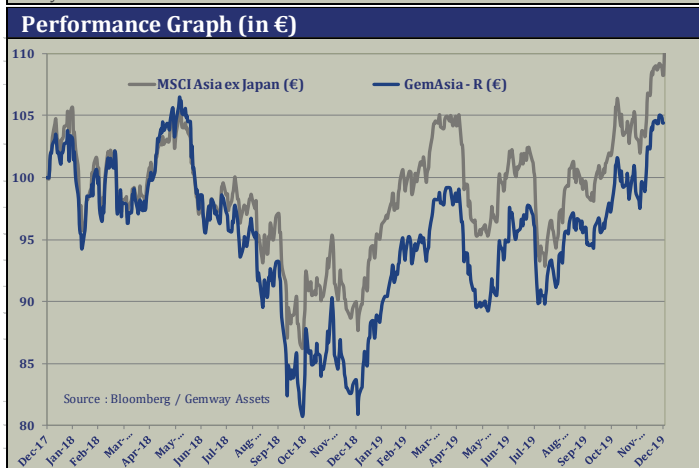
Over the month we further increased our technology exposure to 25.5% of the fund and have therefore increased our exposure to South Korea (from 12.3 to 14.2%). **Samsung Electronics** and **SK Hynix** account for 10.8% of the fund. In South Korea, we have also initiated a position in steel maker **POSCO** (1.4% of GemAsia), which further increased our cyclical exposure. As a matter of fact, we expect Chinese demand for steel to increase in 2020. POSCO seems to us the best steel player, especially from an ESG perspective.

In order to finance these purchases, we took profit on some Chinese growth names, such as Kweichow Moutai (closed the position), Wuliangye and Foshan Haitian (halved investments). We have also reduced our investment in the Chinese insurance sector. As a result, our exposure to China has been cut from 45.6% to 44.8%.

The cash balance remains stable at 3%. GemAsia is now 97% invested of which 65% in growth stocks and 32% in cyclicals.

								Asset Breakdown			
Country	Fund	Asia x Japan	+/-		Sector	Fund	Asia x Japan	+/-			
Korea	14.2%	13.6%	+0.6%	KOREA - TW	Energy	2.9%	4.1%	-1.2%	vs. 27.3%		
Taiwan	11.5%	13.7%	-2.1%		Basic Materials	2.4%	4.3%	-1.9%			
China	44.8%	39.7%	+5.1%	CHINA - HK	Industrials	2.4%	6.9%	-4.5%			
Hong Kong	10.9%	10.0%	+0.8%		Banks	5.7%	14.5%	-8.8%			
Singapore	1.3%	3.7%	-2.3%	55.7%	Other Financials	10.7%	8.8%	+1.9%			
Malaysia	0.0%	2.2%	-2.2%		Real Estate	1.5%	5.7%	-4.2%	vs. 49.7%		
Thailand	0.0%	3.2%	-3.2%	ASEAN	Technology	25.5%	17.9%	+7.6%			
Philippines	0.0%	1.2%	-1.2%		Media & Internet	11.3%	7.6%	+3.7%	5.4%		
Indonesia	2.5%	2.2%	+0.3%		Telecom	3.6%	3.6%	-0.1%			
Vietnam	1.5%	0.0%	+1.5%	vs. 12.4%	Consumer Durables	24.9%	15.0%	+9.9%	INDIA		
India	7.8%	10.6%	-2.8%		Consumer Non-durables	4.5%	5.4%	-0.9%			
Pakistan & Sri Lanka	0.0%	0.0%	-0.0%	7.8%	Healthcare Services	1.5%	3.1%	-1.6%	vs. 10.6%		
Others	2.5%		+2.5%		Utilities	0.0%	3.2%	-3.2%			
Cash	3.0%		+3.0%		Cash	3.0%					
	100.0%	100.0%				100.0%	100.0%				
Thematic	Fund	Asia x Japan	+/-	10 major holdings				Fund	Asia x Japan		
Structural Growth	65.3%	52.4%	+12.8%	Median	Alibaba	China	9.3%	6.7%			
Cyclicals	31.7%	47.6%	-15.9%		Tencent	China	8.9%	4.9%			
Capitalization	Fund	Asia x Japan	+/-	Market	Samsung Electronics	Korea	6.9%	4.8%			
<\$1bn	0.0%	0.0%	-0.0%		TSMC	Taiwan	5.9%	5.0%			
\$1-5bn	3.0%	9.2%	-6.2%	Capitalisation	Shenzhou International	China	4.1%	0.2%			
\$5-10bn	2.5%	12.7%	-10.2%		AIA	Hong Kong	4.0%	2.4%			
\$10-50bn	35.0%	40.6%	-5.6%	47 076	Techtronics	Hong Kong	4.0%	0.2%			
\$50 - 100bn	15.7%	5.2%	+10.5%		SK Hynix	Korea	3.9%	0.8%			
>\$100bn	40.7%	32.2%	+8.5%	Total number	Ping An Insurance	China	3.7%	1.4%			
Cash	3.0%		+3.0%		Hangzhou Hikvision	China	3.7%	0.1%			
	100.0%	100.0%		44		Total	54.4%	26.4%			

