

# GemAsia

## Sustainable Investors - Asian Equities

### Uncertainty creates opportunities



AUM  
\$66M

#### FUND PERFORMANCE

In September, the MSCI Asia ex Japan TR Index took a break and fell 1.5% in \$ but rose 0.45% in €. Performance of global indices was contrasted with S&P 500 at -2.1% in €, Stoxx600 at -1.5% and TOPIX at +2.6%. Over the same period, **GemAsia gained 1.3%, outperforming its benchmark index by 87bp**. The "back to school" was marked by a new wave of COVID19 contaminations in several European countries. The situation remains under control in China, Korea and Taiwan, while in India the first wave has not yet passed. Negotiations on a new fiscal stimulus in the United States keep the market on hold. And in the run-up to the American elections, new restrictions on Chinese companies have been dropped. The TikTok application is subject to be forcibly sold to American companies under threat of a ban; the fate of WeChat on American soil is in the hands of a federal judge, while the sky is darkening over SMIC, China's leading semiconductor foundry. For the moment, the company has avoided being blacklisted (unlike Huawei), but American companies must apply for licenses to work with SMIC. Our selection in North Asia and especially in the internet, tech and industrial sectors continues to contribute positively. A good number of our companies benefit from Huawei's misadventure by gaining market share, following the example of Samsung Electronics. Our underweight position in financial and energy sectors is also a winning strategy. However, our underweight position in India had a negative impact on performance.

#### EURO

	1 Month	YTD	1 Year	3 Years	5 Years	Annualized since inception
I share	+1.3%	+12.2%	+22.3%	n/a	n/a	+6.6%
R share	+1.3%	+11.5%	+21.2%	n/a	n/a	+5.6%
Index	+0.5%	+0.9%	+9.5%	n/a	n/a	+3.2%
Category (*)	-0.1%	+0.9%	+6.2%	n/a	n/a	+3.2%

#### DOLLAR

	1 Month	YTD	1 Year	3 Years	5 Years	Annualized since inception
I share	-0.6%	16.9%	31.2%	n/a	n/a	5.6%
R share	-0.7%	16.4%	30.4%	n/a	n/a	4.7%
Index	-1.5%	5.4%	17.8%	n/a	n/a	2.3%
Category (*)	-2.0%	5.4%	14.2%	n/a	n/a	2.3%

**Outperformance in 2020 : +11.3% o/w Stock selection : +10% and Country allocation : +1.3%**

#### FUND POSITIONING

North Asia remains our preferred region. Our Chinese exposure remains unchanged at 49.4%. Over the month, our selection in the internet, consumer discretionary and healthcare continues to perform well. On the one hand, **Kingsoft Cloud** (one of the leading cloud providers) and **Ping An Healthcare & Technology** (telemedicine services), two companies benefiting from structural growth, were added to the portfolio. On the other hand, we took partial profit on various positions such as **Li Ning, Feihe, SK Hynix**. Our **Guangzhou Auto** were reduced (from 2% to 1%), in anticipation of a slow recovery in sales. Following the strengthening of **Samsung Electronics** (from 6.6% to 8.5%) and increased position in **LG Chem** (from 1% to 1.7%), Korean exposure was increased (from 12.9% to 14.6%). The weight of Indian banking stocks was cut (ICICI Bank from 1% to 0%, **HDFC Bank** from 1.5% to 1%) in favor of **Reliance Industries** (from 1.4% to 2.5%). This conglomerate has successfully completed its strategic turnaround and is positioned as the prime winner of Indian digitalization. Elsewhere in Asia, Vietnamese Vincom Retail (shopping centers) was reduced and Taiwanese Giant (bicycle manufacturer) were sold off due to lack of short-term catalysts. As a result, our cyclical exposure was reduced from 31.1% to 30.5% and remains well below benchmark (38.7%).

