

# Scottish Oriental Smaller Companies

## Quality and growth from Asian small-caps

Scottish Oriental Smaller Companies Trust (SST) is one of the longest-established Asian trusts, and one of only two in its sector with a specialist smaller companies focus. It invests mainly in companies of US\$1.5bn or less, drawn from across Asia (excluding Japan and Australasia), with the aim of achieving long-term capital growth. Portfolio construction is mainly driven by stock selection, focusing on quality companies with competitive advantages and stable earnings growth potential. Following the forthcoming division of management group First State Stewart into two companies, SST will come under the FSS Asia umbrella but will continue to be managed by Wee-Li Hee, now assisted by Martin Lau and Scott McNab.

12 months ending	Share price (%)	NAV (%)	MSCI AC Asia ex-Japan £ (%)	MSCI AC Asia ex-Japan Small Cap £ (%)	FTSE All-Share (%)
31/05/12	(0.7)	0.7	(11.9)	(17.1)	(8.0)
31/05/13	56.3	43.1	21.1	31.0	30.1
31/05/14	(11.4)	(4.2)	(2.8)	(6.2)	8.9
31/05/15	12.1	14.8	21.6	24.2	7.5

Source: Thomson Datastream. Total return basis.

### Investment strategy: Growth at a sensible price

Portfolio construction is undertaken from the bottom up, with country and sector allocation largely an output of stock selection. The investment team meets with all holdings and assigns a fair market value based on a detailed understanding of a company's history, strategy and competitive landscape. Candidates for inclusion must combine quality and growth characteristics (integrity of management, competitive advantage, cash flow generation and sustainable earnings growth) with sensible valuations, allowing fair value to be achieved over three to five years.

### Market outlook: Long-term investment case intact

Asian markets have outpaced global equity index growth since the nadir in 2009, yet price/earnings and price/book valuations on both large-cap and small-cap indices look more favourable than the US-dominated MSCI World index, with dividend yields at similar levels. However, geopolitical tension, slower economic growth and worries about US interest rate rises and European bond markets could spill over into increased risk aversion, causing near-term volatility. In spite of this, the long-term investment case for Asia, predicated on growing prosperity and infrastructure development, remains intact.

### Valuation: Discount narrower after recent widening

SST's discount has widened since the turn of the year, reaching a three-year maximum of 13.1% at the beginning of May. At 24 June the shares traded at an 10.6% discount to cum-income net asset value, wider than the one-, three- and five-year averages (6.2%, 3.6% and 4.9% respectively), but similar to the discount on its closest peer. The trust does not have a formal discount control mechanism; the board has the authority to buy back up to 14.99% of shares but has not done so historically.

## Investment trusts

25 June 2015

**Price** 812.8p  
**Market cap** £257m  
**AUM** £308m

NAV\* 905.2p  
Discount to NAV\* 10.2%  
NAV\*\* 908.9p  
Discount to NAV\*\* 10.6%  
Yield 1.4%

\*Excluding income. \*\*Including income. (as of 24 June 2015)

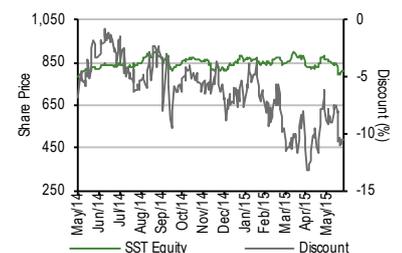
Ordinary shares in issue 31.6m

Code SST

Primary exchange LSE

AIC sector Asia Pacific – ex-Japan

### Share price/discount performance\*



### Three-year cumulative perf. graph



52-week high/low 900.0p 795.5p

NAV\* high/low 998.7p 846.6p

\*Including income.

