



# abrdn Asia Focus PLC

A fundamental, high conviction portfolio of well-researched Asian small caps

Gabriel Sacks, Investment Director

November 2023

[abrdn.com](https://abrdn.com)





# Key info

## Net asset value total return (diluted)

+7.6% (FY 2023)

-2.0% (2022)

## Share price total return

+7.3% (FY 2023)

-1.7% (2022)

## MSCI AC Asia ex Japan Small Cap Index total return

+8.0% (FY 2023)

-5.1% (2022)

## Discount to Net asset value

14.5% (FY 2023)

14.0% (2022)

## Ongoing charges ratio

0.92% (FY 2023)

0.88% (2022)

## Dividends per share

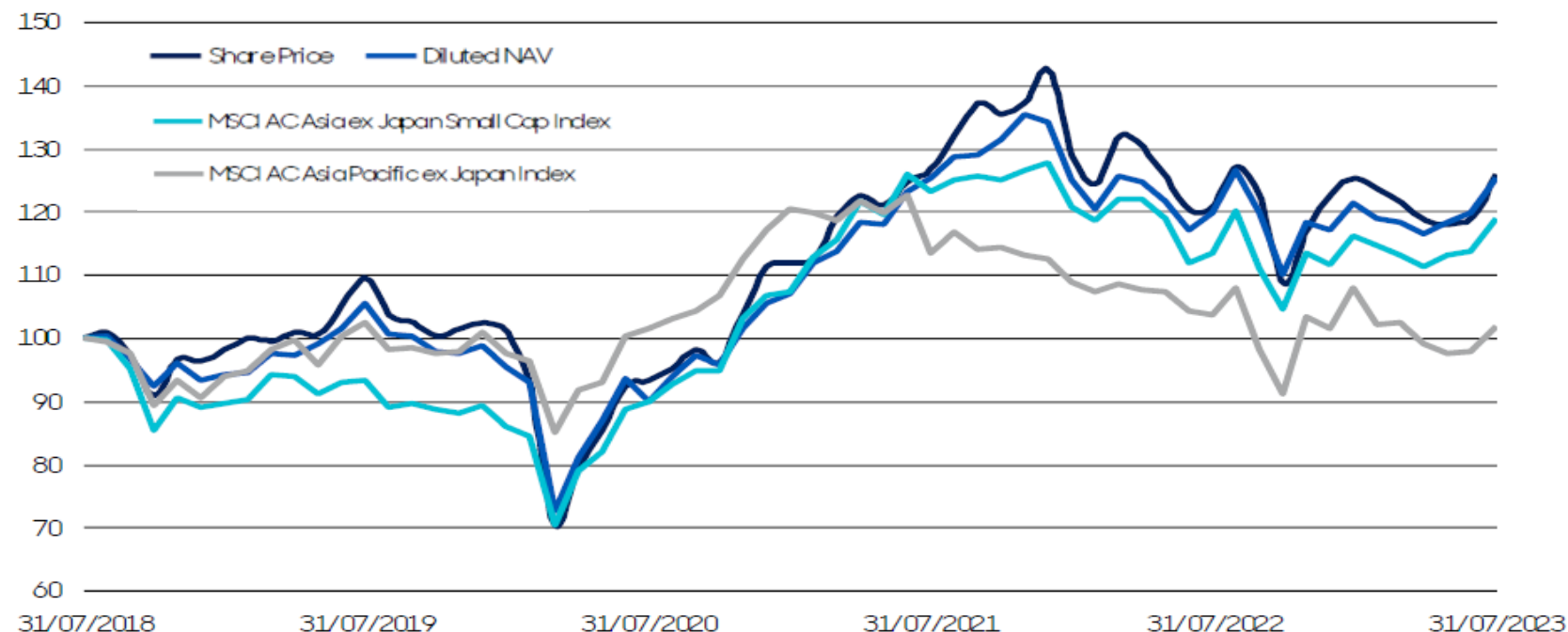
8.66p (FY 2023)

8.00p (2022)

Source: abrdn Asia Focus Plc, Annual Financial Report for the year ended 31 July 2023; Lipper, 31 July 2023

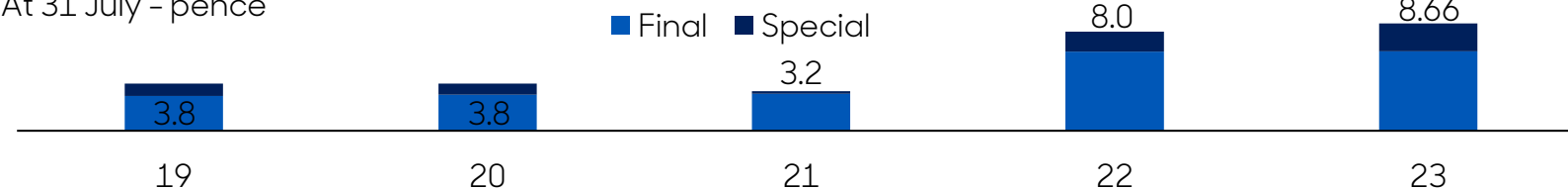
Benchmark: MSCI AC Asia ex Japan Small Cap Index

## Capital Return of Diluted NAV and Share Price vs MSCI AC Asia ex Japan Small Cap Index (sterling adjusted) and MSCI AC Asia Pacific ex Japan Index (sterling adjusted) and Five years to 31 July 2023 (rebased to 100 as at 31/07/18)



## Dividends per share

At 31 July - pence



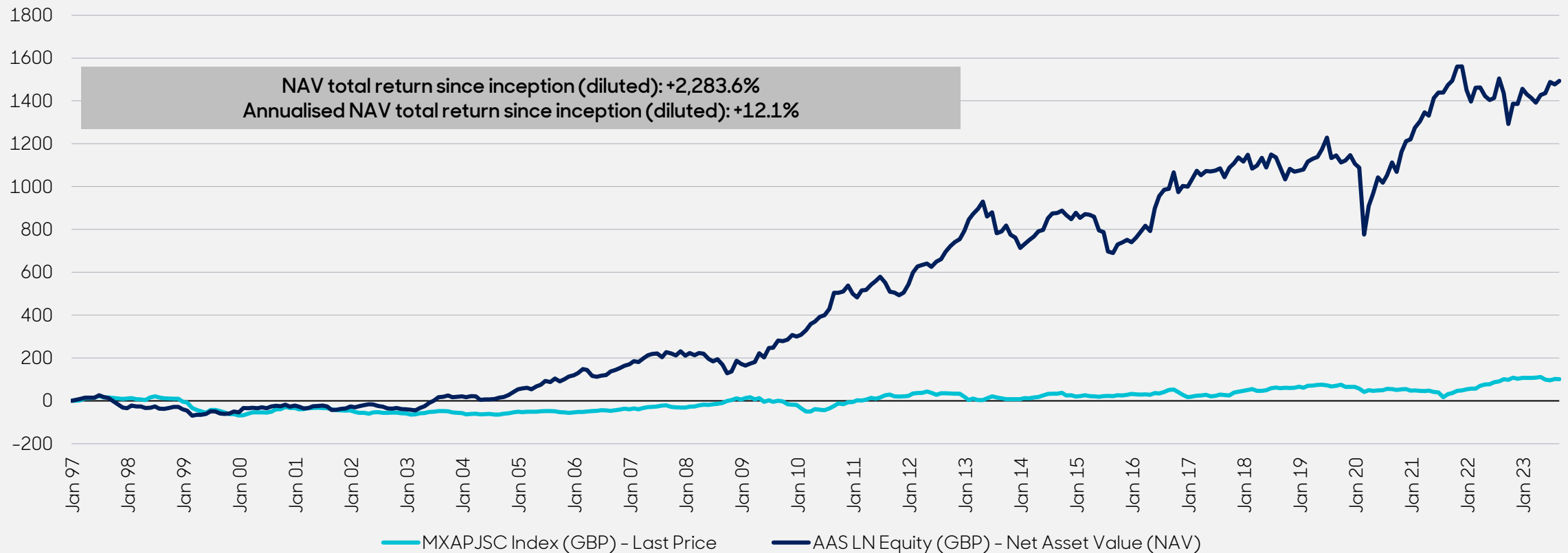
Year to 31 July	2019	2020	2021	2022	2023
Net ordinary dividends paid/proposed	2.80	2.90	3.00	6.40	6.41
Special ordinary dividends paid/proposed	1.00	0.90	0.20	1.60	2.66

