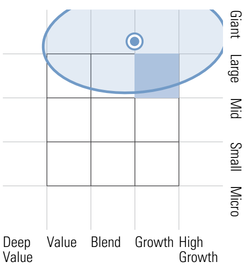
Aberdeen Asia Pacific and Japan Equity Fund I Acc

GB00B0XWNK36

Morningstar Analyst Rating
Bronze 14 Dec 2017 00:00, UTC-0600

Morningstar Category	Category Index	Total Assets	Current Yield %	Inception Date	Domicile/ Currency	Morningstar Rating
Asia-Pacific incl Japan Equity	MSCI AC Asia Pacific NR USD	140.65 Mil GBP	—	01/10/12	GBR/GBP	★★★

Equity Style Map

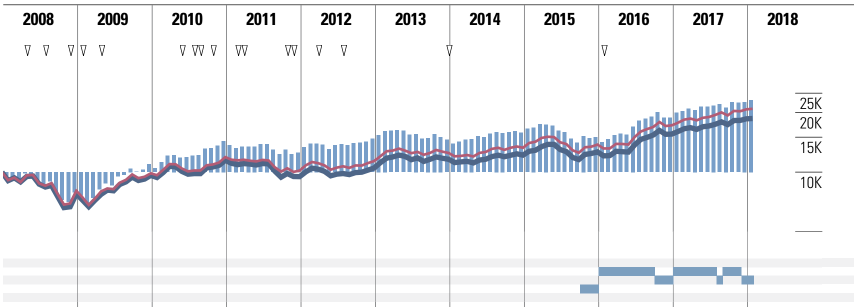


People

Hugh Young	11/88
Flavia Cheong	08/96
Robert Penaloza	11/97
Total Named Managers	40

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative



Performance 31/01/18

Growth of 10,000 Annualized	Value GBP	Ret %
Fund	22,870	8.55
Category	20,008	7.12
Index	20,862	7.56

Full Manager Change
Partial Manager Change

Morningstar Rating

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Quartile Rank in Category												
Percentile Rank in Category	53	19	5	11	9	93	13	94	24	44	11	
Total Return GBP	-21.00	38.18	31.09	-12.60	17.12	-1.28	8.46	-5.11	25.31	19.97	2.21 %	
+/- Category	0.63	14.16	12.05	4.78	6.76	-12.76	3.71	-8.90	2.20	0.85	1.85	
+/- Index	-1.51	15.67	10.40	1.88	5.46	-11.17	2.24	-8.82	0.20	-0.30	1.48	

Process

Equity Style Box

Asset Allocation
Stock Bond Cash Other

Equity Supersectors

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cyclical	49	53	51	49	52	50	54	54	49	48	49
Sensitive	38	37	37	37	37	33	30	31	34	35	35
Defensive	13	11	12	13	11	16	15	15	17	18	16
Price TER/OGC	—	—	—	—	—	—	—	—	—	—	—

Analyst View

Mark Laidlaw, Senior Analyst

Testing times, but there is still quality when it comes to Aberdeen Asia Pacific and Japan.

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Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

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14 Dec, 2017 | It has been a testing few years for Aberdeen Asia Pacific and Japan Equity, but we feel there is reason to remain positive.

The investment team is well led by head of Asia ex Japan equities, Flavia Cheong. Like a number of her colleagues, she has spent the majority of her investment career at the firm, joining in 1996 and stepping up into the current role in July 2015. Cheong's insights are typically above average, and we feel she has helped to sharpen the team since heading the investment desk. The Japan team has shown promising signs of improvement under the leadership of Kwok Chem-Yeh. Although Aberdeen no longer sports the strongest investment teams in the region, our overall view remains positive. We note that the merger between Aberdeen and Standard Life Investment was completed in August 2017, but the investment teams have yet to integrate as at early December 2017. However, SLI does not have a meaningful presence in Asian equities, so we expect minimal disruptions once the two investment teams are scheduled to be fully integrated in early 2018.

The investment process has been consistently applied for over two decades, with quality and value the key tenets. Under Cheong's stewardship, the team introduced two tweaks in the past years. First, the team is now taking a deep dive on long-term positions that have stumbled--the aim is to determine if the problems are cyclical or structural. Names examined include Li & Fung, Standard Chartered, and ICICI Bank. The second tweak relates to how Aberdeen invests in China. Historically, the firm prefers to gain its Chinese exposure via large Hong Kong-based conglomerates; however, the nature of the Chinese market has shifted, and Aberdeen was at risk of being left behind. We have seen the team initiating positions in the Aberdeen China A Share strategy, as well as domestic Chinese stocks such as Tencent and China Resources Land, in order to address the issue.

We are hopeful that the process tweaks would lead to a more consistent delivery of performance, which has disappointed over the past few years. Furthermore, we feel the fee is disappointing given Aberdeen's large assets base. Overall, we believe Aberdeen still has the tools to come out in front, but the time has come for the team to step up and deliver for investors within an increasingly competitive peer group. At this stage, we are reaffirming the Morningstar Analyst Rating of Bronze.

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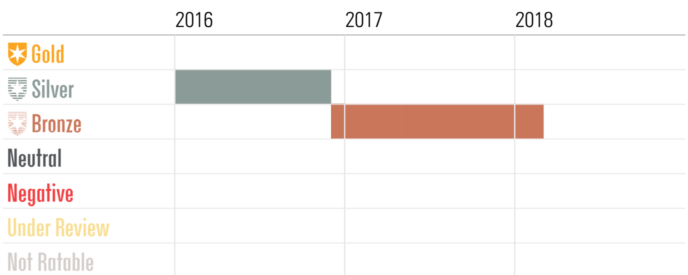
Morningstar Analyst Rating



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The Five (5) Pillars
Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People
The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent
We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process
We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance
We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price
To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

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Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/ or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

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Not Ratable

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