### Gearing

Gross 0.0%

Net cash 7.2%

### Analysts

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[Edison profile page](#)

### Exhibit 1: Trust at a glance

#### Investment objective and fund background

Scottish Oriental Smaller Companies Trust's objective is to provide shareholders with long-term capital growth through investment in smaller Asian (excluding Japanese) quoted companies. Its assets are invested in a diversified portfolio of securities, substantially in the form of equities. While the manager takes account of cultural, political and economic factors, stock-specific features are the main driver of portfolio selection with the aim of identifying good-quality companies with solid long-term growth prospects.

#### Recent developments

28 April 2015: Board confirms new management arrangements post Stewart Investors/FSS Asia split on 1 July 2015: Wee-Li Hee to be supported by Scott McNab and Martin Lau.  
23 April 2015: Results for the six months ended 28 Feb 2015 – NAV TR of +4.5% compared with +5.9% for MSCI AC Asia ex-Japan index.

#### Forthcoming

AGM	February 2016
Annual results	October 2015
Year end	31 August
Dividend paid	February
Launch date	March 1995
Continuation vote	No

#### Capital structure and fees

Ongoing charges	1.03% (excl. performance fee)
Net gearing	-7.2%
Annual mgmt fee	0.75%
Performance fee	Yes (see page 7)
Trust life	Indefinite
Loan	£20m at 3.135% (see page 7)

#### Fund details

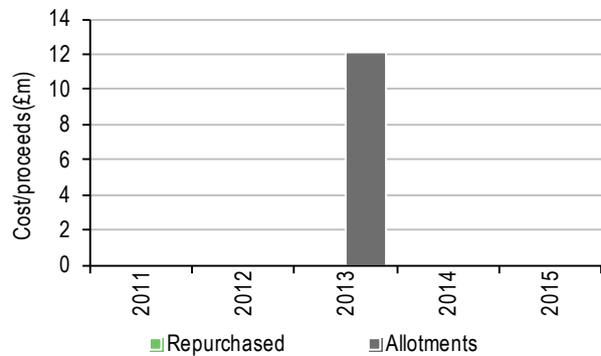
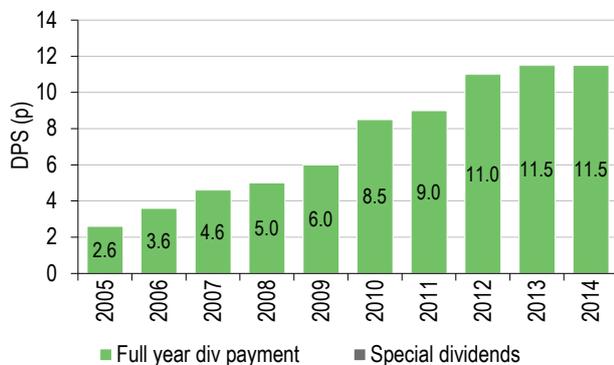
Group	First State Stewart (Asia)
Managers	Wee-Li Hee
Address	10 St Colme Street, Edinburgh, EH3 6AA
Phone	+44 (0) 131 473 2200
Website	<a href="http://www.scottishoriental.co.uk">www.scottishoriental.co.uk</a>

#### Dividend policy and history

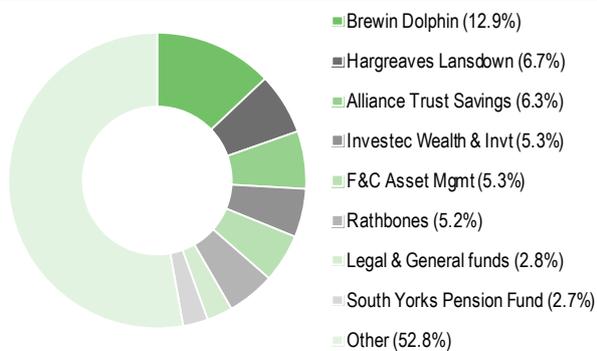
One annual dividend paid in February. The board intends to at least maintain this level of dividend, using reserves if necessary, unless company distributions fall sharply.

