Aubrey China Fund

AUBREY
CAPITAL MANAGEMENT

FACTSHEET: June 2023

KEY FACTS

Investment objective

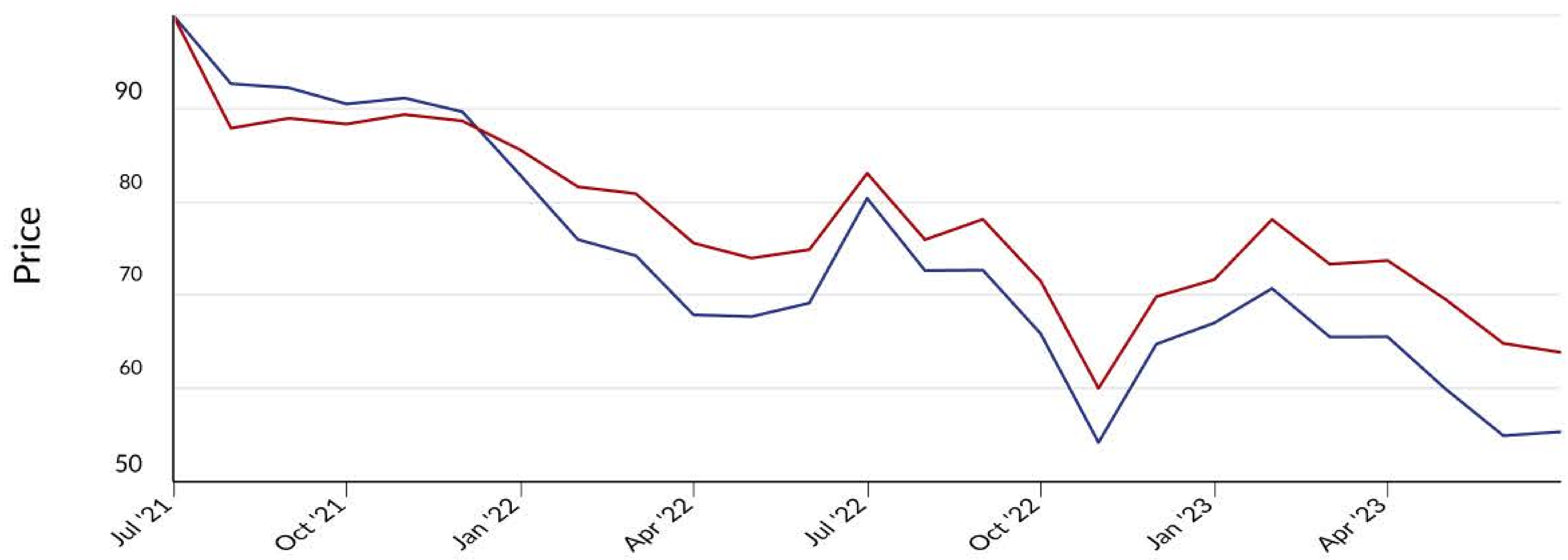
The Fund aims to achieve capital growth over the long term (5 years plus) and will invest at least 80% in shares of Chinese companies. These are companies which are quoted and listed on Chinese Stock Exchanges, including in A-Shares and B-Shares of such companies or which have their headquarters or a significant part of their activities in China but which are quoted on a regulated market elsewhere, as well as others which are, in the Investment Manager's opinion, Chinese businesses. The Fund may be invested in any industry sector with the Investment Manager's focus on growth companies expected to deliver increasing revenue and profit from the expansion of their business over the medium to long term.