Past performance does not predict future returns

# Strong long-term performance since inception

A virtue of patience and a disciplined investment process

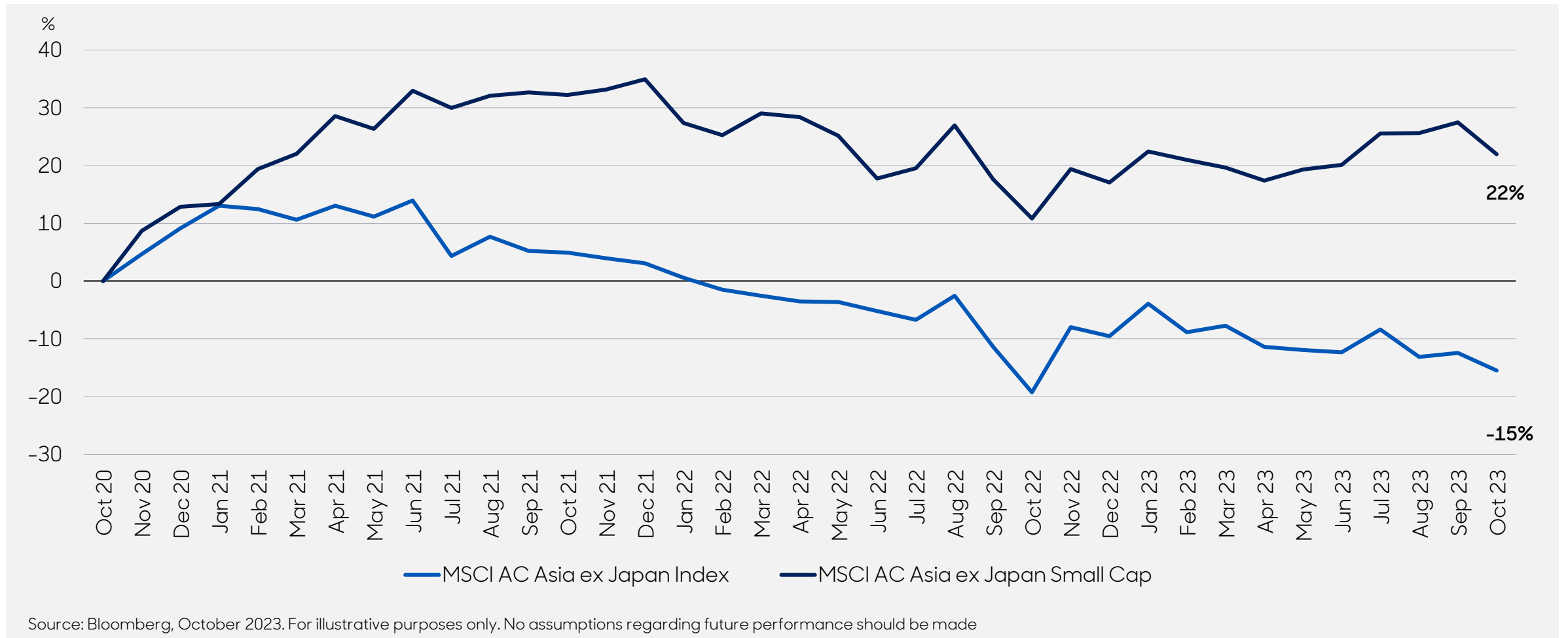
Normalised returns (%) from January 1997 to September 2023



Source: Bloomberg, September 2023. For illustrative purposes only. No assumptions regarding future performance should be made  
Note: Fund data only available on Bloomberg from January 1997 onwards

# MSCI Asia ex Japan: Large Cap vs Small Cap?

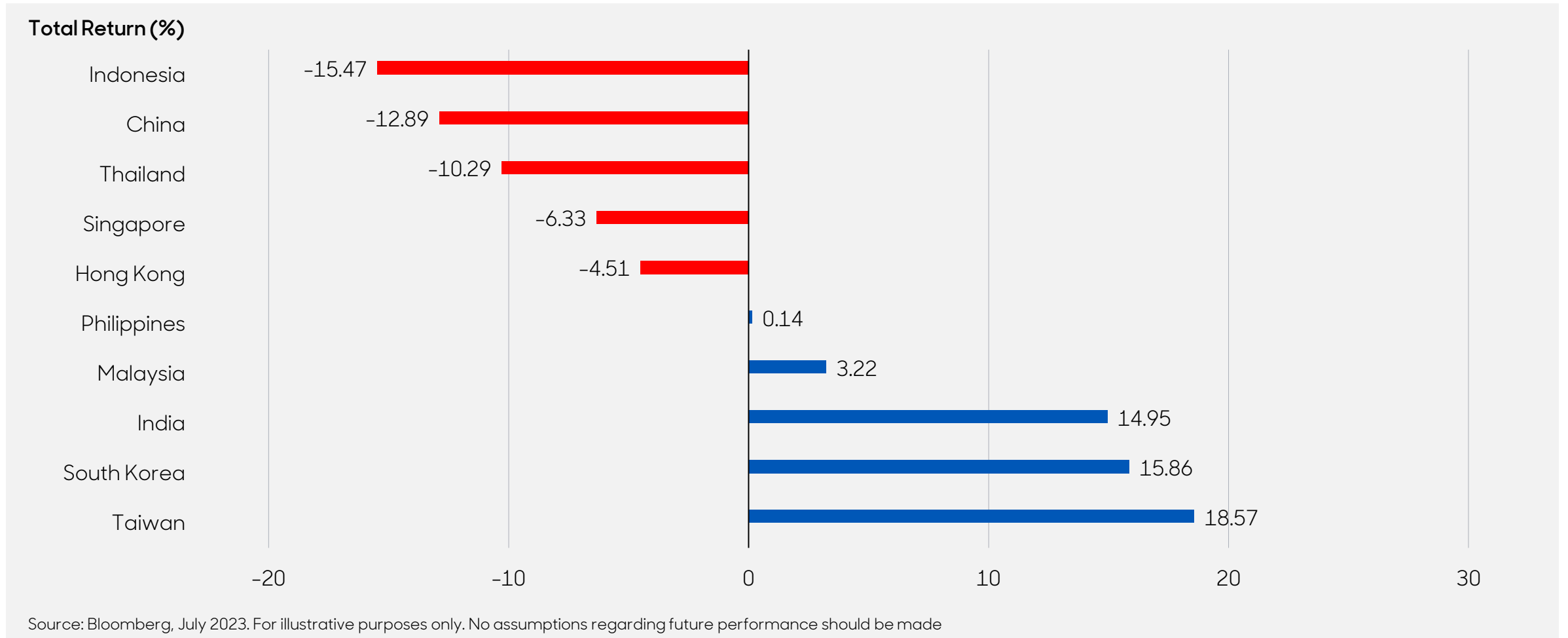
Small Cap outperformed by 37% over the past 3Y