#### Share buyback policy and history

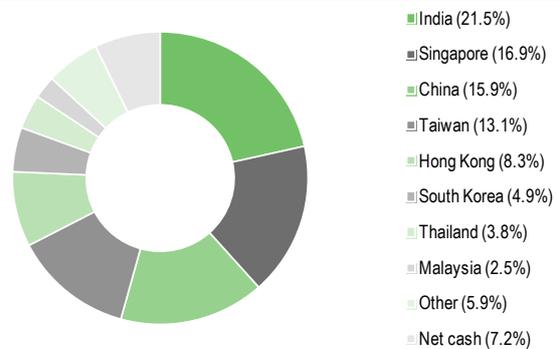
The board has a repurchase authority (14.99%), which can be used where it judges it is necessary to manage the discount.



#### Shareholder base (as at 2 February 2015)



#### Geographical allocation of portfolio (as at 30 April 2015)



#### Top 10 holdings (as at 30 April 2015)

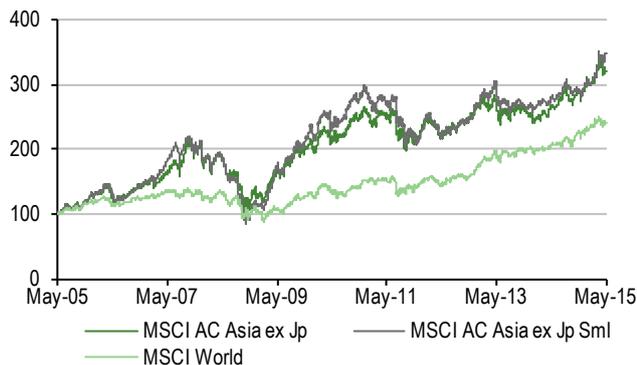
Company	Country	Sector	Portfolio weight %	
			30 April 2015	31 October 2014*
AmorePacific Group	Korea	Personal care	3.5	2.7
Marico	India	Personal care	3.0	3.5
Taiwan Familymart	Taiwan	Convenience stores	3.0	2.5
Minth Group	China	Automobile components	2.8	2.2
Tong Ren Tang Technologies	China	Traditional medicine	2.7	N/A
Towngas China	Hong Kong	Gas utility	2.6	2.6
CMC	Taiwan	Automobiles	2.3	2.7
M1	Singapore	Telecommunications	2.3	2.4
Raffles Medical	Singapore	Healthcare provider	2.3	2.3
Standard Foods	Taiwan	Healthy eating	2.3	N/A
<b>Top 10</b>			<b>26.8</b>	<b>25.5</b>

Source: Scottish Oriental Smaller Companies Trust, Thomson Datastream, Bloomberg, Morningstar, Edison Investment Research.  
Note: \*N/A where not in the top 10 at end-October 2014.

## Market outlook: Look further than near-term volatility

Asian markets have seen strong aggregate performance since 2009, although the path has been more volatile than that of the world index (Exhibit 2). The reversals seen in this period (particularly in 2011 and 2013) have been largely the result of events elsewhere – from the European sovereign debt crisis to the ‘taper tantrum’ caused by concerns over the withdrawal of quantitative easing in the US – exacerbated by the high level of Western investment in Asian markets.

**Exhibit 2: Asia ex-Japan and world indices**



Source: Thomson Datastream

**Exhibit 3: Asia ex-Japan and world valuations**

End May	MSCI AC Asia ex-Japan	MSCI AC Asia ex-Japan Small Cap	MSCI World
P/E year forward (x)	12.5	13.9	16.7
Price/book (x)	1.6	1.5	2.3
Dividend yield	2.3%	2.1%	2.4%

Source: MSCI

Many of the issues that caused the dips in 2011 and 2013 are back on the agenda in 2015, albeit in slightly different form; bond yields are spiking again in Europe, while concerns over US monetary policy are now about the timing of interest rate rises, which could spark large-scale capital flows back to the US as returns on lower-risk assets begin to look more attractive. However, valuation metrics suggest better value in Asia than for the world as a whole (Exhibit 3), with dividend yields at similar levels. Meanwhile, the factors that have made Asia attractive to investors over the past two decades persist: rapid economic growth, a growing middle class and the development of modern infrastructure. With political will in the region increasingly focused on tackling corruption and cutting red tape, long-term benefits could still be there for investors prepared to look through the volatility.