Fund Information

FUND NAME	SVS Aubrey China Fund
LEGAL FORM	Open-ended Investment Company (OEIC)
UMBRELLA	SVS Aubrey Capital Management Investment Funds
ADMINISTRATOR	Evelyn Partners Fund Solutions Limited
DOMICILE	UK
CURRENCIES	GBP, USD, EUR
INCEPTION DATE	1st July 2021
FUND SIZE	£6.8m
INDEX	MSCI China All Share
PRICING FREQUENCY	Daily
MANAGERS	Andrew Dalrymple, John Ewart, Rob Brewis

NET PERFORMANCE

NET PERFORMANCE % AS AT 30/06/2023	1M	3M	6M	1Y	INCEPTION
SVS Aubrey China Fund (B Acc)	0.7	-15.5	-17.4	-31.1	-44.7
MSCI China All Share Index	-1.5	-13.4	-10.9	-23.1	-36.1



SVS Aubrey China -44.7%
MSCI China All Share Index -36.1%

Source: Aubrey Capital Management, MSCI and Evelyn Partners Fund Solutions Limited.

All figures are presented net of fees in GBP and calculated using the A Accumulation share class. MSCI China All Share Index is used for comparative purposes only. Investment returns may increase or decrease as a result of currency fluctuations. Past performance is no guarantee of future results.

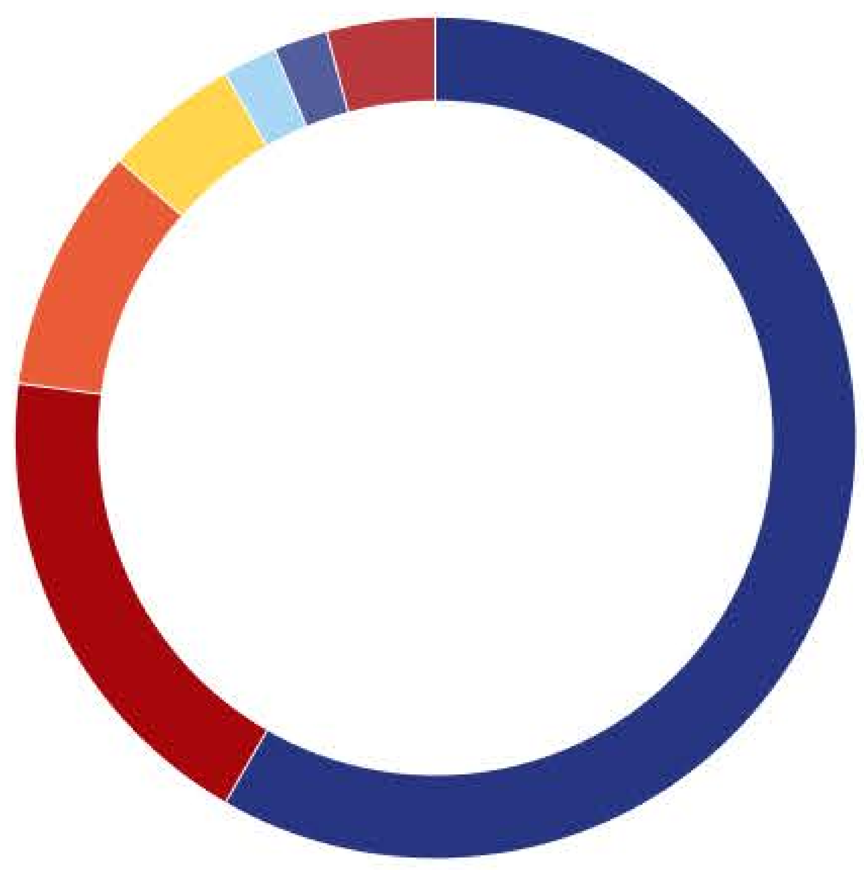
PORTFOLIO BREAKDOWN

Top 10 Positions

Company	% of Holding
BYD	6.6
Meituan	6.1
Proya Cosmetics	6.0
Contemporary Amperex Tech	5.9
Tencent	5.9
Vipshop	5.0
Alibaba Group	4.3
Li Auto	4.1
Trip.Com Group	4.0
New Oriental Education	3.9
Number of Holdings	27