Main convictions (Country/Sector)				Matrix Active Share (Σ of country/sector overweights) : 42.4%				Convictions			
Positive Convictions				Negative Convictions				Fund			
China Consumer Durables		17.2%	+6.3%	China Financial Services		3.7%	-4.5%				
Korean Technology		11.8%	+5.7%	Taiwan Financial Services		0.0%	-2.3%				
China Communication		13.4%	+5.3%	Hong Kong Property		0.0%	-2.3%				
Hong Kong Consumer Durables		4.0%	+3.2%	China Industrials		0.0%	-2.3%				
Other Consumer Durables		2.5%	+2.5%	China Property		0.0%	-2.2%				
Main convictions (by stock)				Stock Active Share (Σ of stock overweights) : 65.2%							
Positive Convictions				Negative Convictions				Fund			
Tencent	China	8.9%	+4.0%	China Construction Bank	China	0.0%	-1.6%				
Shenzhou International	China	4.1%	+3.9%	Reliance Industries	India	0.0%	-1.2%				
Techtronics	Hong Kong	4.0%	+3.8%	ICBC	China	0.0%	-1.0%				
Hanzhou Hikvision	China	3.7%	+3.6%	Hon Hai	Taiwan	0.0%	-0.7%				
SK Hynix	Korea	3.9%	+3.1%	Bank of China	China	0.0%	-0.7%				



Valuation			
2019 PER (X) :	25.0	2019 EPS growth (e) :	15.4%
2020 PER (X) :	20.8	2020 EPS growth (e) :	22.7%
Dividend Yield :	1.7%	(based on Bloomberg consensus)	

Performance						
	1 Month	YTD	1 Year	3 Years	5 Years	Annualized since inception
I-share (€)	+5.7%	+25.9%	+25.9%	N/A	N/A	+3.2%
R-share (€)	+5.6%	+24.8%	+24.8%	N/A	N/A	+2.2%
Index (€)	+4.8%	+20.3%	+20.3%	N/A	N/A	+4.0%
Category (€) (*)	+2.3%	+17.1%	+17.1%	N/A	N/A	+4.0%
I-share (\$)	+7.6%	+23.6%	+23.6%	N/A	N/A	-0.2%
Index (\$)	+6.7%	+18.2%	+18.2%	N/A	N/A	+0.6%
Statistics - GemAsia I-share (3 years in €)						
GemAsia Volatility	N/A	Beta	N/A	Tracking Error	N/A	
Index Volatility	N/A	Alpha	N/A	Info Ratio	N/A	
Sharpe Ratio	N/A	Annualized				

Past performance is no guarantee of future results

Performance Attribution YTD					
Over/under-performance :	5.5%	o/w Stock Selection :	4.7%	and	Country and currency allocation : 0.8%
Major contributors			Major detractors		
Stocks held		Stocks not held	Stocks held		Stocks not held
Techtronic	Hong Kong	1.58	Sillajen	South Korea	0.07
Ping An Insurance	China	1.43	Public Bank Berhad	Malaysia	0.07
Shenzhou Intl	China	1.30	Mahindra & Mahindra	India	0.07
Kweichow Moutai	China	1.19	Celltrion	South Korea	0.07
AIA	Hong Kong	1.13	Yes Bank	India	0.06
Weibo	China	-0.55	Reliance Industries	India	-0.39
China Unicom	China	-0.37	JD.com	China	-0.26
Han's Laser	China	-0.37	Hon Hai Precision	Taiwan	-0.24
Lemon Tree	India	-0.37	Naver	South Korea	-0.16
Maruti Suzuki	India	-0.35	Sunac China	China	-0.16

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