

A VIEW FROM ASIA



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- In my view, modelling macroeconomic trends is no different than flipping a coin.
- Understanding a business, deciphering management's ability to navigate disruption and then trying to forecast the trajectory of that business is relatively easier.
- Well managed companies remain in style long after fads fade.

JOHCM Asia ex Japan Fund

Transitory: of a passing nature; not enduring or permanent; temporary, fleeting, or ephemeral; transient.

Quarantine: constraints and illusions

A glorious English summer is an experience to cherish. In all my years of travel to the UK, this was the first time I encountered rain and blustery conditions. Thankfully, that weather pattern was transitory and lasted for only three of the 21 days I spent there. I had a wonderful time walking the city. The architecture, the parks, the restaurants, crisp sunny days and most of all, freedom. I wore a mask wherever practical but had no other constraints. A day prior to flying out from Singapore, the city-state went into lockdown. In hindsight I was lucky to escape. Yet that escape was transitory. Upon returning home on 10th June, I was accosted at the airport by staff in full protective gear and tested for Covid-19 (thankfully it was negative). With an aching irritated nose, I was bused to a hotel (chosen by the authorities on my behalf but paid for by me) for a 21 day quarantine.

The world we live in is a constant juxtaposition of expectations and reality; of illusions and facts. You know how Wall Street works - how management teams "guide" sell side analysts on results expectations. Sometimes management teams know (in real time) that business is worse compared to expectations. They progressively 'speak to the market' hinting how things appear to be just a touch below expectations. Cumulatively over the next couple of months and pre-results, the IR representative and the CFO will conveniently guide market expectations to an EPS number that is somewhat below what the company will actually deliver. On the day of the result, the company 'beats' the expectations and the stock rises. Bravo!

I'm not in any way suggesting that authorities in Singapore are taking their cues from Wall Street. As data on infections and the incubation period of the Delta variant started coming through, results turned out to be much **better than expected**. Instead of their cautionary belief that incubation could happen as late as up to 21 days (hence the strict 21-day quarantine period), the reality was none of the cases had a virus incubation beyond 14. This news was released to the market on the 14th day of my quarantine and as fortune would have it, I was released the next day. My quarantine proved to be ultra-transitory and beat my expectations. I was so overjoyed that suddenly I was melancholic about missing my room of confinement.

Quite an experience this quarantine. Normally when I check in to a hotel, whether for business or pleasure, apart from sleeping and showering, I spend most of my time outside. This time I observed in minute detail, every corner of the room. I left the room only once - for another Covid-19 test on day 14. The first day when my doorbell rang, I sprung out of my chair to open the door only to stare at an empty corridor. Every day, three times a day - my food (a bento box masquerading as) was delivered on a chair strategically positioned next to the door. I got so conditioned to the bell ringing for food that on the day they rang to fetch me for my test, they had to ring thrice before I answered. It seemed like eons since a human was last physically outside the door and communicating with me.

Milanese Nightingale

Under normal circumstances, I bet you never know or want to know who stays in your adjoining hotel room. Next door to me someone was learning to play either a flute or another wind instrument. Learning a musical instrument is quite hard, – but listening to someone trying to learn an instrument? In a confined space with no escape? I should blame the thickness of the wall, not my fate.

Did I mention there were two construction sites opposite my hotel? One was thankfully past the eighth floor, the other just started piling and digging. They are residential plots that, when complete, could easily rank amongst the priciest real estate in the world. But watching them come up reminded me of the adage: ‘it is better not to see the sausage being made’. This site under dig had two jack hammers in full flow. Starting at 8am sharp until 6.15pm every day except Sunday- a small mercy for the workers and my ears. I was so distracted and irritated with the jackhammers that I cursed myself for not owning noise cancelling headphones.