Source: Bloomberg, October 2023. For illustrative purposes only. No assumptions regarding future performance should be made

# Performance by market over the past 1Y

Asia not a homogenous place – material differences within the region



# Stock attribution – 1 Year to end July 2023

	Fund		Benchmark		Variation	
<b>Best performing</b>	Ending Weight	Total Return	Ending Weight	Total Return	Variation Average Weight	Total Effect
Park Systems Corporation	5.20	96.15	0.08	96.32	3.81	2.40
Sunonwealth Electric Machine Industry	1.80	213.93	--	--	2.08	2.37
Pt Bank Ocbc	4.24	88.71	--	--	3.27	1.87
Cyient	3.57	66.00	0.15	65.81	2.87	1.38
Taiwan Union Technology Corporation	2.67	128.35	0.11	128.70	1.26	1.29
<b>Worst performing</b>	Ending Weight	Total Return	Ending Weight	Total Return	Variation Average Weight	Total Effect
Ecopro	--	--	1.88	1,248.13	-0.58	-1.71
Joinn Laboratories	1.88	-45.80	--	--	2.07	-1.47
Sinoma Science & Technology	2.50	-26.13	--	--	2.55	-1.00
Momo.Com	1.65	-32.45	--	--	2.29	-1.00
Nanofilm Technologies	0.52	-43.45	0.02	-43.48	0.99	-0.65

Source: abrdn, Citi, Factset, Gross, GBP. Performance is shown gross of fees and does not reflect investment management fees. Had such fees been deducted, returns would have been lower. These securities have been used for illustrative purposes only to demonstrate the investment management style, not as an indication of performance and should not be considered as a solicitation or recommendation of these securities. Benchmark is MSCI AC Asia ex Japan Small Cap Index

# Significant portfolio activity (July 2022 to October 2023)

## abr dn Asia Focus PLC

	Stock Name	Remarks
Initiated	Cha Cha Food	Among China's leading nut producers with well-established brands, including the largest roasted seeds brand locally. This reflects its stringent quality control in its production line and supply chain. We see high growth potential for Chacha, as the highly fragmented industry presents a consolidation opportunity for a focused, vertically integrated player with a solid brand portfolio
	Kerry Logistics Network	One of the largest integrated logistics providers in Asia with a diversified customer base. We think the company is well placed to benefit from supply-chain relocation, e-commerce growth and intra-regional trade in Asia, as well as globally
	Autohome	The dominant online destination for automobile consumers in China. It delivers comprehensive, independent and interactive content to automobile buyers and owners. The core business benefits from the powerful network effect characteristics of a classifieds business. In this instance leadership in content drives high quality user traffic which in turn drives ad and lead generation dollars
	Sinbon Electronics	Maker of cables and connectors for niche markets. In a highly fragmented industry, its competitive edge lies in its capabilities to manufacture highly customised products for its diversified customer base, as well as its well-entrenched partnerships with its suppliers and clients. A beneficiary of long-term structural trends such as Internet of Things, 5G applications and electric vehicles, as well as growing demand for renewable energy, supported by solid order visibility over the next two to three years.

Source: abr dn, 31 October 2023

These securities have been used for illustrative purposes only to demonstrate the investment management style and should not be considered as a solicitation or recommendation of these securities.

# Significant portfolio activity (July 2022 to October 2023)

## abrdn Asia Focus PLC

	Stock Name	Remarks
<b>Exited</b>	Absolute Clean Energy	In view of better opportunities elsewhere
	Tatva Chintan	Headwinds to the business post IPO meant valuations started to feel too stretched
	IPH	Less attractive valuation following good performance
	Nazara Technologies	Increasingly complex corporate structure and focus on M&A led to lower conviction in the investment case
	Pacific Basin Shipping	Lack of visibility and momentum on shipping rates despite the compelling supply and demand dynamic. The industry is likely to enter a significant capex cycle, which could affect total returns to shareholders.
	Nanofilm Technologies	Waning conviction in its growth outlook following poor management guidance since the company's listing on top of an uncertain demand environment for its core products.
	ASPEED Technology	Exited on valuation grounds
	NZX	Limited near-term catalysts and Australasia no longer part of our investment universe
	Douzone Bizon	Poor execution and an uncertain growth outlook
eCloudvalley	Divested due to poor disclosure and slowing growth, and to fund opportunities elsewhere	

Source: abrdn, 31 October 2023

These securities have been used for illustrative purposes only to demonstrate the investment management style and should not be considered as a solicitation or recommendation of these securities.



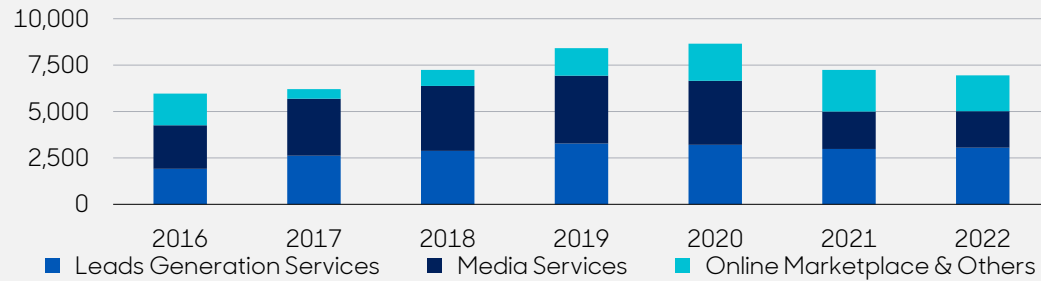
# Initiated: Autohome



## Dominant online hub for car buyers and sellers in China

### One-stop shop service provider with rising contribution from online marketplace

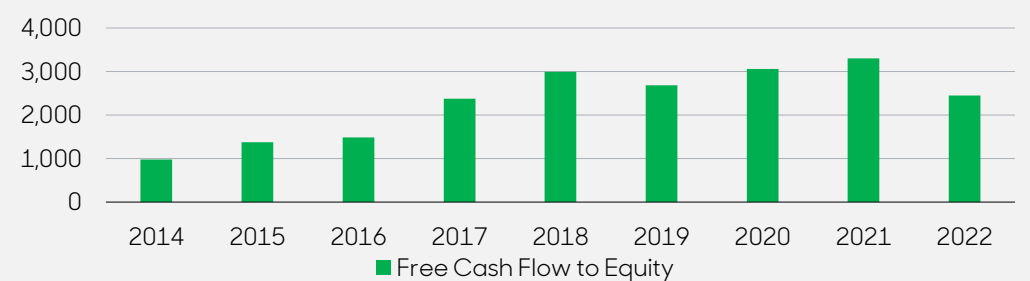
RMB (millions)