## Fund profile: Long-term growth from Asian small-caps

The Scottish Oriental Smaller Companies Trust (SST) was launched in 1995 and invests in smaller companies (generally sub-US\$1.5bn) in the Asia Pacific region, excluding Japan and Australasia. Currently holding c 80 stocks, it seeks to achieve long-term capital growth by investing in a geographically diversified portfolio of businesses that are soundly managed and financially strong, with good long-term growth prospects and attractively priced shares. Run by Angus Tulloch from launch until 2000, and by Susie Rippingall from 2000 until 2013, since April 2013 the trust has been lead-managed by Wee-Li Hee, who had previously served as deputy.

## First State Stewart to split into two competing teams

SST's manager First State Stewart is to split into two teams with effect from 1 July. Stewart Investors will be based in Edinburgh and will manage Pacific Assets Trust in addition to global emerging markets funds and Angus Tulloch's flagship First State Asia Pacific Leaders portfolio. FSS Asia will be headquartered in Hong Kong and will manage regional and single-country Asian funds including SST. As part of the move, Angus Tulloch and Tom Allen will relinquish fund management responsibilities in SST, and lead manager Wee-Li Hee (who will continue to be based in Edinburgh) will be supported by Scott McNab in Edinburgh and Martin Lau in Hong Kong. FSS says the split will facilitate rather than impede idea generation, as the new, smaller team will have more time for

interaction and sharing research, and a more specialist focus on the Asian region. Both companies will still be owned by Commonwealth Bank of Australia, but will be separated by Chinese walls.

## **The fund manager: Wee-Li Hee**

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### **The manager's view: Balancing risks and opportunities**

For some time now SST's management has been commenting that "nowhere can current valuations be deemed especially attractive". In aggregate Asia may look cheap, but the large-cap benchmark is skewed towards poor-quality Chinese banks, bombed-out mining stocks and Macau gaming companies, while quality small-caps are expensive and finding good ideas is a challenge.

From a macro perspective, the manager sees the environment as more challenging than ever. The extension of QE in Europe, China and Japan is keeping the liquidity taps turned on, but with many Asian countries' currencies pegged to the dollar, they are effectively in thrall to the US Federal Reserve, whose expected policy tightening is feeding through into higher borrowing rates for consumers. Political change has largely been for the better, with the leadership in China, Indonesia, the Philippines, Sri Lanka and most notably India focused on reform and tackling corruption.

Company balance sheets are strong, partly because managements remain very risk-aware and mindful of the Asian and global financial crises. However, earnings growth is slow and forecasts have been downgraded almost everywhere except Taiwan. Hee says the key is to balance the risks and opportunities of a potential market correction. While she believes really good value in Asian markets has not been seen since 2008, SST is armed with gearing in case it should emerge; conversely, the net cash balance should help to preserve capital in the face of a swift reversal.

## **Asset allocation**

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### **Investment process: Focus on sustainable growth**

The manager's investment approach is mainly bottom-up, focused on finding attractively valued, good-quality companies with sustainable and predictable growth prospects and holding them for the long term. First State Stewart has an absolute return mindset and a bias towards family-owned companies which, as long-term stewards of intergenerational wealth, tend to have interests that are more aligned with those of external investors than, say, a state-controlled enterprise. The process is research-intensive and the investment team meets all potential holdings, as well as meeting competitors to understand industry dynamics. Team members build an understanding of companies through a detailed assessment of their history, aimed at identifying long-term trends rather than relying on financial models or forecasts. Candidates for inclusion in SST's portfolio must show a clear and focused business strategy, pricing power and competitive advantage, with the ability to achieve real earnings growth of at least 5-10% a year.