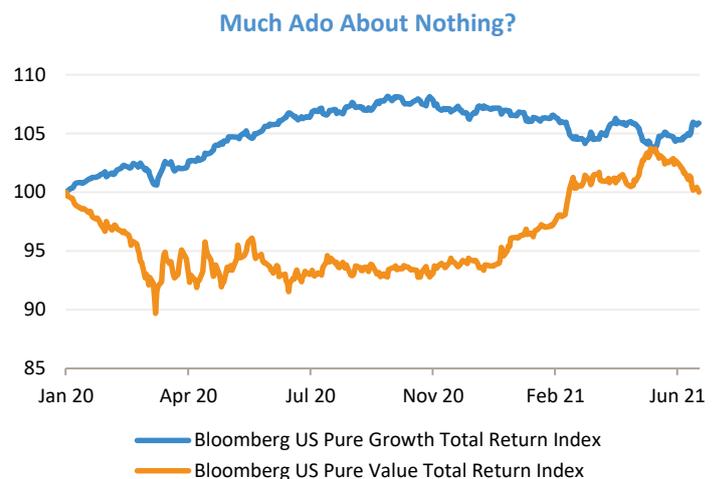
Having said that, when my neighbour and their flute piped up, I pined for the sounds of the jackhammers. Over time I came to appreciate the consistency, the rhythm, the beat and the cadence of the jackhammer. I was bowled over by its beautiful symphony with the occasional chorus of leaf blowers and pest control fogging machines. On Sundays I missed that performance – I would have given an arm to drown out the high pitched piercing sound that permeated through the walls. It made me appreciate the masculine thuds of the jackhammer – particularly when I discovered my multifaceted neighbour was also enthusiastic about singing opera. Richard Mantle, Director of Opera North writing in The Guardian – *“Why is opera important? Why is any art important? It offers us a reflection of who we are, how we relate to others, and what it means, collectively and individually, to be human. Opera performed live is a uniquely thrilling experience – at its best, it is hugely powerful and the most emotionally direct of all art forms. The combination of dramatic narrative, stagecraft and music, and especially the range and vulnerability of the human voice, make opera the art form that comes closest to expressing pure emotion. It is storytelling at its most vivid and manipulative. Opera seeps into popular consciousness and bleeds into other forms, sound-tracking TV shows, sports anthems, adverts and films – where its music is often used as a shortcut to create a heightened emotional tension at climactic moments. Those big moments in opera are usually the ones that deal most directly in the big human themes: life, love, death, loss, passion, joy, anger – but opera can be subtle as well as showy”.*

Now, I am the last person you would ask about opera. My musical abilities stop at being able to distinguish opera from pop music. Opera is for those who have a sophisticated ear. This situation I found myself in was harrowing. Let alone relating to humanity or the vividness and emotional tension. I felt at one with Captain Haddock, forced to listen to the ‘Milanese Nightingale’, Bianca Castafiore. Ms. Castafiore is of course the fictional character in *The Adventures of TinTin*. She is often portrayed as narcissistic, whimsical, absent-minded, and talkative, and seems unaware

that her voice is shrill and appallingly loud. She is depicted as a preening, melodramatic diva, although she has a kind heart. The person (whose voice sounded feminine to me) had a pitch to match Ms. Castafiore’s and I’m certain they too have a kind heart. It’s a pity I will never get to know who the person was.

Form is temporary, class is permanent

Life is transitory and so too proved my quarantine. Just two months ago the Fed was unanimous that inflation was nowhere on the horizon (an illusion- ‘not even thinking of thinking of raising rates’). Then came this June Fed meeting. Chairman Powell in his prepared remarks and press briefing, indicated he/the committee seemed seized about inflation in the US. As a result, government bonds rallied and value stocks fell. Two days after the meeting, in prepared testimony to the Senate committee hearings, the Chair abruptly changed course and conveyed with brimming confidence that inflation was **likely** to be transitory after all. For a couple of days, the ‘value and reflation trade’ was dead and growth was all that mattered. A week later, the reflation trade was alive once again, albeit without the same vigour. But growth stocks were booming too. It seems all so confusing to me. The only thing I came away with and remain convinced about is that this too shall pass. Life is transitory.



Source: Bloomberg.

In the glorious game of cricket, we have a phrase – ‘form is temporary, class is permanent’. It is yet another stark reminder that modelling macroeconomic trends is no different than flipping a coin. Understanding a business, deciphering management’s ability to navigate disruption and then trying to forecast the trajectory of that business is relatively easier. In no way am I suggesting that picking stocks is easy – I’ve had my fair share of problems in 2018. Yet, as I have mentioned a few times in the past couple of years, we have tightened our risk management and the stocks and businesses in the fund have performed better than expected. Well managed companies remain in style long after fads fade. Always watchful for opportunities, we will look to continue deciphering those trends that are transitory and those that are structural.



JOHCM Asia Ex Japan Fund
5 year discrete performance (%)

Discrete 12 month performance (%):

	30.06.21	30.06.20	30.06.19	30.06.18	30.06.17
A USD Class	56.71	6.37	-0.68	-3.98	20.00
Benchmark	39.62	1.61	-0.47	9.93	26.83
Relative return	12.24	4.68	-0.21	-12.65	-5.39

Past performance is no guarantee of future performance.

Source: JOHCM/MSCI Barra/Bloomberg, NAV of Share Class A in USD, net income reinvested, net of fees as at 30 June 2021. The A USD Class was launched on 30 September 2011. Benchmark: MSCI AC Asia ex Japan NR (12pm adjusted). Performance of other share classes may vary and is available on request.

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