JOHCM Global Emerging Markets Opportunities

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by an experienced and long-standing team, the members of which built the investment philosophy and process together and remain firmly committed to its investment credentials.
- The investment process is thoughtful and disciplined, based around consistent, top-down country analysis that informs stock selection.
- We like the fact that the process is rooted in objective and thorough assessments of market and country fundamentals, together with valuations, but also incorporates a careful assessment of risk and portfolio diversification.

Key characteristics and expected outcome

- The fund has no pre-determined style bias and is larger-cap in nature.
- It is differentiated compared to peers by dint of the team's emphasis upon top-down analysis. They believe that identifying the most attractive emerging markets in which to invest is the most important influence on investment performance.
- Complementing their top-down views is a stock selection process that focuses upon identifying attractively priced quality growth companies within their favoured countries. The approach is best described as "growth at the right price".
- While the team is mindful of portfolio risk relative to the index, the nature of the process means the fund's composition may differ significantly to that of the benchmark.
- That said, the team does not believe in expressing a directional view in the portfolio. They aim to avoid excessive style biases and take care to ensure the aggregate fund does not contain large or hidden risk exposures.
- While the approach has in-built pragmatism and is blended in style, investors who are concerned about relative performance over shorter-term periods should consider pairing the fund with an index-orientated offering.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 5 means the fund's historic volatility is between 10% and 15%.

SRRI scores of 5 and 6 are most common in this sector. The fund's realised five-year volatility is similar to that of mainstream indices. The team's top-down analysis, combined with a risk management process that seeks to ensure diversification, results in a lower maximum drawdown profile compared to some peers. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	30 June 2011
Manager(s) Since:	James Syme (Ju 11) Paul Wimborne (Jun 11) Ada Chan (Jan 22)
Fund Domicile:	Ireland
Base Currency:	£ Sterling
Fund Benchmark:	MSCI Emerging Markets
IA Sector:	Global Emerging Markets

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

An emerging markets equity fund managed with no pre-determined style bias. The approach is distinctively top-down with stock selection focused on quality growth companies within the team's favoured countries. Within its sector, the fund features in our 'Larger-Cap, Blend' category.

Investment Team

The fund is managed by senior fund managers, James Syme, Paul Wimborne and Ada Chan. Messrs Syme and Wimborne have worked together since 2006, first at Barings Asset Management (Barings), then at JO Hambro Capital Management (JOHCM). At Barings, they co-managed the firm's flagship emerging markets strategy, alongside separate mandates. They joined JOHCM in 2011 to launch this fund, which utilises the same investment philosophy, style and process used at Barings. Ms Chan has worked at JOHCM since 2011, joining the team in 2016.

Investment Philosophy

The managers believe that emerging market countries are much more diverse in nature than developed markets and that, unlike the developed market universe, the specific characteristics of each emerging market are a more important influence upon the overall investment opportunity. This view is partly driven by academic research and partly by the team's experience of investing through national boom and bust cycles from the mid-1990s. This underpins their focus upon country analysis and allocation.

Investment Process

The process combines top-down country analysis with bottom-up stock selection, prioritising the country decision. The team's experience is that emerging market countries tend to have vastly different economic, political and social conditions. They will only select countries with a favourable top-down driven investment climate. The process begins with a monthly country-level analysis and allocation meeting, where a five-factor framework (growth, liquidity, currency, management and valuation) is employed to assess the potential for returns from equities in each of the countries within the index. The team uses both quantitative data and qualitative information to assess the strength or weakness of each potential emerging market under each of the five factors, with a score from 1 (most positive) to 5 (most negative). This scoring system outlines the suitability of investment in that particular market. A single overall score is then assigned, which reflects the team's overall degree of conviction in the potential for outperformance from that emerging market. At a firm level, screens are used to identify companies that operate in the team's preferred industries and have value and growth appeal. For a stock to be considered, it must have a minimum daily turnover of USD 1 million. The team looks to buy companies that fit with the expected top-down environment in the relevant country and that show the following attributes: strong growth opportunities and accelerating earnings and/or cashflow; strong business models and competitive positions in their respective industries; highly rated management teams; and, are on a reasonable valuation.

Portfolio Construction and Risk Controls

The fund is reasonably concentrated, typically holding 50 stocks with a range of between 40 and 60 over time. The maximum stock overweight is +5% versus the index and there is no minimum underweight. The portfolio typically has exposure to around half of the index countries at any one time. There are country and sector limits of +/- 10% versus the index, with a maximum of 5% in frontier markets. The managers monitor total portfolio risk using Bloomberg, with risk analysis taking place weekly and on a pre-trade basis.

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