While geographical and sector weightings are an output of stock selection, there are some broad rules of thumb in place. Greater China is restricted to 50-60% of the portfolio (currently 38%), and the trust does not currently invest in mainland China-listed companies, preferring Chinese firms listed in Hong Kong to mainland A shares, although the company is currently considering investing via the Hong Kong Shanghai Connect system. All holdings are assigned a fair market value over a three- to five-year horizon, and may be sold when fair value is achieved. Hee says she is less sensitive to valuation "if I truly believe it is a great company" than some colleagues, and tends to run winners for longer as a result. The portfolio is mainly made up of stocks with market capitalisations below US\$1.5bn at the time of acquisition, although up to 20% may be invested in companies of \$1.5-3bn. Stocks that grow beyond this are not automatically sold – top holding AmorePacific Group's market cap is \$13bn at 3 June exchange rates – but could not be bought back if exited.

## Current portfolio positioning

SST had 81 holdings at the end of April 2015, which is higher than the 63-stock average for the AIC Asia Pacific ex-Japan peer group, and also higher than the 77 stocks held six months ago. Around a quarter of assets are held in the top 10 stocks, with the biggest holding, Korean cosmetics firm AmorePacific Group, making up 3.5% of the total.

**Exhibit 4: Sector analysis – weighting (%)**

	Portfolio 30 Apr 2015	Portfolio 31 Oct 2014	MSCI AC Asia Pacific ex- Japan weight	Active weight vs benchmark	MSCI AC Asia Pac ex Jp Small-cap weight	Active weight vs small-cap index
Consumer disc.	20.7	17.9	8.0	12.7	18.7	2.1
Consumer staples	18.8	18.2	5.0	13.8	6.2	12.7
Industrials	13.1	13.8	8.8	4.3	14.8	-1.7
Financials	10.9	12.0	34.4	-23.5	21.0	-10.1
Info technology	9.3	9.1	21.5	-12.2	17.3	-8.0
Healthcare	6.1	6.4	1.9	4.2	7.2	-1.1
Materials	4.3	7.9	4.8	-0.5	9.7	-5.4
Telecom services	4.0	3.7	6.6	-2.6	0.9	3.1
Utilities	3.6	3.6	4.0	-0.4	2.5	1.1
Energy	2.0	2.6	5.0	-3.0	2.0	0.0
Net cash	7.2	4.8	0.0	7.2	0.0	7.2
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>

Source: Scottish Oriental Smaller Companies Trust, Edison Investment Research. Note: \*Benchmark is MSCI Asia ex-Japan and small-cap index is MSCI Asia (ex-Japan) Small Cap Index.

The largest sector weightings at 30 April 2015 (Exhibit 4) were to consumer stocks, making up nearly 40% of the total. The manager points out that there is a greater proportion of consumer discretionary companies in the Asian small-cap universe than in the large-cap benchmark. Favoured stocks in this sector include AmorePacific, Indian haircare company Marico and Taiwan Familymart, an operator of convenience stores. Newer holdings include Thai jeans maker MC Group and Chinese handbag producer Sitoy. Hee notes that it is becoming harder to find good-value consumer names, so she is accessing consumer spending growth through cyclical industrials such as Flytech, a Taiwanese provider of electronic point-of-sale hardware. The biggest underweights are to financials (where the benchmark index is dominated by big banks that are outside SST's scope) and technology.