#### MACRO VIEW

China continues to surprise on the economic front. **September manufacturing PMI came out at 51.5 compared to 51 in August**. Profit growth in the industrial sector is positive and has been accelerating over the last five months. This creates a solid foundation for a potential recovery in private investments. In addition, it should be noted that, unlike a number of countries, China has not initiated drastic plan to support consumption. Industrial activity has surpassed pre-COVID level, unlike consumption. The economic situation is therefore much healthier. We also see this through the currency. The CNY has appreciated against USD by +5% since May and remains strong. As the Chinese Central Bank has not opened its valves as much as the FED or the ECB did, the carry trade remains favorable. In India, the economy has been slowly normalizing. The pandemic outcome is not glorious (nb2 after the United States) but people have not choice but returning to work. The government has not provided any COVID related aid. A key land reform has however been passed in parliament. The month was also marked by a revival of the technology names. The price of memory went up again, supporting **SK Hynix (3.5%)** and **Samsung Electronics (8.5%)**. The latter is particularly winning against Huawei in smartphones and telecom equipment. 3Q20 should be strong. In addition, Intel's announcement this summer that it is gradually phasing out in-house production of semiconductor chips favors both **Samsung** and **TSMC (6.6% of the fund)**. It should be remembered that these two companies are the only ones to offer cutting-edge technologies in the foundry industry. Overall, we continue to seize market correction opportunities to strengthen our conviction positions. The profit growth will be strong in 2021.

#### PERFORMANCE



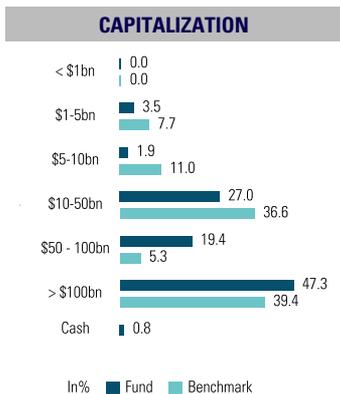
#### COUNTRY

	Fund	Benchmark
Korea	14.6%	13.0%
Taiwan	13.1%	14.0%
China	49.4%	47.1%
Hong Kong	7.5%	7.8%
Singapore	2.8%	2.5%
Malaysia	00.0%	1.9%
Thailand	0.0%	2.1%
Philippines	0.0%	0.8%
Indonesia	0.8%	1.6%
Vietnam	0.6%	0.0%
India	7.1%	9.3%
Pakistan & Sri Lanka	0.0%	0.0%
Others	3.3%	
Cash	0.8%	

#### SECTOR

	Fund	Benchmark
Energy	3.5%	3.3%
Basic Materials	2.9%	3.9%
Industrials	4.9%	5.4%
Banks	1.9%	9.5%
Other Financials	7.9%	8.4%
Real Estate	0.6%	4.4%
Technology	27.1%	19.6%
Media & Internet	13.4%	10.5%
Telecom	0.0%	2.9%
Consumer Durables	25.5%	20.2%
Consumer Non-durables	5.0%	5.3%
Healthcare Services	6.5%	4.5%
Utilities	0.0%	2.3%
Cash	0.8%	

ASSET ALLOCATION



REGION	Fund		Benchmark	
	Fund	Benchmark	Fund	Benchmark
Korea & Taiwan	27.6%	27.0%		
China & Hong Kong	56.9%	54.9%		
ASEAN	4.2%	8.9%		
India & Pakistan	7.1%	9.3%		
Others	3.3%	0.0%		
Cash	0.8%			
Median Market Capitalisation (M\$) 44,581				
Total number of holdings 44				

THEMATIC	Fund		Benchmark	
	Fund	Benchmark	Fund	Benchmark
Structural Growth	68.7%	61.3%		
Cyclicals	30.5%	38.7%		

10 TOP HOLDINGS	Fund		Benchmark	
	Fund	Benchmark	Fund	Benchmark
Alibaba	China	9.6%	9.1%	
Samsung Electronics	Korea	8.5%	4.4%	
Tencent	China	8.3%	7.0%	
TSMC	Taiwan	6.6%	6.4%	
Ping An Insurance	China	4.1%	1.2%	
Techtronic	Hong Kong	3.7%	0.3%	
SK Hynix	Korea	3.5%	0.6%	
Mediatek	Taiwan	3.5%	0.5%	
Jiangsu Hengrui	China	3.0%	0.1%	
Sea Ltd.	Singapore	2.8%	0.0%	
Total		53.6%	29.6%	



MAIN CONVICTIONS (BY STOCK)