Source: Bloomberg, December 2022

### Strong free cash-flow generation even during covid period

RMB (millions)



Source: Bloomberg, December 2022

- Leading auto platform in China connecting consumers with auto dealers & OEMs
- Daily active user base of 64 million is roughly equivalent to the entire UK population
- Company is profitable (>27% net profit margin) and generates health cash flows with a FCY yield of 9% (FY22)
- Valuation is highly attractive with the company sitting on a net cash balance sheet that represents >75% of the entire company's market cap.
- New business ventures such as their used car sales platform and NEV advertising aren't being assigned much value
- Supportive shareholder in Ping An, a financial & tech conglomerate in China

Source: Bloomberg, December 2022. For illustrative purposes only. No assumptions regarding future performance should be made

© Autohome. Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance

# Performance summary

Annualised Performance (%)							
	1 month	3 months	6 months	1 year	3 years <sup>3</sup>	5 years <sup>3</sup>	10 years <sup>3</sup>
NAV <sup>1</sup>	1.0	4.9	6.8	7.3	11.5	7.5	7.1
Composite Benchmark	1.7	7.2	8.7	11.7	10.7	7.5	7.9
MSCI AC Asia ex Japan	1.1	0.8	-3.1	1.8	-1.1	2.2	6.8
<b>Relative performance<sup>2</sup></b>	-0.7	-2.3	-1.9	-4.4	0.8	0.0	-0.8

## Discrete performance

Year ending	30/09/23	30/09/22	30/09/21	30/09/20	30/09/19	30/09/18	30/09/17	30/09/16	30/09/15	30/09/14
NAV <sup>1</sup>	7.3	-4.1	34.6	-1.6	5.4	1.6	10.0	35.4	-16.2	8.6
Composite Benchmark	11.7	-8.7	33.0	6.6	-0.6	3.2	8.7	34.6	-7.9	6.8
MSCI AC Asia ex Japan	1.8	-13.6	10.0	12.6	2.5	4.7	19.1	36.6	-6.0	8.4

Source: abrdn, Morningstar, 30 September 2023

<sup>1</sup> Including current year revenue | <sup>2</sup> Difference between NAV and Composite Benchmark | <sup>3</sup> Annualised

With effect from 1 August 2021, the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the benchmark

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis

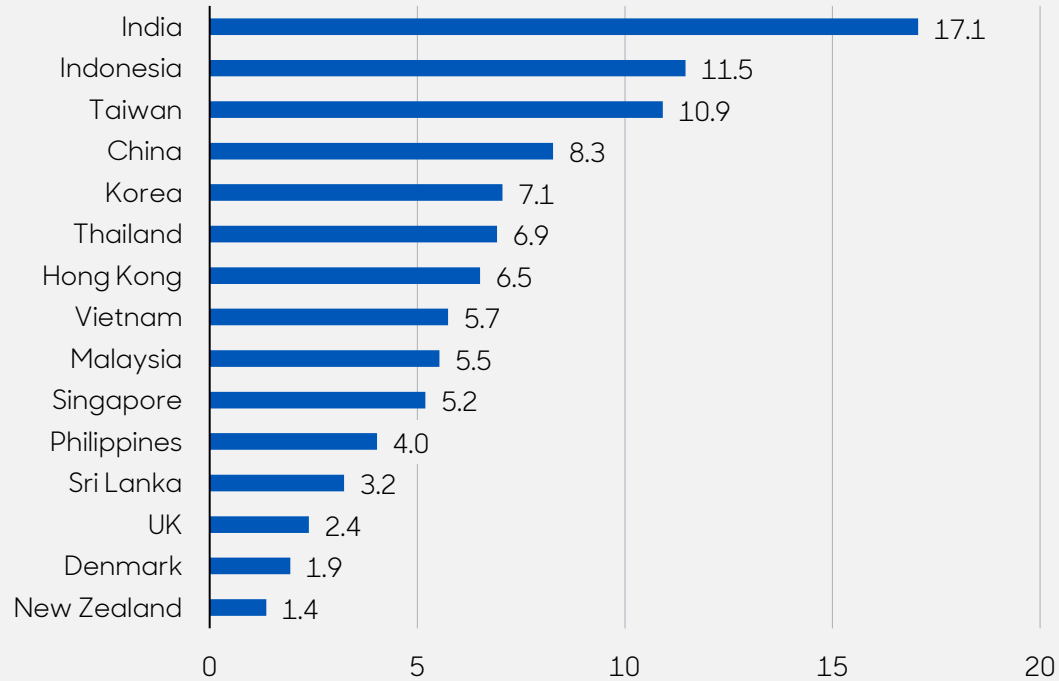
Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value

Where performance is shown gross of fees, it does not reflect investment management fees. Had such fees been deducted, returns would have been lower. Costs may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what you might get back

# Portfolio allocation by country & sector (absolute)

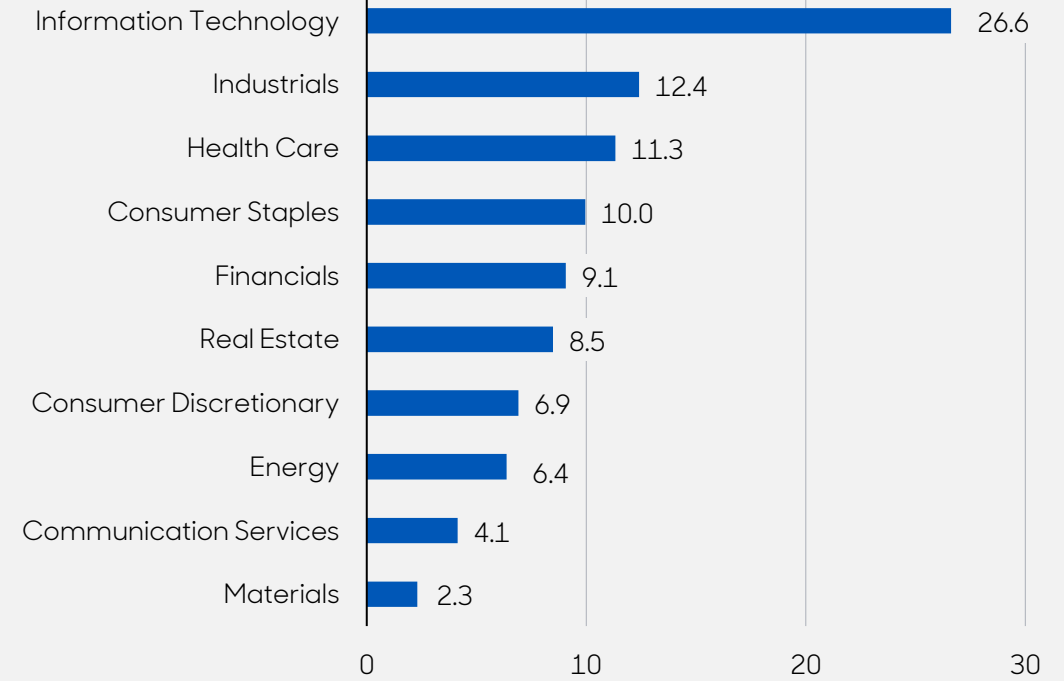
Diversified to capture several growth themes in Asia

Country Allocation (%)



Source: Citi, Factset, 30 September 2023  
Benchmark: MSCI AC Asia ex JP Small Cap. With effect from 1 August 2021, the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the benchmark  
Country exposure is subject to change. The countries shown have been used for illustrative purposes only to demonstrate the investment management style, not as an indication of performance and should not be considered as a recommendation to buy or sell.