**Exhibit 5: Geographical portfolio weightings (%)**

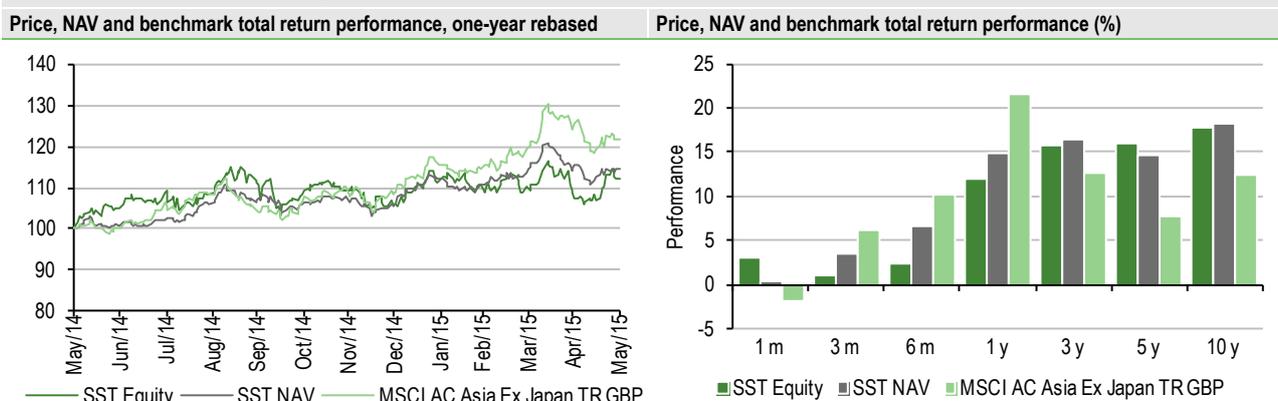
	30 April 2015	31 October 2014	Change from October	MSCI AC Asia ex-Japan index	Active weight vs index	Trust weight/ Index weight
India	21.5	25.1	-3.6	7.8	13.7	2.8
Singapore	16.9	17.3	-0.4	5.7	11.2	3.0
Sri Lanka	2.6	2.9	-0.3	0.0	2.6	N/A
Thailand	3.8	2.9	0.9	2.7	1.1	1.4
Indonesia	2.4	2.5	-0.1	2.8	-0.4	0.9
Philippines	0.9	1.0	-0.1	1.5	-0.6	0.6
Malaysia	2.5	3.9	-1.4	4.1	-1.6	0.6
Taiwan	13.1	11.9	1.2	14.9	-1.8	0.9
Hong Kong	8.3	8.1	0.2	12.7	-4.4	0.7
South Korea	4.9	4.9	0.0	17.8	-12.9	0.3
China	15.9	14.7	1.2	30.0	-14.1	0.5
Net cash	7.2	4.8	2.4	0.0	7.2	N/A
	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	

Source: Scottish Oriental Smaller Companies Trust, Edison Investment Research. Note: Ranked by active weight, excluding cash.

Geographically, Greater China (China, Hong Kong and Taiwan) is the biggest bloc but the largest underweight, while the largest individual country weighting and overweight is to India (Exhibit 5). This position has largely been built since Rippingall's retirement, and has stood the portfolio in good stead over the past year as the market has performed strongly following the election of the business-friendly and reform-focused Bharatiya Janata Party. Hee has been taking profits to lock in this performance and says the India weighting is unlikely to exceed 25% of the portfolio. South Korea is a large underweight, partly on corporate governance grounds; the majority of the Korean weighting is in top stock AmorePacific Group.

## Performance: Solid longer-term record

**Exhibit 6: Investment trust performance**



Source: Thomson Datastream, Edison Investment Research. Note: Three-year, five-year and 10-year figures are annualised.

**Exhibit 7: Share price and NAV total return performance, relative to indices**

To end April 2015	One month	Three months	Six months	One year	Three years	Five years
Price relative to MSCI AC Asia Ex-Japan	5.0	(4.8)	(6.9)	(7.8)	8.5	43.2
NAV relative to MSCI AC Asia Ex-Japan	2.3	(2.5)	(3.2)	(5.6)	10.0	36.4
Price relative to MSCI AC Asia Ex-Japan Small Cap	0.9	(11.5)	(13.4)	(9.8)	1.7	45.7
NAV relative to MSCI AC Asia Ex-Japan Small Cap	(1.6)	(9.3)	(9.9)	(7.6)	3.1	38.7
Price relative to FTSE All-Share	1.6	(1.5)	(4.7)	4.3	2.0	24.0
NAV relative to FTSE All-Share	(1.0)	0.9	(0.9)	6.8	3.4	18.0

Source: Thomson Datastream, Edison Investment Research. Note: Data to end May 2015. Geometric calculation. All indices in sterling terms.

