

# Establishment Investment Trust plc

**REVIEW**

The share price slipped by 0.5% in March while the Net Asset Value climbed 3.5%. In comparison, the MSCI AC Asia ex Japan Index rose 3.9%, the MSCI AC World Index gained 3.4% and the FTSE UK Private Investor Balanced Index climbed 2.3%.

India (+11.5%) recovered strongly after a relatively weak start to the year with more confidence that Modi and the BJP will be returned to power in the forthcoming elections. Taiwan (+4.4%) and China (+4.6%) also performed strongly. Korea (-1.0%) and Malaysia (-0.8%) underperformed. By sector, Real Estate (+9.9%), Energy (+5.9%) and Telecommunications (+5.4%) outperformed while Industrial (+1.6%) and Healthcare (+2.4%) underperformed.

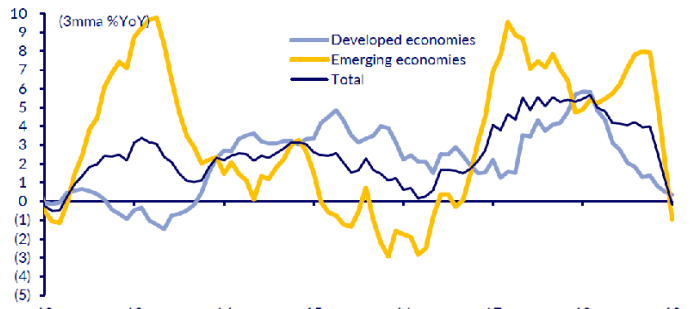
*All figures above are total return unless otherwise stated and in sterling terms. Source: Bloomberg.*

**PORTFOLIO MOVERS**

We inserted a chart in the December monthly which illustrated the sharp downwards revision in analysts 2019 earnings forecasts as 2018 was drawing to a close. Weakening trade and a slowing Chinese economy - especially the auto sector - became of increasing concern. Recent results from portfolio holding Minth bear out these concerns. Rising raw material prices, pricing pressure from customers, declining Chinese auto sales and lower utilisation levels as new plants ramp up all combined to impact gross profit margins which declined from 33.4% in 1H18 to 30.8% in 2H18. Core profit missed expectations by roughly 10%. The stock fell 18.9% in March and stands at half the level of a year ago and at the bottom end of its long term price earnings ratio trading range. While it was definitely a tough year for Minth their Chinese sales rose nearly 10% in a year where auto sales actually declined while new order wins rose 24% to Rmb6.2bn - comfortably higher than the company's target of Rmb5.5bn. Minth looks very attractive at these levels. Elsewhere, heavyweight Samsung Electronics was unchanged despite continuing to guide short term expectations lower. Korea's Hanon Systems declined 7.9% over the month despite the solid 4Q18 earnings reported in February. As with Minth, the uncertain outlook in China remains a concern to investors. We met with the company in Seoul last month and remain very encouraged and excited by the fast growing eco-friendly division. Now some 10% of sales, the division grew 30% in 2018 and accounted for nearly two thirds of new business wins.

MYEG moved smartly higher in March, gaining 42%, as expectations of a revised foreign worker legislation program grow. While the target is to reduce foreign workers from an estimated 6mn to 4mn, this would double the number of legal workers - the market MYEG addresses. There is also good longer term upside from joint ventures in the Philippines and Bangladesh. British American Tobacco rebounded, a total return of 17.6% including the first interim dividend, as a solid earnings report and a 4% increase in the annual dividend finally encouraged the analyst community.