Sector allocation (%)



Source: Citi, Factset, 30 September 2023  
Benchmark: MSCI AC Asia ex JP Small Cap. With effect from 1 August 2021, the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the benchmark  
Sector exposure is subject to change. The sectors shown have been used for illustrative purposes only to demonstrate the investment management style, not as an indication of performance and should not be considered as a recommendation to buy or sell.

# Top 10 holdings

## abrdn Asia Focus PLC

### Top 10 Holdings

Rank	Holding	Brief Description	Fund (%)	Benchmark (%)	No. of yrs held in abrdn portfolios
1	Cyient	The Indian company provides engineering and IT services to clients in developed markets, competing primarily on quality of service, followed by cost of delivery.	4.3	0.2	5
2	Park Systems Corporation	The Korean company is the leading developer of atomic force microscopes, a nascent technology that could have broad industrial application in sectors such as chip-making and biotechnology.	4.2	0.1	4
3	Bank OCBC NISP	An Indonesian listed banking and financial services company, which is a steady consistent performer backed by healthy asset quality.	4.0	--	26
4	AKR Corporindo	AKR Corporindo is one of the main players in industrial fuel distribution in Indonesia, which has a high entry barrier. Its key strength is its extensive infrastructure and logistic facilities throughout the country.	3.6	--	12
5	FPT Corporation	A Vietnamese software outsourcing group which also owns a mobile telecoms unit, an education business and stakes in other businesses such as electronics retailing.	3.4	--	7
6	John Keells	A respected and reputable Sri Lanka conglomerate with a healthy balance sheet and good execution, John Keells has a hotels and leisure segment that includes properties in the Maldives	3.2	--	26
7	Mega Lifesciences	A Thai producer of health supplements and pharmaceutical products with first mover advantage in frontier and emerging markets.	2.8	--	8
8	AEGIS Logistics	A strong and conservative player in India's gas and liquids logistics sector, with a first mover advantage in key ports and a fair amount of capacity expansion to come.	2.7	0.1	7
9	Taiwan Union Technology Group	A leading maker of copper clad laminate (CCL), a key base material used to make printed circuit boards. Demand of its product is tied to the structural growth in capex in data centres, base stations and servers in the 5G infrastructure rollout and connectivity, such as industrial automation, Internet of Things and autonomous cars.	2.7	--	3
10	Sporton International	The global leader in testing and certification services for 5G smartphones and communication equipment, with a reputation for being reliable and timely with its service	2.6	--	5
<b>Total</b>			<b>33.7</b>	<b>0.4</b>	

Source: abrdn, 30 September 2023

These securities have been used for illustrative purposes only to demonstrate the investment management style, not as an indication of performance and should not be considered as a solicitation or recommendation of these securities. Benchmark: MSCI AC Asia ex Japan Small Cap Index. With effect from 1 August 2021, the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the benchmark. Figures may not sum up due to rounding



# Portfolio characteristics

## A defensive strategy historically, offering good value

	To end Sep 2023
Discount to NAV	16.9%
Gearing*	11.8%
Dividend yield	3.1%
Weighted average market capitalisation	GBP1.24bn
Active share	97.9%
<b>Since Inception:</b>	<b>30 September 23</b>
Capture Ratio – Upside (%)	80.5
Capture Ratio – Downside (%)	50.5

Fund characteristics	Fund	Benchmark
P/E 2023 <sup>2</sup>	16.4x	14.5x
P/E 2024 <sup>2</sup>	13.0x	12.2x
Price/book <sup>1</sup>	1.5x	1.4x
Historic 3yr EPS growth	19.5%	6.4%
Return on equity <sup>1</sup>	16.5%	11.9%
Net debt/equity <sup>1</sup>	-16.2% <sup>3</sup>	18.9% <sup>3</sup>
Predicted beta	0.72	--
Volatility (% pa)	10.7%	12.2%
Tracking error (% pa) <sup>4</sup>	6.9%	--

Source: abrdn, Lipper and Morningstar, BPSS, Refinitiv Datastream, annual report, 30 September 2023

<sup>1</sup> Historic; <sup>2</sup> Estimates are offered as opinion and are not reflective of potential performance. Estimates are not guaranteed and actual events or results may differ materially

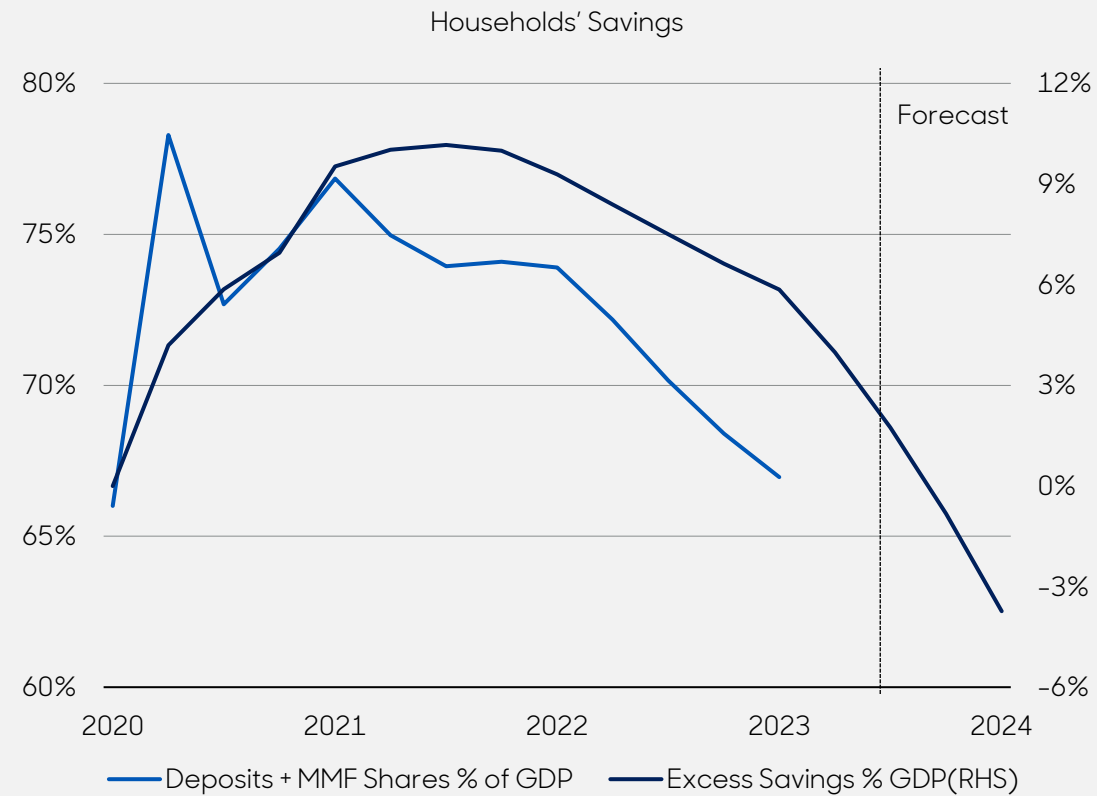
<sup>3</sup> Ex banks and insurance companies; <sup>4</sup> Based on APT \* As of 31 August 2023. Inception date: 1<sup>st</sup> January 2004

