

Responsible about Asian Equities

BMO LGM Responsible Asian Equity Fund



ESG is a mindset, not an asset class

Designed for investors seeking to access the potential inherent in Asia's economies and markets. Our BMO LGM Responsible Asian Equity Fund aims to meet this need by combining our proven expertise in stock picking and responsible investment.

Launch date	28-Nov-13
	As at 15-May-20, the fund formally adopted BMO's Responsible Investment overlay.
Benchmark	MSCI AC Asia Ex Japan Index
Fund managers	Gökce Bulut and Christopher Darling
Fund structure	Dublin domiciled UCITS

At a glance

- **Runway for growth** – targets the potential inherent in Asia's dynamic, fast-growing and diverse economies. We identify companies that are well positioned to benefit from powerful tailwinds like positive demographic trends, urbanisation and income growth.
- **Conviction matters** – a portfolio of 30-60 of the team's best investment ideas drawn from across Asia. Stock selection, not benchmark composition, drives portfolio composition with an active share typically around 85+%.

- **Active ownership** – we are active owners with engagement on ESG issues driven by our Responsible Investment team. We use the SDGs as a framework for our efforts and closely assess the impact of our holdings and engagement efforts.
- **Proven expertise** – the fund combines specialist expertise in emerging markets stock picking and Responsible Investment – an approach we have implemented within other strategies for over a decade.

The fund is underpinned by our defined Avoid, Invest and Improve ethos



Key risks

Screening out sectors or companies may result in less diversification and hence more volatility in investment values. The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. Investing in emerging markets is generally considered to involve more risk than developed markets.

Why Asia?

Wide opportunity set – a diverse region both culturally and economically with countries at different stages in their development, providing a host of opportunities.

Real growth potential – Asia is home to 60% of world's population yet accounts for just 34% of GDP and 21% of the world's market cap – a differential meaning significant scope for growth.

Structural drivers – Many countries characterised by large, young and aspiring populations. Urbanisation provides a catalyst for wealth creation, the resulting rise in incomes driving consumption and development.

Why invest responsibly?

Reduce risk / improve downside protection – consideration of ESG factors helps mitigate Asian market risks like low transparency, questionable accounting, bad corporate governance and supply chain management.

Address sustainability challenges – the impact of rapid economic growth and development creates opportunities for companies offering sustainable products and services.

Encourage better management of ESG issues – we see ourselves as 'business owners' and encourage companies to improve their management of ESG issues through engagement and voting.

Why Asia now?

First in / first out – as Asia 'normalises' post the emergence of COVID-19, its economic and earnings recovery is ahead of that being experienced in many other areas.

Broader opportunities across the supply chain – a greater emphasis on supply chain resilience (and not just cost) bodes well for countries like Vietnam and Indonesia that have young, highly educated and tech savvy workforces.

Capital markets boost – with trade tensions between the US and China ongoing, many Chinese companies – including Alibaba, NetEase and JD.com – are 'coming home' by re-listing in Hong Kong.

Why LGM for Asian equities?

Insights – with 716 Asian company meetings in 2019, our team enjoy real insights into businesses and their management. As 'business owners' our aim is to build strong relationships with company management.

Truly active – we are forward looking benchmark agnostic investors. Conviction determines portfolio composition with meaningful positions implemented on a long-term view.

Right culture – teamwork is key and our investment professionals operate in an environment of constant debate and reassessment. This enables ongoing reappraisal to ensure that our portfolios always reflect our best ideas.

How we invest

We are bottom up investors who look for attractively valued high-quality companies with defined characteristics:

- ✓ Sustainable and well-managed business model
- ✓ Robust balance sheet together with predictable and steady cash flows
- ✓ Proven management team with clear purpose and long-term goals
- ✓ Alignment with the interests of minority shareholders

We will only invest when the price is right. We prioritise protecting our clients' capital and always look for a margin of safety in the valuation. We take a long-term view when investing and expect to be a shareholder for several years.

In focus: stock picking and active ownership

Bank Mandiri – one of Indonesia's largest banks, with a well-recognised brand, extensive network and a track record of promoting access to finance. The bank is also a significant lender to the palm oil industry, which is linked to significant deforestation across the country. Our active engagement on this issue has led to positive outcomes, including stronger management of the sustainability risks of palm oil lending. This helps to mitigate credit risks to loan portfolios and to drive more sustainable industry practices.

Sustainable opportunities

We want to tap-into the long-term potential of Asia and its young populations, economic development and growing wealth. We are bottom up investors but align our stock picking efforts to certain key areas of interest.



Source: BMO Global Asset Management. For illustrative purposes only.

Combined expertise

Decades of experience in Asian equities and responsible investment

LGM Investment Team

Founded in 1991, LGM is the centre of excellence for Asian and emerging market equities within BMO Global Asset Management. Our goal is to maximise returns by investing in the best companies we can find at attractive valuations.

Responsible Investment Team

BMO has been pioneering responsible investment for 35+ years. We have a 19-strong team dedicated to research, ESG integration and active ownership (engagement & voting) activities.

LGM Investment Team and Responsible Investment Team

- Company analysis
- Portfolio construction
- ESG criteria
- ESG thought leadership



For more information please contact UK intermediary sales:

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