**World trade volume growth (3mma. % y-o-y)**



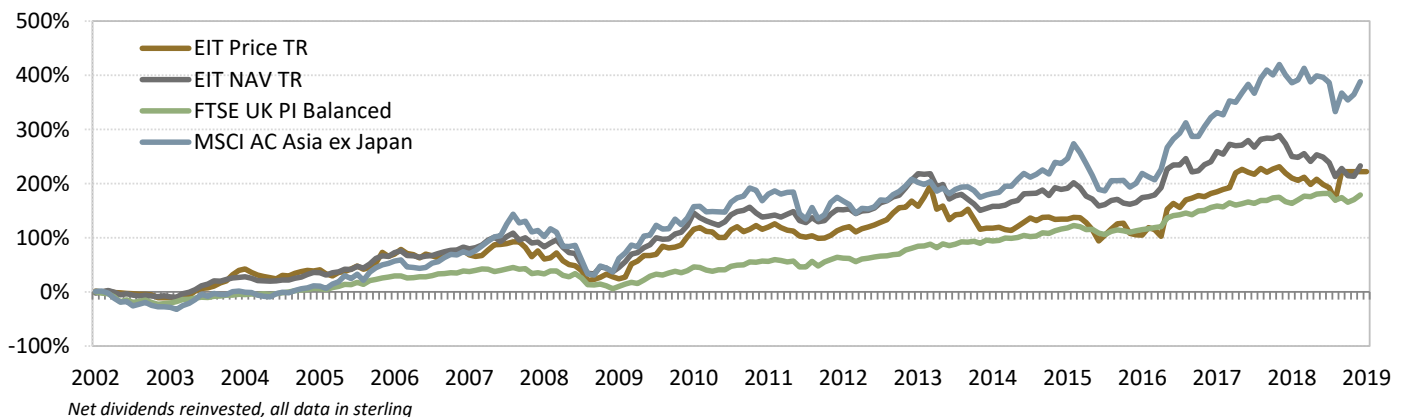
*Source: CLSA, cpb.nl*

If the previous section illustrates the deceleration from a bottom up perspective, the chart above shows the dramatic collapse in world trade volume growth over the past six months. China dominates the emerging economies data and it is difficult to judge how much of the mid 2018 acceleration and the subsequent rapid deceleration is due to front loading of trade ahead of threatened tariffs but one would assume a fair amount.

As always the impact of Chinese New Year makes most statistics a guessing game in the first quarter but we would suggest that the sharp recovery in China's March PMI readings reported at month end are encouraging. They suggested strength in both export and domestic orders, better pricing and increased employment. Remember that, in the face of threatened tariffs, the authorities have been encouraging more rapid loan growth and have fast tracked a number of infrastructure projects over the last few quarters. The stimulus, coupled with the change of heart at the Federal Reserve, including the latest statement of no further interest rate rises and an end to quantitative tightening in September, bodes well for short term growth prospects.

The elections in Thailand proved something of a damp squib with the pro-military parties just about squeezing over the line with a small majority of elected seats (but safe in the knowledge that appointed members of the house will give them control). The final results will not be formally announced until after the King's coronation but in practice little has changed. Pressing ahead with the eastern economic corridor and related infrastructure projects should allow the economy to grow steadily and the pick up in investment (local and foreign) is encouraging.

With the global economy losing last year's 'one off' US tax stimulus and growth in the Eurozone remaining moribund there is little reason to get too excited about global growth prospects. The mountain of global debt lives on and remains a deflationary force. Asia assets are no longer the outright bargain they looked in the fourth quarter but remain relatively cheap in a global context and should continue to deliver decent and competitive long term returns to investors.