Benchmark: MSCI AC Asia ex JP Small Cap. With effect from 1 August 2021, the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the benchmark

# US-led Recession? – the tide may be going out

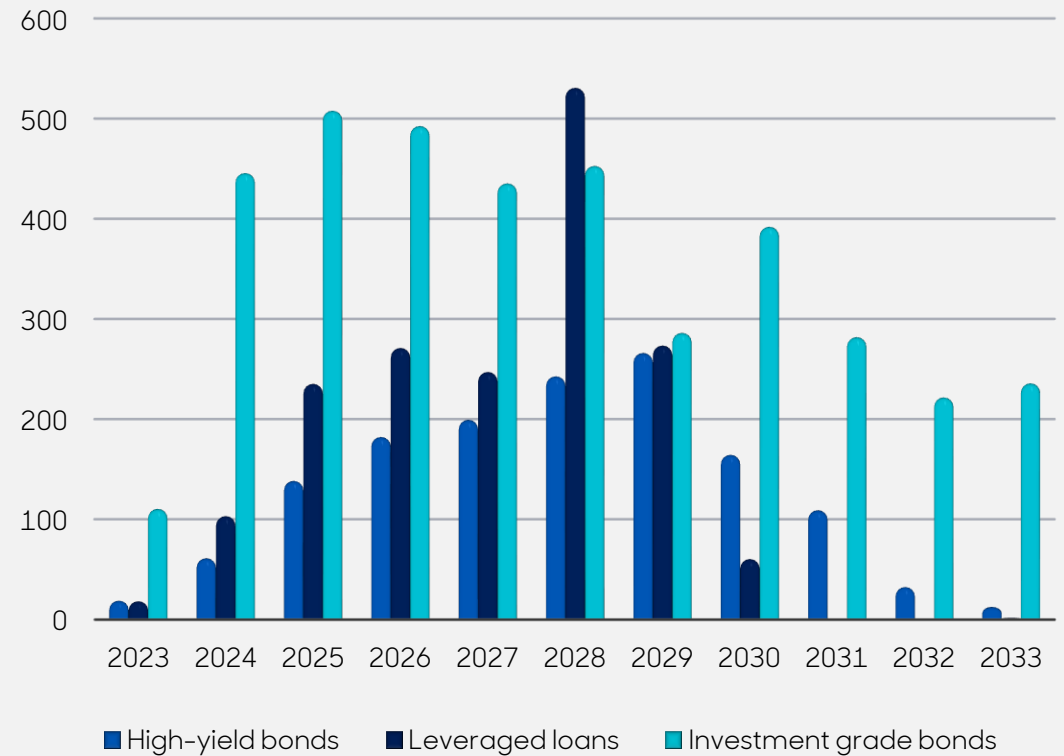
## Key indicators painting a gloomy picture

Savings helping to extend the current cycle are rapidly depleting...



Source: abrdn, Haver, September 2023. Forecast is offered as opinion and is not reflective of potential performance. Forecast is not guaranteed and actual events or results may differ materially.

... whilst a wall of debt refinancing in a higher rate environment awaits US corporates

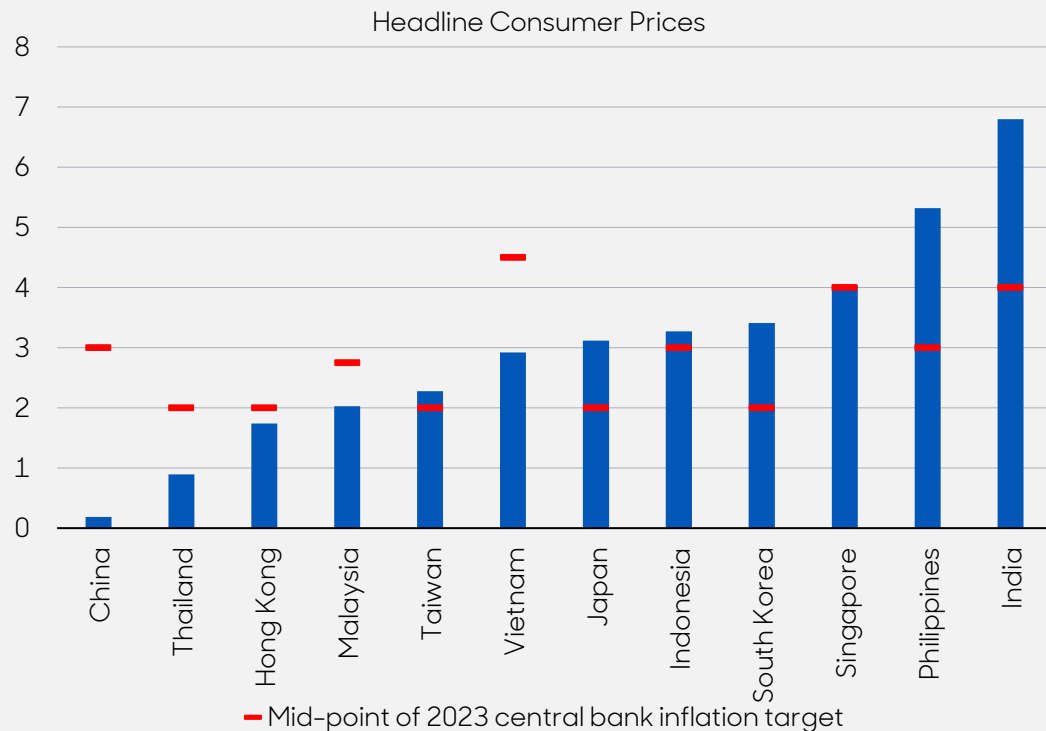


Source: Bank of International Settlements 'Resilient risk-taking in financial markets', September 2023