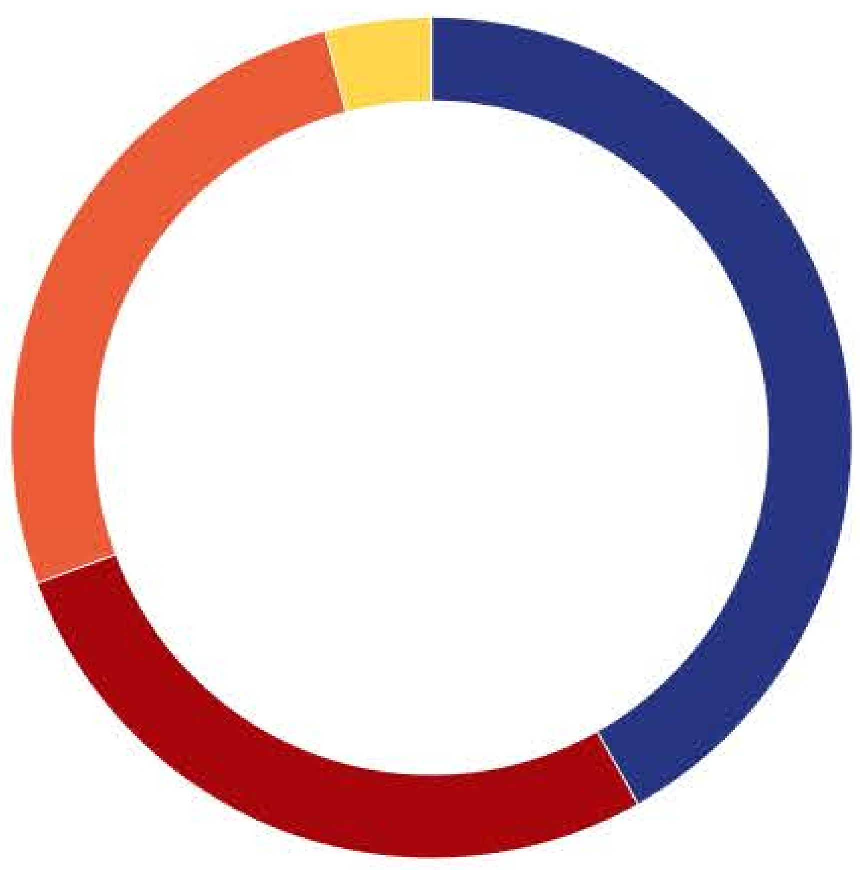
The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

Sector Allocation



Consumer Discretionary	56.2
Consumer Staples	18.8
Industrials	9.0
Communication Services	5.9
Health Care	2.7
Financials	2.5
Cash	4.9

Asset Allocation



China H	41.9
ADR	27.0
China A	26.2
Cash	4.9

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AVAILABLE SHARE CLASS PRICES

SHARE CLASS	PRICE	ISIN	BLOOMBERG	MANAGEMENT FEE	ONGOING CHARGES FIGURE	MIMIMUM SUBSCRIPTION	MIN. ADDITIONAL SUBSCRIPTION
B Acc GBP	55.34	GB00BNDMHS07	SVACBGA LN	0.75%	1.15%	GBP 5,000	GBP 5,000
I Acc GBP	55.50	GB00BNDMHW43	SVSACGA LN	0.60%	1.00%	GBP 50,000,000	No Minimum

Prices in pence/cents
Ongoing charges figure (OCF) is based upon the expenses incurred but does not include transaction costs (see KIID for details).
Management fee includes Aubrey's fee and excludes ACD fee.
A class is no longer available for new investors (see Prospectus for details).

PLATFORMS

M&G

MANAGER'S COMMENTARY

There is no hiding the fact that Q2 2023 was a miserable one for Chinese equities and particularly Chinese consumer orientated equities. The Fund reflected this by falling 15.5% in Sterling versus the Index decline of 13.4%. This was all the more painful for the Sterling based investor given the near 8% swing in the relative currencies, Sterling being strong and the Yuan weak. Our optimism last quarter now looks misplaced.

