Establishment Investment Trust plc

REVIEW

The share price rose by 6.3% in April while the Net Asset Value inched 0.5% higher. In comparison, the MSCI AC Asia ex Japan Index rose 1.5%, the MSCI AC World Index gained 3.0% and the FTSE UK Private Investor Balanced Index climbed 1.7.

Taiwan (+3.6%) led the region higher with China (+1.8%) and Thailand (+1.6%) also outperforming. Malaysia slipped 1.4% and is the only Asian market in negative territory year to date. By sector, Consumer Discretionary (+2.9%), Information Technology (+3.3%) and Telecoms (3.2%) outperformed while Utilities (-2.0%), Materials (-1.3%) and Real Estate (-1.7%) underperformed.

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

BLESSING IN DISGUISE?

The imminent listing of loss making Uber at a valuation of circa $80bn has produced much comment about the current fad for so-called Unicorns including the FT’s excellent tongue in cheek abbreviated version of the Uber prospectus. The about face by Jerome Powell last December not only ‘rescued’ global equities but has seemingly put a further burst of hot air under the Unicorns which are increasingly resembling the dot.com mania of 2000.

CLSA’s Damian Kestel produced an excellent 39 pager last week. Kestel identifies nine Unicorns that have combined a valuation of $410bn, total revenues of circa $60bn and a collective net loss of $6bn and details what you might own in Asia instead of a Unicorn.

For example instead of WeWork ($47bn valuation, $1.8bn revenue, $1.8bn net loss) you could own Barrick AND Newmont - the world’s largest two gold miners by production and market capitalisation! Kestel’s piece is well worth a read. The Company continues to hold Tencent and Alibaba in the portfolio which have significant exposure to various Unicorns but also very solid and profitable underlying business.

GLOBAL TRADE

The nail biting continues with the United States raising the odds as the world’s two largest economies struggle to reach agreement on trade and related issues. Only one thing seems certain - regardless of any short term outcomes (either a deal or more tariffs) this bilateral issue which extends far beyond just trade will continue to raise its ugly head for the foreseeable future.

South Korea is often considered the ‘canary in the coalmine’ thanks to its significant exposure to global trade and cyclical industries so the 0.3% contraction in the economy in 1Q19 (Q-o-Q 0.4%) is noteworthy. The contraction was driven primarily by external demand but domestic demand also contracted for the third time in the last four quarters.

Like wise economic data in Malaysia remains weak. The deferral or cancellation of infrastructure projects has seen investment slump with imports of capital goods falling by 13.5% y-o-y in 1Q19 (see chart above). Bank Negara cut interest rates by 25bps to 3% in early May signaling weak global demand. The Philippines - Asia’s fastest growing economy in recent years - posted a weaker than expected GDP growth rate in 1Q19. Growth of 5.6% y-o-y is not to be sniffed at but weaker export growth (+5.8% y-o-y vs +14.4% in 4Q18) and slower growth in Government expenditure (+7.4% y-o-y vs double digit growth in 2018) were to blame. Also citing weaker global growth, Bangko Sentral ng Pilipinas cut rates 25bps.

CHINA

While growth prospects across many Asian economies appear lacklustre the actions of the Chinese authorities late last year are beginning to bear fruit. Fast tracked infrastructure projects and a looser monetary policy has seen domestic demand improve as evidenced by the 13.7% growth in domestic tourism during the Labour Day holiday last weekend. Domestic tourism revenues rose 16.1%. While the trade dispute creates uncertainty, solid domestic demand growth in China should lend support to regional growth prospects.

PORTFOLIO

Both BATS (-6.4%) and Imperial Brands (-7.2%) gave up part of recent gains while Samsonite (-10.8%) retreated to the bottom of its recent trading range. On a brighter note Taiwan holding Ememory climbed 19.1% following a broker upgrade and Sands China (+8.9%) moved ahead after posting strong 1Q21 results. Tencent and Hanon Systems both climbed over 7%.