# Inflation picture brighter in Asia

## Headline inflation easing across Asia

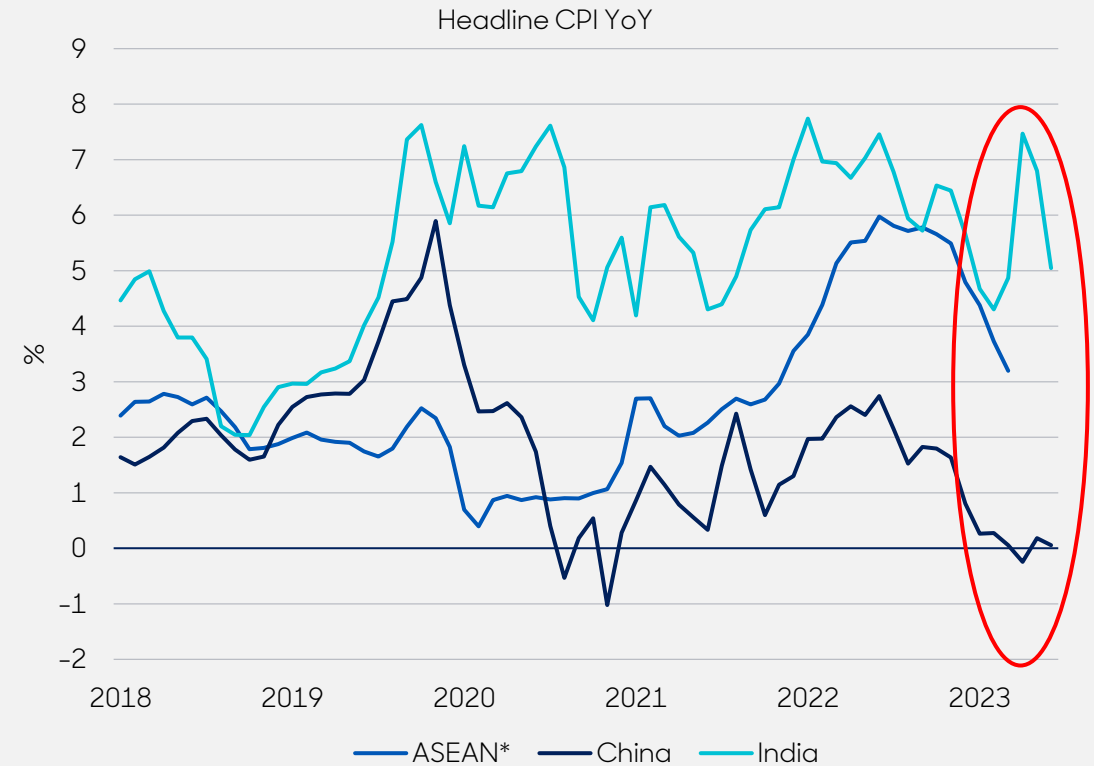
Inflation is approaching target in most of Asia...



Source: Haver, abrtn, CLSA, September 2023

Note: Singapore, Hong Kong and Malaysia do not have inflation targets. Instead, their 2023 inflation forecast was used; Malaysia's inflation forecast is given in a range, so the midpoint of that range was used.

... whilst Headline y/y rates peaked at the turn of the year and are falling.



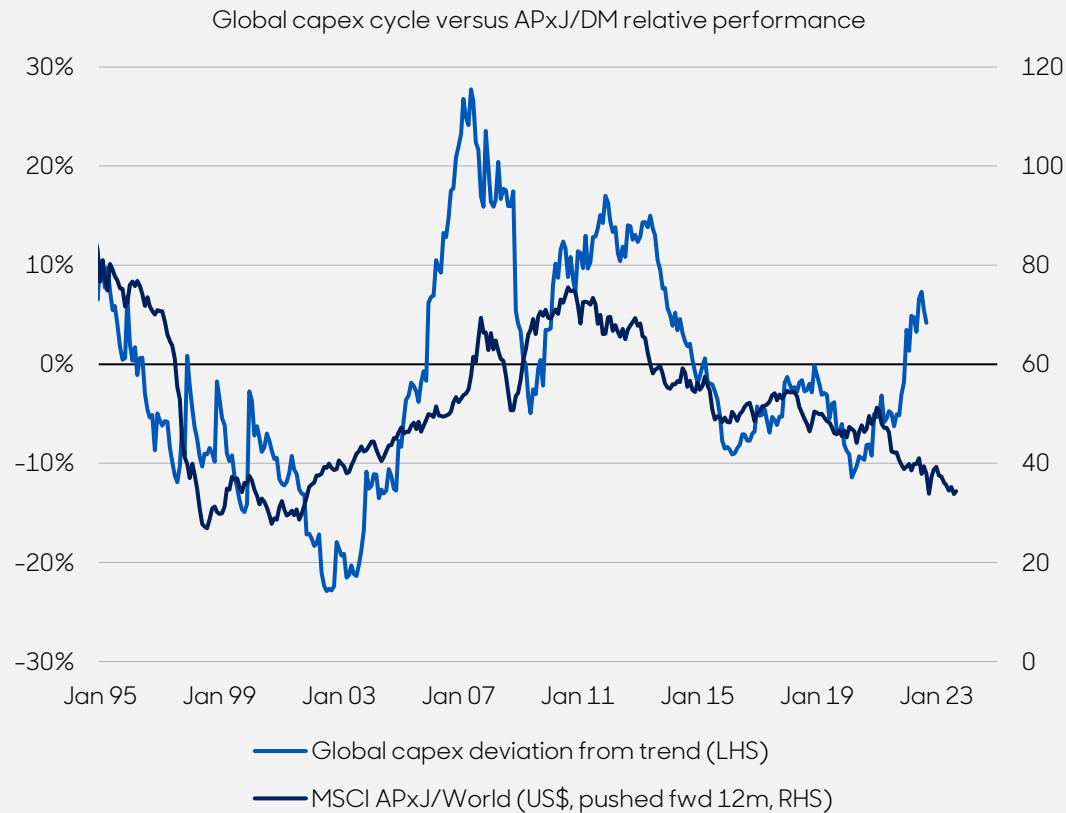
Source: Haver, abrtn, September 2023

\*ASEAN ex Myanmar CPI, 2022 GDP weighted

# Asia Comeback – Capex ignition

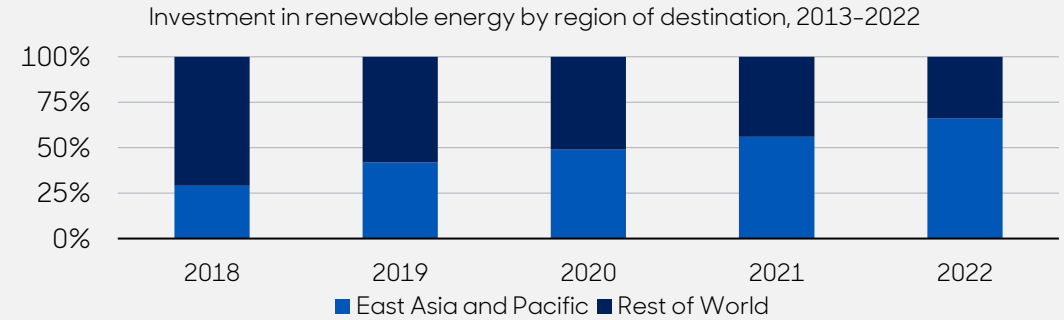
Opportunities in Asia looks bright with structural trend in play

After falling for 10 years capex looks to have bottomed out...



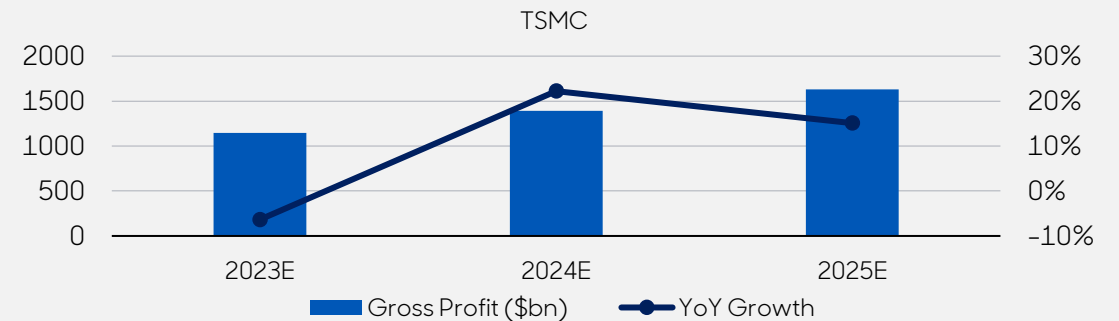
Source: CLSA, DataStream Refinitiv, MSCI, September 2023

The Green Transition: Countries have committed, Asia set to benefit.



