ASHOKA WHITEOAK EMERGING MARKETS TRUST (AWEM, 99.75p)

AWEM was the last new trust to get away before the IPO window slammed shut in the face of higher interest rates and widening discounts. The trust just managed to reach its £30m minimum target in May before starting at 100p, jumping up initially to a peak of 110.5p, and then settling right back to where it started, just below the NAV of 101.5p. We caught up with manager Prashant Khemka to ask him about the initial investment period.

The trust was able to get invested quickly and is fully committed as anticipated, in spite of the inevitable teething problems that arise with custody and accounts when seeking to invest across 25 different countries. The trust has already had a couple of notable winners. One was from an anchor allocation to the IPO of an Indian company, Senco Gold, which is now 2% of the portfolio, and another was also in India, Doodla Dairy, which was already well known to the managers. Amongst the other large holdings in the trust are Taiwan Semiconductors and Samsung Electronics, plus 2% holdings in Alibaba and both Naspers and Prosus, which are effectively ways of owning Tencent. These two Chinese companies are typically large components of many emerging markets trusts, and we asked Prashant about the holdings in China in view of the trust's stated preference to invest in democratic countries. He reiterated his view that alpha generation can be stronger in countries with better property rights, which is why the trust has 21% exposure to authoritarian regimes against 40% in the benchmark. Most of that is in China, which Prashant says is "too large to ignore." He makes the point that AWEM is an emerging markets fund, not an emerging markets ex-China fund, so although it may be out of fashion right now, investors will expect to see this exposure. There are opportunities in China, and of course the manager is driven here by bottom-up analysis, so he is not looking to make a big market call. He says the trust is not that underweight China at all if one looks-through at the business transacted there by portfolio companies like Hermes and LVMH. The trust is over-allocated to India, where the managers' local resources mean that better ideas are being generated – as Prashant put it, "in cricket, if you have a strong batting line-up, you exploit your strong batting line-up."

The trust's NAV looks steady, and the share price is nearby, and at times when the shares move to a premium we think we can expect to see tap issuance by the trust to expand its small asset base. This is what happened with **Ashoka India Equity Investment Trust** (AIE, 229p), which grew slowly but meaningfully over time. Prashant accepts the appetite for new shares will vary with relative performance as well as the appetite for the asset class. “When we have a marriage of the two, we have the demand” he concludes. AWEM has got off to a solid start, and we look forward to continuing to follow its progress.

**Attributed to Andrew McHattie, Investment Trust Newsletter*