

Aberdeen Asia Pacific and Japan Equity Fund I Acc

GB00BOXWKNK36



Analyst Notes

Standard Life Aberdeen Appoints Keith Skeoch as Sole CEO of the Group

Maintain Rating

13 Mar, 2019 | On March 13, 2019, Standard Life Aberdeen announced that Keith Skeoch has been appointed as sole chief executive officer of the group. Previously, there was a joint-CEO structure with Skeoch and Martin Gilbert both fulfilling the role following the merger of Aberdeen Asset Management and Standard Life in August 2017.


Skeoch will focus on leading the business and on improving investment performance whilst overseeing the remaining elements of the Standard Life/Aberdeen Asset Management merger, which has now been largely completed.

Gilbert will fulfil a new role as vice chairman of Standard Life Aberdeen and chairman of Aberdeen Standard Investments, as well as remaining an executive director of the board. He will continue to lead the client-facing aspect of the business on a global basis, and he will focus solely on developing and retaining business through strategic relationships.

This is not surprising news, as joint-CEO structures tend to be rare and utilised for transitional periods. With the merger nearing operational completion, this development should allow for clearer accountability and transparency in what are currently very challenging times for the business and for active money managers more generally.

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Morningstar Analyst Rating
 **Bronze** 13 Mar 2019
 11:30, UTC-0500

Morningstar Category
 Asia-Pacific inc. Japan Equity

Category Index
 MSCI AC Asia Pacific NR USD

Total Assets
 110.44
 Mil GBP

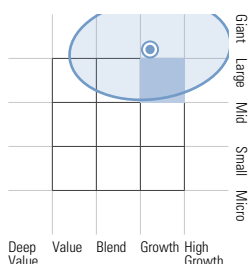
Current Yield %
 —

Inception Date
 01/10/12

Domicile/Currency
 GBR/GBP

Morningstar Rating
 ★★ ★★

Equity Style Map



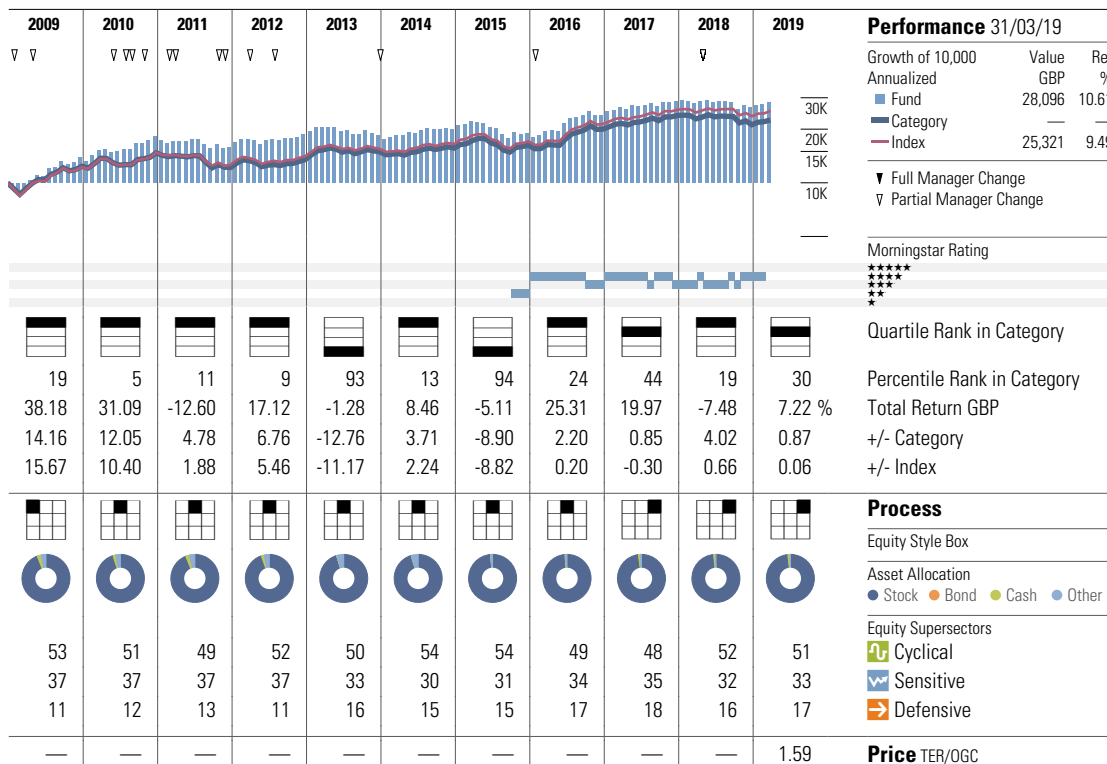
People

Not Disclosed 03/79

Total Named Managers 1

Morningstar Pillars

Process	Neutral
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative



Analyst View

Andrew Daniels, CFA, CMA, Senior Analyst

Despite some changes, this remains a fine option for Asia-Pacific incl Japan exposure.

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Morningstar Analyst Rating

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Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

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21 Dec, 2018 | Despite an evolving investment approach, Aberdeen Asia Pacific and Japan Equity still boasts an experienced, capable, and well-resourced investment team. The fund continues to merit a Morningstar Analyst Rating of Bronze.

Aberdeen Standard has a large dedicated Asia-Pacific equities team of approximately 40, and it's led by Flavia Cheong. The other key figure here is Kwok Chern-Yeh, who heads up the Japan team. Cheong and Chern-Yeh have spent most of their careers at the firm--joining in 1996 and 2005, respectively--and their insights are typically above average. The team is primarily stationed in Singapore, with staff in a number of global offices, including Tokyo, Sydney, Hong Kong, and Kuala Lumpur, and they all contribute ideas to this portfolio. It's worth noting, however, that the team has been plagued by recent turnover, including four investment managers, which casts doubt that the team remains best-in-class.

The investment approach has also been evolving, giving us pause. For more than two decades, Aberdeen has applied a patient, bottom-up approach focused on quality and value. Historically, the team preferred to get its Chinese exposure through Hong Kong names, largely due to corporate governance and transparency concerns.

However, the team revisited its thinking on many China names in 2017 and has since been adding aggressively there. While it is promising to see the team willing to be more flexible, the rationale for the shift in thinking during a series of November 2018 meetings was weak, raising concerns that the team is becoming more relaxed on corporate governance and benchmark-aware, as evidenced by deteriorating active share in the year ending September 2018. The lower active share places an additional emphasis on this fund's fees, which are uncompetitive, especially considering the firm's sizable asset base in the region. Moreover, the integration of legacy Standard Life's "focus on change" approach into a new research note template--rolled out in May 2018--could take the team out of its comfort zone.

Despite lower conviction in the approach and above-average fees, the fund does have a solid team to leverage, giving investors ample reason to hold on here.

Morningstar Global Fund Report

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Morningstar Analyst Rating

	2017	2018	2019
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

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.

Morningstar Analyst Ratings

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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