OUTLOOK

The renewed angst provoked by the US / China trade talks has seen global equities retreat from recent highs and some consolidation after the strong first quarter rally is to be expected. Valuations across Asian markets remain undemanding.
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LISTED EQUITIES | MARKET | SECTOR | 92.6% |
--- | --- | --- | --- |
UNILEVER | UK | CONSUMER STAPLES | 4.28% |
TSMC | TAIWAN | TECHNOLOGY | 3.57% |
BATS | UK | CONSUMER STAPLES | 3.50% |
SAMSUNG ELECTRONICS | KOREA | TECHNOLOGY | 3.40% |
H panic | INDIA | FINANCIAL | 3.23% |
GLAXOSMITHKLINE | UK | HEALTH CARE | 3.17% |
LAND & HOUSES | THAILAND | REAL ESTATE | 3.01% |
TENCENT | CHINA | COMMUNICATIONS | 3.00% |
IMPERIAL BRANDS | UK | CONSUMER STAPLES | 2.93% |
MINTH GROUP | CHINA | INDUSTRIALS | 2.61% |
SHINHAN FINANCIAL | KOREA | FINANCIAL | 2.59% |
IND & COMM BANK OF CHINA | CHINA | FINANCIAL | 2.53% |
JNBY | CHINA | CONSUMER DISCRETIONARY | 2.53% |
SIAM CITY CEMENT | THAILAND | MATERIALS | 2.47% |
ITC | INDIA | CONSUMER STAPLES | 2.43% |
ASTRA INTERNATIONAL | INDONESIA | CONSUMER DISCRETIONARY | 2.37% |
SAMSONITE | CHINA | CONSUMER DISCRETIONARY | 2.37% |
JOHNSON ELECTRIC | CHINA | INDUSTRIALS | 2.36% |
AAYALA CORP | PHILIPPINES | FINANCIAL | 2.33% |
ZEE ENTERTAINMENT | INDIA | CONSUMER DISCRETIONARY | 2.22% |
SANDS CHINA | CHINA | CONSUMER DISCRETIONARY | 2.17% |
UNI-PRESIDENT | TAIWAN | CONSUMER STAPLES | 2.05% |
MY EG | MALAYSIA | TECHNOLOGY | 2.01% |
MEGAWIDE CONSTRUCTION | PHILIPPINES | INDUSTRIALS | 1.91% |
CHINA OVERSEAS LAND | CHINA | REAL ESTATE | 1.81% |
HAER ELECTRONICS | CHINA | CONSUMER DISCRETIONARY | 1.65% |
EEMEORY | TAIWAN | TECHNOLOGY | 1.63% |
LARSEN & TOUBRO | INDIA | INDUSTRIALS | 1.61% |
SUNNY OPTICAL | CHINA | TECHNOLOGY | 1.53% |
ALIBABA | CHINA | CONSUMER DISCRETIONARY | 1.50% |
KB FINANCIAL | KOREA | FINANCIAL | 1.26% |
HANON SYSTEMS | KOREA | INDUSTRIALS | 1.08% |
SK TELECOM | KOREA | COMMUNICATIONS | 1.00% |
CHINA CONSTRUCTION BANK | CHINA | FINANCIAL | 0.77% |
SILVER HERITAGE | NEPAL | CONSUMER DISCRETIONARY | 0.00% |
BLACKFRIARS ORIENTAL FOCUS FUND | | | 13.7% |

LIQUIDITY | 7.4% |

COUNTRY BREAKDOWN (all equity positions) | 92.6% |
--- | --- |
CHINA/HK | 24.8% |
INDIA | 9.5% |
INDONESIA | 2.4% |
KOREA | 9.3% |
NEPAL | 2.0% |
TAIWAN | 7.2% |
PHILIPPINES | 4.2% |
THAILAND | 5.5% |
UK | 13.9% |
SRI LANKA | 0.0% |
ASIA EX JAPAN REGIONAL | 13.7% |

SECTOR BREAKDOWN (directly held equities only) | 78.9% |
--- | --- |
COMMUNICATIONS | 4.0% |
CONSUMER DISC | 14.8% |
CONSUMER STAPLES | 15.2% |
ENERGY | 0.0% |
FINANCIAL | 12.7% |
HEALTH CARE | 3.2% |
INDUSTRIALS | 9.6% |
REAL ESTATE | 4.8% |
TECHNOLOGY | 12.1% |
UTILITIES | 0.0% |

Compound Annual Growth Rate since Inception (total return) | 7.4% |
Share Price | 7.4% |
Net Asset Value | 7.4% |

Market Data | |
--- | --- |
Share Price | 218.00p |
Net Asset Value | 228.41p |
Premium / (Discount) | (4.6%) |
Shares Outstanding (mn) | 20.0 |
Market Capitalisation (mn) | £43.6m |
Historic Yield (incl special div)* | 4.7% |
Ongoing Charges | 1.3% |
Listed | London Stock Exchange |
Bloomberg Ticker | ET/LN <Equity> |
ISIN | GB0031336919 |
Website | www.blackfriarsam.com |

Investment Manager | Blackfriars Asset Management Ltd |
Landmark, 78 Cannon Street |
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Administrator | Praxis IFM Fund Services (UK) Limited |
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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 |

Compliance: 5016, 10th May 2019

Annual Returns % (GBP) | 31/03/2019 |
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Price | 44.14 17.80 -7.27 25.42 -7.84 3.02 -4.42 22.58 17.60 -5.45 4.06 |
NAV | 38.06 24.63 -9.81 10.84 -5.45 6.71 -2.90 19.33 18.50 -17.85 6.00 |
Cap Price† | - - - - - - - - - - - |
Cap NAV† | 15.39 19.95 0.06 7.37 6.59 1.63 18.70 14.93 10.18 -1.62 |
Benchmark† | 19.64 16.26 -5.79 11.03 22.36 11.29 -4.34 29.59 13.34 -3.09 9.56 |

* based on interim, final and special dividend approved by EIT Board for FY2018. 
** Source: www.morningstar.co.uk

UPDATE: 204