*Net dividends reinvested, all data in sterling*

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LISTED EQUITIES	MARKET	SECTOR	92.9%		
UNILEVER	UK	CONSUMER STAPLES	4.06%		
BATS	UK	CONSUMER STAPLES	3.76%		
TSMC	TAIWAN	TECHNOLOGY	3.42%		
SAMSUNG ELECTRONICS	KOREA	TECHNOLOGY	3.41%		
GLAXOSMITHKLINE	UK	HEALTH CARE	3.23%		
HDFC	INDIA	FINANCIAL	3.22%		
IMPERIAL BRANDS	UK	CONSUMER STAPLES	3.18%		
LAND & HOUSES	THAILAND	REAL ESTATE	2.94%		
TENCENT	CHINA	COMMUNICATIONS	2.82%		
SAMSONITE	CHINA	CONSUMER DISCRETIONARY	2.67%		
MINTH GROUP	CHINA	INDUSTRIALS	2.62%		
JNBY	CHINA	CONSUMER DISCRETIONARY	2.61%		
SIAM CITY CEMENT	THAILAND	MATERIALS	2.58%		
SHINHAN FINANCIAL	KOREA	FINANCIAL	2.55%		
IND & COMM BANK OF CHINA	CHINA	FINANCIAL	2.49%		
ITC	INDIA	CONSUMER STAPLES	2.42%		
AYALA CORP	PHILIPPINES	FINANCIAL	2.41%		
JOHNSON ELECTRIC	CHINA	INDUSTRIALS	2.35%		
ZEE ENTERTAINMENT	INDIA	CONSUMER DISCRETIONARY	2.31%		
ASTRA INTERNATIONAL	INDONESIA	CONSUMER DISCRETIONARY	2.29%		
UNI-PRESIDENT	TAIWAN	CONSUMER STAPLES	2.11%		
SANDS CHINA	CHINA	CONSUMER DISCRETIONARY	2.01%		
MY EG	MALAYSIA	TECHNOLOGY	1.93%		
CHINA OVERSEAS LAND	CHINA	REAL ESTATE	1.85%		
MEGAWIDE CONSTRUCTION	PHILIPPINES	INDUSTRIALS	1.83%		
HAIER ELECTRONICS	CHINA	CONSUMER DISCRETIONARY	1.69%		
LARSEN & TOUBRO	INDIA	INDUSTRIALS	1.67%		
SUNNY OPTICAL	CHINA	TECHNOLOGY	1.52%		
ALIBABA	CHINA	CONSUMER DISCRETIONARY	1.49%		
EMEMORY	TAIWAN	TECHNOLOGY	1.38%		
KB FINANCIAL	KOREA	FINANCIAL	1.18%		
SK TELECOM	KOREA	COMMUNICATIONS	1.05%		
HANON SYSTEMS	KOREA	INDUSTRIALS	1.01%		
CHINA CONSTRUCTION BANK	CHINA	FINANCIAL	0.75%		
ACCESS ENGINEERING	SRI LANKA	INDUSTRIALS	0.49%		
SILVER HERITAGE	NEPAL	CONSUMER DISCRETIONARY	0.00%		
BLACKFRIARS ORIENTAL FOCUS FUND			13.6%		
<b>LIQUIDITY</b>			<b>7.1%</b>		
<b>COUNTRY BREAKDOWN (all equity positions)</b>			<b>92.9%</b>		
CHINA/HK	24.9%	NEPAL	0.0%	TAIWAN	6.9%
INDIA	9.6%	PHILIPPINES	4.2%	THAILAND	5.5%
INDONESIA	2.3%	SINGAPORE	0.0%	UK	14.2%
KOREA	9.2%	SRI LANKA	0.5%	ASIA EX JAPAN REGIONAL	13.6%
MALAYSIA	1.9%			~via investment vehicle	
<b>SECTOR BREAKDOWN (directly held equities only)</b>			<b>79.3%</b>		
COMMUNICATIONS	3.9%	FINANCIAL	12.6%	REAL ESTATE	4.8%
CONSUMER DISC.	15.1%	HEALTH CARE	3.2%	TECHNOLOGY	11.7%
CONSUMER STAPLES	15.5%	INDUSTRIALS	10.0%	UTILITIES	0.0%
ENERGY	0.0%	MATERIALS	2.6%		

## Compound Annual Growth Rate since Inception (total return)

Share Price	7.1%
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18th March 2002 - 31st March 2019

Net Asset Value	7.4%
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18th March 2002 - 31st March 2019

## Market Data

Share Price	205.00p
Net Asset Value	227.25p
Premium / (Discount)	(9.8%)
Shares Outstanding (mn)	20.0
Market Capitalisation (mn)	£41.0
Historic Yield (incl special div)*	5.0%
Ongoing Charges	1.3%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	<a href="http://www.blackfriarsam.com">www.blackfriarsam.com</a>

## Investment Manager

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## Administrator

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**Directors** Harry Wells (Chairman)  
 Jim Ryall  
 Gregory Shenkman  
 Susan Thornton  
 Thomas Waring

**Corporate Broker** Stockdale Securities

## Investment Objective

To achieve long-term capital growth from a managed international portfolio of securities.

## Management Fee

One per cent of the market capitalisation per annum

## Financial Year

31st March

Annual Returns % (GBP)	31/03/2019										Performance Data		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Source:	
Price	44.14	17.80	-7.27	25.42	-7.84	3.02	-4.42	22.58	17.60	-5.45	4.06	<a href="http://www.morningstar.co.uk">www.morningstar.co.uk</a>	
NAV	38.06	24.63	-9.81	19.88	-5.45	6.71	-2.90	19.33	18.50	-17.85	6.90	Category:	
Cat Price†	-	-	-	-	-	-	-	-	-	-9.43	-	Flexible	
Cat NAV†	15.39	19.95	0.06	7.37	6.59	1.63	18.70	14.93	10.18	-1.62	-	Benchmark:	
Benchmark‡	19.64	16.28	-5.79	11.83	22.36	11.29	4.34	29.59	13.34	-3.09	9.56	‡ FTSE World TR	

\*Based on interim, final and special dividend approved by EIT Board for FY2018.

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