We are not alone in misreading the Chinese economy and the re-opening rebound which petered out almost before it started. We certainly underestimated the damage that has been inflicted on the animal spirits of the Chinese population. It remains unclear whether that is the effect of living under the threat of actual or potential lock-down for so long, or the spillover from the reigning in of the tech sector, clearly one of the most entrepreneurial sectors of the economy and a major employer as well, or the property market, which after a short period of pent-up demand buying has weakened again. Whatever the case, it seems an air of caution will remain for the time being.

An extended first post-covid visit back to China in May and June revealed signs of this lack of confidence, mostly due to job and income growth concerns. As a result, life is returning to normal, but without splashing out on unnecessary and expensive items, as well as a tendency to trade down. In other words, still more saving, less spending. This trend led to one switch in the portfolio with the sale of duty-free operator China Tourism, and the purchase of online discounter ***VIPShop***.

While travel, and particularly domestic travel, have bounced back strongly, this has been more focused on experiences and visiting new places, and not shopping for pricey travel goodies found in China Travel's vast emporiums in Hainan and elsewhere. ***VIPShop***, on the other hand, is an online Chinese discount retailer mostly dealing in apparel and footwear. Not only are they being well supplied by excess inventories, but their client base is also keen to find a bargain. ***VIPShop*** is very lowly rated by the market, has a huge cash position and is buying back stock aggressively given very strong cashflow. As a result, EPS growth looks strong, and its PEG is below 0.5x. We also added ***Trip.Com*** which will enjoy the best of the overseas travel recovery and, ultimately, a return to growth.

Another addition to the portfolio is a former market darling and leader in after school tutoring, ***New Oriental Education***. When this business was effectively banned in 2021 the share price collapsed but, since then the company has reinvented itself and this is now coming through in renewed growth. The new format is based on non-academic tutoring, or in other words, daycare. This is still a valuable service to working parents, is lower cost than before, and also much cheaper to supply. They also converted their online tuition business into a surprisingly successful livestreaming e-commerce channel.

As ever in such a big place there are exceptions to otherwise sluggish growth, and one of these is electric vehicles sales which continue to boom. There has been downward pricing pressure on EV prices in recent months as leaders such as ***BYD*** and Tesla pass on lower battery costs and cement their leadership positions. Another of the clear winners in this sector is ***Li Auto***, which has been very successful in large, hybrid family cars, which just happen to reach 0-100km/h in 5 seconds. After a visit and an impressive test drive we have introduced a position into the Fund, to add to the existing ***BYD*** and ***Yadea*** holdings in the sector.

The second half of the year will no doubt see some more modest stimulus as the government does appear to be aware of the slower than expected economy and the impact this is having on jobs, incomes and confidence. Interest rates have been cut again and property buying restrictions eased further, although property sales continue to soften. Geopolitical tensions have certainly eased, as demonstrated by US Treasury Secretary Janet Yellen's recent visit to China, but foreign investors and locals alike seem to prefer to wait for better economic news.

The businesses in the portfolio all have strong franchises in attractive industries. Many have contained costs well and as a result we expect decent earnings in the upcoming results season even if the top line is subdued. Most are cash rich and, in several cases, are buying back stock, while valuations remain cheap. Finally, those excessive domestic savings are still there, for when confidence does return.

RATINGS

vadevalor
AAA Rated Fund Manager

Andrew Dalrymple and **John Ewart** are AAA rated and **Rob Brewis** is AA rated by Vadevalor as at 30/06/23

CONTACTS

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ENVIRONMENTAL, SOCIAL & GOVERNANCE

Aubrey bases its measures for ESG analysis on the United Nations Global Compact. This framework provides us with a foundation for assessing corporate sustainability where we focus our analysis on four themes:

1. Human Rights: Companies should respect the internationally declared human rights laws.
2. Labour: Elimination of discrimination in the workplace as well as all forms of forced labour.
3. Environment: Encourage companies to develop and create initiatives that promote sustainability.
4. Anti-Corruption: Businesses should eliminate corruption in all forms, including bribery.

Signatory of:

PRI Principles for Responsible Investment

IMPORTANT INFORMATION