PRESENTER: For an overview of Witan Pacific Investment Trust 2017 half year results, I'm joined by James Hart, Investment Director or Witan Investment Services. James, the first half of the financial year saw a 10.5% rise in Witan Pacific's net asset value total return and a 12.8% share price total return. This compared with the benchmark return of 9.6%. What were the key drivers of performance over the period, and what would you say explains the relative outperformance? JAMES HART: Well, there are two aspects to the performance. First of all, the region's equity markets performed very well. And secondly the stocks selected by our managers outperformed those regional indices. Looking at performance across the portfolio, we can see that stocks in China, Hong Kong, also India and South Korea have performed particularly well, and markets where our managers have tended to be underweight, such as Japan and Australia, performed less well, and so both of those aspects were of benefit to performance. We've seen economic growth improving again this year, and broadening with Europe and also Asia contributing to global economic growth. We've also seen corporate earnings improving, and this is important for equity markets because corporate earnings are the key drivers of equity market returns. PRESENTER: Witan Pacific employs a multi-manager strategy. Can you remind viewers what this means, and how the underlying managers performed over the period? JAMES HART: Well as the name suggests a multi-manager strategy involves employing more than one manager to manage Witan Pacific's portfolio. The Asia-Pacific region is a diverse region, and it is very difficult for a single manager to be able to access all those opportunities. We have three managers, shortly to be four. Our line-up of managers performed well this year, with two out of the three outperforming their benchmark and one broadly in line. This is a marked improvement over the second half of last year, where active managers in general found life a little more difficult. PRESENTER: At the end of August this year, Witan Pacific announced some changes to its manager line-up. Can you explain what these changes were, and what prompted the decision by the board? JAMES HART: Well, we see Witan Pacific as a one-stop shop for investors to gain access to the entire Asia-Pacific region, including Japan, and the board is always on the lookout for being able to offer shareholders the broadest possible opportunity set. In that context, they carried out a search at the beginning of this year to look for managers that were able to provide our shareholders with the best possible portfolio. We interviewed managers throughout 2017 and ended up appointing two new managers. One being Robeco, who are based in Hong Kong, and the second Dalton Investments based in Santa Monica in California. Both managers should provide our shareholders with access to undervalued companies in the region, which are often overlooked by Asian investors, and also to lesser known or smaller companies whose growth prospects are underappreciated by the market. PRESENTER: And how do you expect the strategies of Witan Pacific's new managers to impact on the overall portfolio and performance of the trust? JAMES HART: Well the overall strategy of Witan Pacific hasn't changed following the appointment of the new managers, but we expect the portfolios that they select will broaden the opportunity set that our shareholders can benefit from. First and foremost, all the managers that we employ are stock pickers, and therefore the stocks that they select will go to make up the Witan Pacific portfolio. When you have four managers together, you have the benefit of the long-term performance that those managers individually can generate, with the aim of ironing out some of the volatility that you get from a single manager whose prospects can wax and wane through an economic cycle. PRESENTER: What have been the defining events in the Asia-Pacific region in 2017 so far? JAMES HART: Well, apart from an improvement in the economic environment and the corporate earnings environment, which has been the key driver of returns this year, clearly politics has never been far from the headlines. At the end of 2016, we were still concerned with what policies President Trump might be implementing. Coming into 2017, that declined and those fears have largely evaporated. There were state elections in India, which reaffirmed Prime Minister Modi's mandate, and also elections in South Korea. Beyond that there's been volatility created by nuclear testing and missile firing in North Korea. But really in the long term markets are dominated by economic news and by corporate earnings, rather than by the short-term volatility created by political developments. PRESENTER: Witan Pacific bought back around 1.6 million shares over the period. What's the board's policy on share buybacks, and what impact does it have for existing shareholders? JAMES HART: Well, the discount at which Witan Pacific's shares has traded has been narrowing gradually ever since the financial crisis, and really up until the beginning of 2017 where there was clearly an imbalance in the market, where there was a large seller of shares that wasn't matched by buying demand. And the board's policy is that they should buy back shares when the discount is significant and anomalous, and that was clearly the case earlier this year. And so the board did buy back a large number of shares at a discount to asset value. The benefit for shareholders is that by buying shares back at a discount it improves the net asset value for remaining shareholders, and also helps address this imbalance. In the long term though the most important driver of the discount will be the performance that the fund is able to generate, and that is one of the reasons for the recent manager changes where we looked to address performance issues and provide shareholders with a portfolio that is capable of outperforming over the long term. PRESENTER: Witan Pacific has announced an increase to its interim dividend; what's the prospects for dividend growth in the region, and how are your managers poised to take advantage? JAMES HART: Well, dividend growth is really driven by corporate earnings growth. Corporate earnings have been under pressure in Asia for the last few years, and this year we've seen a pickup in corporate earnings, so that's the key driver of the potential for dividend growth going forwards. Aligned with that, we also have an improvement in corporate governance, which means that the payout ratios, the dividends paid to shareholders are improving over time as well. So that's going to be the key driver of Witan Pacific's ability to pay increased dividends to shareholders over the long term. If we do suffer a period where revenue declines, the company being an investment trust has a revenue reserve, which it can draw on previous years' income to smooth dividends going forwards. PRESENTER: What do you foresee as the biggest opportunities presented by the Asia Pacific region? JAMES HART: Well Asia is home to 60% of the world's population, and home to three of the world's largest economies being China, India and Japan. China and India continue to grow at a significant rate. Japan has finally turned the corner, I think, and we're starting to see growth coming through there. Asian companies are also able to tap into an improved global economic environment, and this economic environment that is broadening away from just the US into Europe, and also to regional economies. Our managers are also seeing opportunities to invest into some smaller economies, such as Vietnam and also gaining access to the China Asia market. And overall Asian equities are really fairly valued versus their global competitors. PRESENTER: And finally what would you suggest investors in Asia-Pacific be cautious of over the next six to 12 months? JAMES HART: Well the key risk in Asia at the moment is what's going on in North Korea, and what happens there can create some significant short-term volatility in equity markets. However, equity markets tend to be driven by economics and by corporate earnings, and we're relatively positive on Asian equities provided those corporate earnings continue to come through. PRESENTER: James, thank you. JAMES HART: Thank you.