SST's official benchmark is the MSCI AC Asia ex-Japan index. The trust acknowledges that this is a less than ideal measure for a smaller companies portfolio, but retains the benchmark because it is widely used and dates to before the trust's launch, allowing for long-term comparison. The MSCI AC Asia ex-Japan Small Cap index is a more relevant measure, although at its upper end it does include companies larger than SST's informal \$1.5bn cut-off.

Over three years and longer, SST has performed well versus the large-cap benchmark, with total returns of c 15-18% a year in both share price and NAV terms, ahead of the c 7-12% returns on the index (Exhibit 6). Performance over these periods is also ahead of the small-cap index and the FTSE All-Share, included for its broad relevance to UK investors (Exhibit 7).

Over periods of one year and less, absolute returns have been positive, but have in most cases been behind the benchmark returns, with the exception of the very short term (one month) where the benchmark return was negative. The managers note that the portfolio tends to outperform the index in down markets because of its focus on quality.

At the other end of the scale, the 20-year NAV total return of 1,070% is more than double the return achieved by the next-best performing trust over the same period, Henderson Far East Income.

## Discount: Wider than historical averages

At 24 June SST's shares were trading on a 10.6% discount to cum-income net asset value. This is wider than the one-, three- and five-year averages (6.2%, 3.6% and 4.9% respectively), although it is narrower than the three-year widest point of 13.1% reached on 1 May 2015.

While SST has the authority to buy back shares to manage a discount (see Capital structure section, below), it has not done so in practice. The trust's managers point out that while the current

discount is wider than historical averages, it is commensurate with SST's closest peer, Aberdeen Asian Smaller Companies.

**Exhibit 8: Discount over three years (NAV cum income, %)**



Source: Thomson Datastream, Edison Investment Research. Note: Negative values indicate a discount.

## Capital structure and fees

SST is a conventional investment trust with one class of share. There are 31.6m ordinary shares in issue. The board has the power to buy back up to 14.99% of shares or allot up to 10%.

While the trust had a net cash position of c 7% at the end of April, it does employ some borrowing. In August 2014 it took on a £20m five-year, fixed-rate loan with National Australia Bank, replacing a US dollar-denominated loan with Scotiabank. The borrowing has been drawn but is currently awaiting deployment; the 3.135% interest rate represents an annual cost of 0.2% of net assets, but the managers are exploring cash management options to offset this drag.

First State Investments receives an annual management fee of 0.75% of net assets, payable quarterly in arrears. In addition, a performance fee (equal to 10% of the added value) may be paid if SST's share price total return over three years exceeds the three-year share price total return on the MSCI AC Asia ex-Japan index, plus 10 percentage points. The total fee is capped at 1.5% of net assets. Ongoing charges stood at 1.0% at FY14, or 1.4% including the performance fee.

## Dividend policy and record

SST aims to provide capital growth and does not have an official dividend policy; however, dividends have been maintained or increased year-on-year since 2002. Net income for FY14, at 9.59p per share, fell short of the 11.5p dividend (FY13: 11.5p), so it was partly funded from the revenue reserve, which remains healthy at 18.3p per share as at 28 February 2015. Dividends are paid annually in February and the trust had a dividend yield of 1.4% based on the 24 June share price.

## Peer group comparison

SST is a member of the AIC's Asia Pacific ex-Japan sector, a group of 15 trusts with diverse objectives, including income funds, smaller company specialists and mandates both including and excluding Australasia. While NAV total return performance has been below average over one year, over three years SST is second only to current stablemate Pacific Assets Trust (with which it has several holdings in common), and over five years it has produced the highest total returns in the peer group. Risk-adjusted performance as measured by the Sharpe ratio is also above average over both one and three years.

