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Jupiter Asian Income

Asia Ex Japan

Introduction

The fund has an investment objective of generating both income and capital growth over the long term with an investment universe which includes Australia and New Zealand but not Japan. Fund Manager Jason Pidcock is looking for companies which can generate strong revenue growth alongside high sustainable growing dividend payments. There is a combination of top down and bottom up analysis in the stock selection process. The portfolio is concentrated with a range of 30-40 names and is managed towards the lower end of this range with a strong bias to large caps. The fund targets a yield at least 20% in excess of its benchmark index, and as a result more than 80% of the portfolio is invested in companies which yield more than the index.

Click here to read the Jupiter approach to ESG investing.

Why RSMR Rate this Fund

- Fund manager has over 25 years of experience of investing in Asian markets
- Fund takes pragmatic uncomplicated approach to Asian dividend investing with ability to react speedily to changed circumstances
- Focus on well established companies and bias to developed Asian markets should deliver returns with below market volatility
- Fund gives investors exposure to dividend payers in region with strong long-term growth prospects
- Unconstrained and concentrated approach allows focus on only well liked names
- Main strength is experience of manager who has refined investment process focussing on proven key strengths

Fund Process

The fund targets a yield at least 20% in excess of its benchmark index, and as a result in excess of 80% of the portfolio is invested in companies which yield more than the index. There is no single stock yield requirement. The fund manager looks at top down macroeconomic drivers, currency/political risk and 10 year bond yields, whilst taking account of long term trends which might favour particular sectors, although these can be adjusted if circumstances dictate.

Whilst 80% of the fund is in companies which yield more than the index, the remaining 20% of the portfolio allows greater flexibility to invest in companies with potential for stronger dividend growth. From a macro perspective the manager considers political, economic and currency drivers in his analysis. A key factor in determining the relative attractiveness of a company is a comparison with the local 10 year government bond yield. The manager looks to invest in countries where the yield of underlying companies presents an attractive opportunity relative to the risk free rate.

Broad political and economic trends are also considered thereby taking account of macro factors within overall portfolio construction. The manager also factors in the historical context as a guide to how a country or company may be impacted by current events. This is a benchmark unconstrained approach so the manager can avoid countries or sectors where company fundamentals will be outweighed by the impact of macro headwinds – some countries and cyclical sectors are likely to have zero or very low weights. Countries with a history of good governance and strong rule of law are favoured.

At the bottom up level there is a focus on robust companies with strong balance sheets that have a competitive advantage and high barriers to entry. Companies must be well managed and well positioned within their market and typically have a demonstrable record of achievements. There must also be a scalable and sustainable business model. Management must demonstrate a commitment to sharing profits with shareholders through dividends. This approach, combined with a dividend yield, results in a portfolio which is typically defensive and lower beta than the market and at least two thirds of the fund is generally invested in stocks with a market cap greater than $10bn. Valuation is also an important consideration with a number of methods utilised including PE and P/B.

The manager has extensive experience, having managed money in Asia through many cycles and looks to leverage this knowledge, augmented by meeting companies. There is also a combination of reading, listening and thinking, enabling the manager to build a clear picture of a company's investment potential. The manager looks to gain a full understanding of the company's revenue stream, so there is also a focus on cash flow generation and how that cash is then deployed and the company's ability and willingness to distribute cash to shareholders in the form of dividends. Information is corroborated through contact with competitors and suppliers. There is a focus on what are considered to be the top companies in any one sector or country.

Evaluation

The fund will perform well when investors favour higher yielding large cap companies which deliver a quality dependable income stream.

The fund has an overall focus on above market yield names which means it would be less suited to an environment of sharply rising bond yields.

The fund is managed to deliver above average income so will have relatively modest investments in low yielding names in the market together with no small cap exposure.

Application

This fund has a bias to delivering above average income to investors so is best suited to investors with income rather than capital growth as their primary investment objective. It is focussed on highly liquid stocks.

Our Opinion

Jason Pidcock is a highly experienced manager in the Asia Pacific region, on which he has focused since 1993. Jason combines both top down and bottom up analysis when constructing the portfolio and, whilst looking at long term trends and themes, is flexible enough in his approach to alter the portfolio if conditions change. This was seen this year with the outbreak of the Coronavirus crisis when his exposure to travel/tourism together with entertainment was swiftly reduced. He has focused on large caps in the region which both ensures fund liquidity and the ability to change the portfolio's shape quickly, together with his own analysis of his previous funds which demonstrated the best added value in stock selection was in the large cap space. Jason has modified his previous approach and invests up to 20% of the portfolio in stocks with a lower yield than the index, but where strong dividend growth is expected. This is a high conviction portfolio but invested in established stocks, and this is not a fund exposed to trends within emerging markets. The investment process relies on Jason Pidcock's wide ranging experience across many different cycles and the long-term understanding he has of both the regions markets and the largest companies operating there. Since launch the fund has been able to offer investors a competitive yield together with the prospect of dividend and capital growth.

The fund operates in a pragmatic common-sense way for a lower risk Asian portfolio with a focus on large liquid dividend paying companies. The fund is looking over time to deliver income and capital growth in excess of the benchmark index with lower volatility than the market. Its main strength is the experience of the manager, who has run Asian Equity portfolios for over 25 years. With a focus on large cap names, the fund is suitable for investors looking to combine prospects of above average and growing income from the Asian markets.