

Markets

Morgan Stanley Fund Sticks With Asian Stocks, Thanks to Warren Buffett

by [Heejin Kim](#)
May 3, 2018

- ▶ Region has more 'high-quality companies' than in U.S., Europe
- ▶ China's stock market 'ripe' for bottom-up stock picking: Heugh

In a year where equity investors have been rattled by a resurgence in volatility, Kristian Heugh remains a steadfast bull on Asian stocks and a believer in the Warren Buffett-inspired strategy that's helped his funds stay ahead of peers.

Aside from an expanding middle class and youthful population, there are more "high-quality companies" in the region than in the U.S. and Europe that meet Buffett's criteria of a strong franchise and management, said the Hong Kong-based head of the global opportunity team.

The MSCI Asia Pacific Index has turned negative for 2018 four months into the year and most regional benchmark gauges are either struggling to stay afloat or are in the red. That hasn't changed the Morgan Stanley Investment Funds - Global Opportunity Fund's overweight Asia stance -- a position the \$5.7 billion fund has held since its 2010 start, Heugh said in an email interview.

Heugh's Asia Opportunity Fund has almost 70 percent of its \$843 million assets in Chinese companies including Alibaba Group Holdings Ltd.

Below are some of his views:

Which region and sectors do you favor most in Asia ex-Japan?

▶ "Our largest country weight in the Asia Opportunity Fund is Greater China. The Chinese stock market is ripe with opportunity for bottom-up stock picking, particularly in industries driven by consumption and services.

▶ "The emerging middle class wants what those in developed markets have enjoyed and perhaps taken for granted: higher-quality food and beverages, Internet services, access to better healthcare and education opportunities for their children."

▶ While Foshan Haitian Flavouring & Food is among the manager's China holdings, it's TAL Education Group -- a provider of tutoring services for Chinese students -- that has been a top contributor to Global and Asia Opportunity funds over the past two years: Heugh

▶ NOTE: The Global Opportunity Fund has risen 7.9 percent since Jan. 1 and returned an annualized 23 percent over the past five years, to beat more than 95 percent of peers tracked by Bloomberg.



Warren Buffett Photographer: Andrew Harrer/Bloomberg

be long-term positives for certain businesses just as there were in Germany in 1990s."

Can you tell us about your bets on Korean Stocks?

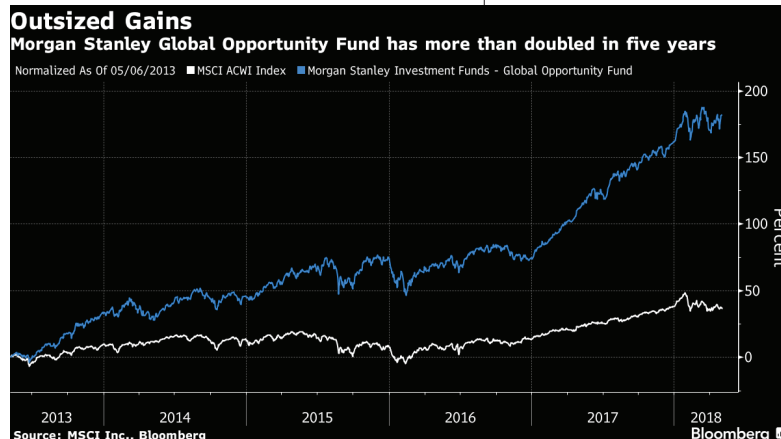
▶ "Currently, Naver is among the top 10 positions in our Asia Opportunity Fund. Naver is the leading search engine in Korea as well as a leading mobile social network through LINE, which is also popular in Japan.

▶ "The next leg of growth for Naver could be driven by e-commerce and payments as the company leverages user traffic to transition its business model from search to an e-commerce marketplace."

Does political uncertainty affect your strategy?

▶ "Short-term volatility can create long-term opportunities for the companies we own, as it can help them take share from weaker competitors and benefit from increased bargaining power.

▶ "Short term changes in the investment opportunity set or the macro environment do not impact our investment process or philosophy. Hence it has remained unchanged since the fund's inception."



What do you think about the recent Korean summit?

▶ "Thawing geopolitical relations would obviously be good for the world and stock markets. In the unlikely event of reunification, there would undoubtedly

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Company	% of MS INV F Asia Opportunity Fund
Foshan Haitian Flavouring & Food	5.77
TAL Education Group	5.73
Naver	4.08

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