Ongoing charges are close to the average for the group, as is the discount to NAV. The 1.4% yield is below the weighted average for the whole group, but slightly ahead of the 1.2% average yield if the three high-yielding income specialists are excluded. As one of four peers with a net cash position, SST has the joint second-lowest gearing figure in the group. The trust is one of only four to charge a performance fee.

**Exhibit 9: Asia Pacific ex-Japan investment trusts**

% unless stated	Market cap £m	TR one year	TR three years	TR five years	Ongoing charge	Perf. fee	Discount (-) /premium	Net gearing	Yield	Sharpe NAV 1 year	Sharpe NAV 3 years
<b>Scottish Oriental Smaller Cos</b>	<b>261.5</b>	<b>8.6</b>	<b>50.1</b>	<b>88.8</b>	<b>1.0</b>	<b>Yes</b>	<b>-7.8</b>	<b>95.0</b>	<b>1.4</b>	<b>1.9</b>	<b>1.4</b>
Aberdeen Asian Income	367.9	2.5	21.7	60.2	1.3	No	-0.9	109.0	4.5	0.6	0.7
Aberdeen Asian Smaller	312.4	3.7	37.9	87.8	1.5	No	-11.5	108.0	1.6	1.1	1.0
Aberdeen New Dawn	219.7	5.2	22.3	35.6	1.1	No	-10.7	110.0	2.2	1.1	0.8
Asian Total Return Inv Company	146.2	14.8	25.8	26.5	1.1	Yes	-4.8	107.0	1.6	1.8	0.8
Edinburgh Dragon	522.8	6.6	22.1	37.2	1.2	No	-10.9	109.0	0.8	1.3	0.8
Fidelity Asian Values	171.9	17.0	48.3	50.3	1.5	No	-9.3	99.0	0.4	1.7	1.3
Henderson Far East Income	366.7	10.9	36.9	47.1	1.2	No	2.2	104.0	5.9	1.6	1.1
Invesco Asia	168.7	16.0	47.9	59.5	1.1	No	-10.6	101.0	1.8	1.6	1.2
JPMorgan Asian	231.1	18.0	37.4	31.5	0.9	Yes	-7.2	104.0	0.9	2.1	1.1
Martin Currie Pacific	116.7	7.5	19.7	23.6	1.3	No	-8.9	95.0	2.4	1.1	0.7
Pacific Assets	234.7	18.3	56.6	71.9	1.3	No	1.3	89.0	1.3	2.1	1.6
Pacific Horizon	121.2	10.7	32.0	36.9	1.0	No	-8.7	102.0	0.7	1.6	1.0
Schroder Asia Pacific	481.8	13.9	34.0	58.0	1.1	No	-8.3	100.0	1.0	1.5	0.9
Schroder Oriental Income	447.4	10.4	44.0	81.1	0.9	Yes	0.6	105.0	3.9	1.4	1.2
<b>Sector weighted average</b>		<b>10.2</b>	<b>35.3</b>	<b>56.5</b>	<b>1.1</b>		<b>-5.9</b>	<b>103.4</b>	<b>2.2</b>	<b>1.4</b>	<b>1.0</b>
<b>SST rank in sector</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>1</b>	<b>12</b>		<b>7</b>	<b>13</b>	<b>9</b>	<b>3</b>	<b>2</b>

Source: Morningstar, 15 June 2015, Edison Investment Research. Note: TR = NAV total return. The Sharpe ratio is a measure of risk-adjusted return. The ratios we show are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is shown here as total assets less cash/cash equivalents as a percentage of shareholders' funds (100 = ungeared).

## The board

SST has four directors. Chairman James Ferguson joined the board in 2004, four years after retiring as chairman of Stewart Ivory, a predecessor company of SST's manager First State Stewart, and became chairman the same year. Dr Janet Morgan has been a director since 1995, while Alexandra Mackesy was appointed in 2004. Anne West joined the board in 2010. The directors have backgrounds in equity research, fund management and the civil service, in most cases with a specific focus on Asia and emerging markets.

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