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This write up provides an update on Helvetic Investments' initial capital to support seeding the Carnegie Asset Management's Asian SICAV fund in November 2012 (please see our blog article dated November 2012)

How did the fund perform since the beginning in November 2012 and so far in 2013?

As part of following-up on our (partial) seeding of the **Carnegie Asset Management's Asian SICAV fund in November 2012** at par, the Helvetic team had a chance to interview the fund management team – Mr. Mogens Akselsen and Mr. Allan Christensen from Copenhagen on 17th September in Singapore.

As per Bloomberg, the fund is quoted at NAV – net asset value – of USD 112.33 per 18th September 2013 (please see Bloomberg chart on the following page). The performance year-to-date is 6.74% – versus the benchmark; Asia ex Japan, being around minus 1.6% so far this year. http://www.bloomberg.com/quote/CARWA1A:LX

Some highlights from our meeting

In the fund's universe (Asia ex Japan), the fraction of companies in the group with a market cap > USD 2bn is 83% – and here is where the bulk part of the Carnegie Asian fund's portfolio is invested, but from the remaining 17%, companies with a market cap < USD 2bn, the managers expect the tomorrow's Samsung and Hyundai's to be found – and thus the managers have a tight focus on this segment as well.

The fund consists of about 70 equity positions – identified in an investment process based on both a top-down and bottom-up approaches – with focus on longer lasting themes and companies with earnings growth.

The managers' focus

The managers are focusing on a combination of themes/trends in their stock selection. The themes are mainly centered around the Asian consumer, infrastructure, unique franchises and environment/clean energy.

Under the "Asian consumer" one of the big bets is on the smart phone theme, where the managers stress that the remaining low penetration rate and continuously strong growth are a huge chance. In the managers' spotlight are local suppliers of parts needed to produce smart phones.

Further, the managers are convinced that the Chinese government at this point is serious about combating pollution, and positions have been taking accordingly, in the country's clean water supply.

A wall of worries facing Asia

The managers emphasized that despite "a wall of worries" – from a frequent quoted Chinese real estate bubble and a hard landing, to Chinese inflation and Emerging Market currency crisis (foreign exchange outflows – please see our blog article dated September 2013), to imbalances and an imprudent policy in India – Asia still offers a range of highly interesting investment possibilities.

Especially the evaluations, both in absolute and relative terms, make the managers feel comfortable when continuing investing in the region. The historical price-to-book evaluation for Asia ex Japan has been around 1.8x and is now – after the emerging markets selloff – at levels around 1.4x. Based on expected price-to-earning levels for 2014, Asia ex Japan stands near 10.1 according to DBS Bank, whereas developed markets are at levels of 13.1 – none of which are seemingly expensive – and Asia is outright inexpensive – as the managers see it.

Where is the biggest risk to the Asian investment case?

Asked where the biggest single risk lies to the optimistic looking investment case based on present equity prices – might it be a surprise on the up-side in the US and a speedy recovery there?

The managers don't believe so. They believe – besides SARS-like cases and other outside impacts, not possible to evaluate – that the actual risk lies in a sustained risk aversion among international investors; that investors would tend to stay invested in their home markets, even when Asian equities offers appealing evaluations. The managers don't see this happening over longer time – in fact they mentioned that they think the capital flow already is about to change in Asia's favor – and will be reinforced once this gets better known.

We feel comfortable to stay invested in the fund – but draw our accredited investors' attention to the sometime harsh draw-downs and volatility in the fund – as can be seen in the following chart. This investment is only suited for investors with a medium-to-high appetite for risk and at least a 3-5 year time horizon. The size of a position needs to be carefully evaluated and should be seen in conjunction with the overall asset allocation.

Please feel free to ask our team for more detailed information and possibly a discussion about whether a position in named fund fits into your investment and risk strategy.

Your Helvetic Team/JW

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