Stock Active Share (Σ of stock overweights - stock by stock) : 57.1%

Positive Convictions				Negative Convictions			
Company	Country	Fund	+/-	Company	Country	Fund	+/-
Samsung Electronics	Korea	8.5%	+4.1%	China Construction Bank	China	0.0%	-1.2%
Techtronic	Hong Kong	3.7%	+3.4%	China Mobile	China	0.0%	-0.8%
Mediatek	Korea	3.5%	+3.0%	Infosys	India	0.0%	-0.7%
SK Hynix	China	3.5%	+2.9%	HDFC	India	0.0%	-0.7%
Ping An Insurance	China	4.1%	+2.9%	ICBC	China	0.0%	-0.6%

MAIN CONVICTIONS (COUNTRY/SECTOR)

Matrix Active Share (Σ of country/sector overweights) : 32.7%

Positive Convictions			Negative Convictions		
Country/Sector	Fund	+/-	Country/Sector	Fund	+/-
Korea Technology	12.9%	+7.1%	China Financial Services	4.1%	-2.4%
China Healthcare	6.5%	+4.0%	China Property	0.0%	-1.9%
Hong Kong Consumer Durables	3.7%	+3.0%	Taiwan Financial Services	0.0%	-1.9%
China Consumer Durables	19.3%	+2.6%	Hong Kong Property	0.0%	-1.6%
Singapore Communication	2.8%	+2.6%	India Technology	0.0%	-1.5%

PERFORMANCE ATTRIBUTION YTD

Major Contributors				Major Detractors				
Stocks held		Stocks not held		Stocks held		Stocks not held		
Sea Ltd	ASEAN	2.61	CCB	China	0.34	CNOOC	Korea	-1.38
Techtronic	Hong Kong	1.61	ICBC	China	0.27	Guangzhou Auto	China	-0.93
Tencent	China	1.32	Axis Bank	India	0.20	SK Hynix	China	-0.90
Meituan Dianping	China	1.22	CK Hutchison	Hong Kong	0.19	Largan	Taiwan	-0.64
China Tourism Group	China	1.12	Singtel	Singapore	0.16	ICICI Bank	India	-0.61
						NIO	China	-0.28
						Navier	Korea	-0.21
						Xiaomi	China	-0.19
						TAL Education	China	-0.18
						Kakao Corp	Korea	-0.17

VALUATION

PER 2020 (X) :	29.6	2020 EPS growth (e) :	21.5%
PER 2021 (X) :	25.6	2021 EPS growth (e) :	43.5%
Dividend Yield :	1.3%		

(Based on Bloomberg consensus)

ESG CONVICTIONS - SRI LABEL

ESG investment is fully integrated into our investment process through a best-in-class approach, in order to reduce the portfolio risk.

Semi-annual ESG Investment report (impact report, carbon footprint, etc...) and Transparency Code are available on request or on the website www.gemway.com.

Early 2020, Gemway Assets obtained French ISR Label for its entire range of funds (o/w GemAsia).



Launch date :  
29 December 2017

Legal form :  
SICAV under French law  
Compartment of GemFunds SICAV

Benchmark :  
MSCI Asia Ex Japan  
(net dividends reinvested)

Quote currencies :  
EUR and USD

NAV 30/09/2020:  
€119.29 (I)  
€116.39 (R)  
\$117.88 (I USD)  
\$128.74 (R USD)

I-Share ISIN : FRO013291879  
R-Share ISIN : FRO013291861  
I USD-Share ISIN : FRO013291895  
R USD-Share ISIN : FRO013291887  
I-Share Bloomberg : GWAGUI FP

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(\*): Bloomberg BAIF UCITS OEF EMKT EQ: index representing open funds for emerging equities. GemAsia is UCITS compliant. The index is the MSCI Asia ex Japan (dividend reinvested). GemAsia is primarily invested in equities and presents a risk of capital loss. Past performances do not guarantee future performances. This document, intended for professional investors, is not of a contractual nature. It may not be reproduced, distributed or passed on to third parties in whole or in part without the prior written authorisation of Gemway Assets SAS. The purpose of this document, which is commercial in nature, is to inform investors of the fund's characteristics in a simplified way. For more information, please refer to the KIID or consult your usual contact. Management fees are included in the performance.