Source: IRENA and CPI, July 2023

Tech revolution: AI, autonomous driving, 5G & others drives tech demand



Source: Bernstein analysis, July 2023. Estimates are offered as opinion and are not reflective of potential performance. Estimates are not guaranteed and actual events or results may differ materially

Past performance does not predict future results



# Valuations vs fundamentals

A quick look at fundamentals suggest price moves are over done

Our holdings fundamentals have outperformed the wider market, but have been sold down regardless

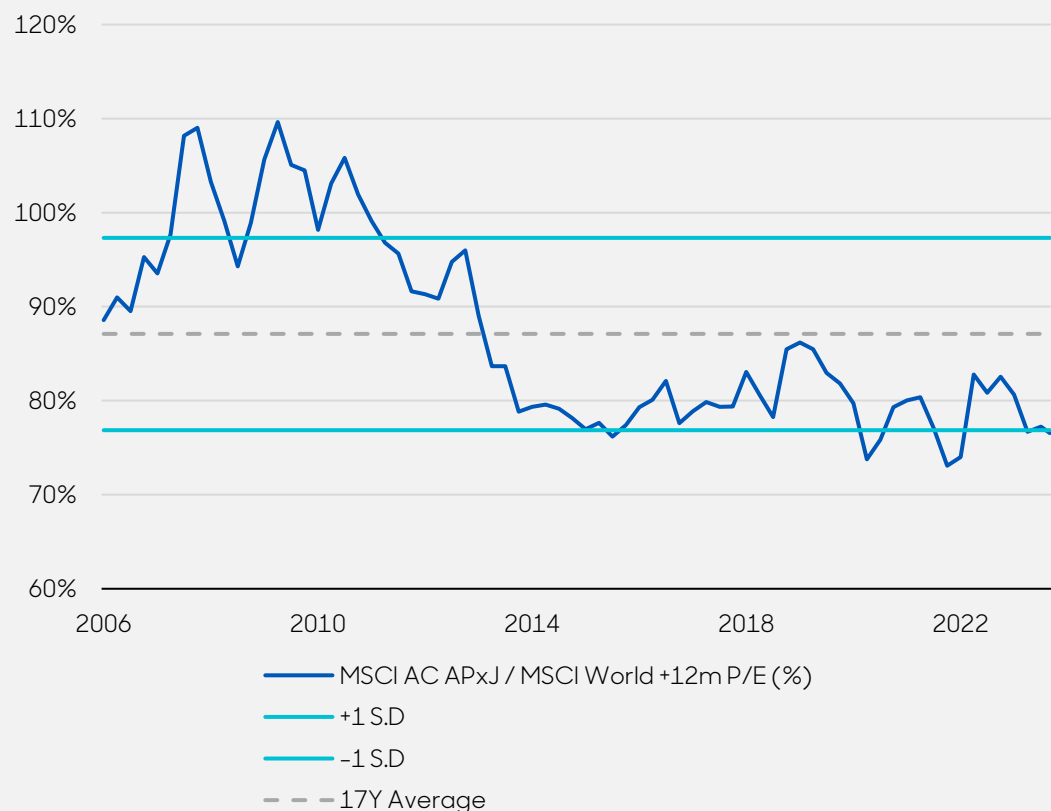
Name	<u>Price change vs 2019</u>	<u>Revenue change vs 2019</u>	<u>Profit change vs 2019</u>
Chacha	-4%	51%	44%
Joinn	58%	352%	306%
Tsugami China	20%	65%	165%
Sinoma	66%	90%	101%
Autohome	-62%	-15%	-33%
Shuanghuan	409%	159%	898%
MSCI China index	-32%	-6%	-14%
MSCI AxJ SC Index	<b>25%</b>	<b>11%</b>	<b>37%</b>
MSCI World	21%	14%	31%
S&P Index	33%	31%	36%

Source: Bloomberg, September 2023. For illustrative purposes only. No assumptions regarding future performance should be made

# Valuations tell a tale

APxJ positioning has gotten lighter, and valuations are low

Relative discount remains substantial...



Source: Bloomberg, September 2023. For illustrative purposes only. No assumptions regarding future performance should be made

... and valuations are attractive

	Forward P/E	vs 5Y average	Last P/B	vs 5Y average
China*	11.0	-17.8%	1.2	-26.3%
Asia Pacific ex Japan LC	14.6	-3.3%	1.5	-11.2%
Asia Pacific ex Japan SC	16.9	+2.9%	1.4	-3.8%
DM	17.4	-6.7%	2.8	+5.6%
US	20.0	-3.6%	4.1	+3.9%
Europe	12.7	-17.2%	1.8	+5.0%

	ROE	vs 5Y average	ROA	vs 5Y average
Asia Pacific ex Japan LC	10.2	-5.7%	1.0	-12.8%
DM	14.7	+13.5%	2.1	+37.4%
Asia Pacific ex Japan SC	7.8	-9.1%	2.1	-6.2%

Source: abrdn, Bloomberg, 30 September 2023. MSCI Indices, \*MSCI China. PE - 12 month forward (rolling), PB - Historic. Monthly data points.

# Risk factors

## **Risk factors you should consider prior to investing:**

The value of investments and the income from them can fall and investors may get back less than the amount invested.

Past performance is not a guide to future results.

Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.

The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.

The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.

The Company may charge expenses to capital which may erode the capital value of the investment.

The Company invests in the securities of smaller companies which are likely to carry a higher degree of risk than larger companies.

Movements in exchange rates will impact on both the level of income received and the capital value of your investment.

There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.

As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.

The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.

Specialist funds which invest in small markets or sectors of industry are likely to be more volatile than more diversified trusts.

Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends

# Disclaimers

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from marketing) any kind of investment decision and may not be relied on as such. Historical data and analysis, should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI' Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages ([www.msci.com](http://www.msci.com)).

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays is affiliated with abrdn and neither approves, endorses, reviews or recommends abrdn Asia Focus plc. Neither Bloomberg nor Barclays guarantees the timeliness, accurateness or completeness of any data or information relating to Bloomberg Barclays Indices, and neither shall be liable in any way to the abrdn, investors in abrdn Asia Focus plc or other third parties in respect of the use or accuracy of the Bloomberg Barclays Indices or any data included therein.

© 2023 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to: <http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf>



# Important Information

**Past performance does not predict future returns. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.**

The information contained in this document should not be considered as an offer, solicitation or investment recommendation to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares in the fund and is by way of information only.

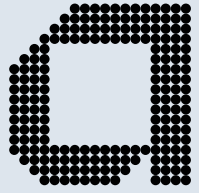
The information contained herein including any expressions of opinion or forecast have been obtained from or is based upon sources believed by us to be reliable but is not guaranteed as to the accuracy or completeness.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use abrdn\*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn\* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

\* abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Document (KIID) or Key Information Document (KID) as applicable and Prospectus which are available on our website [www.abrdn.com](http://www.abrdn.com) The Prospectus also contains a glossary of key terms used in this document

United Kingdom: Issued by abrdn Fund Managers Limited, registered in England and Wales (740118) at 280 Bishopsgate, London, EC2M 4AG. Authorised and regulated by the Financial Conduct Authority in the UK.



Close

[abrdrn.com](http://abrdrn.com)

