Video title: Asia ex Japan Equity Smaller Companies: Time to close the gap
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What are the potential catalysts for small caps in the near term?
There has been a divergence in performance with large cap outperforming the small cap in recent years and even YTD. We attribute this difference in performance to the strong fund flow, especially passive fund flows, into Asia market, resulting in a strong buying force in the large cap blue chip space.

The small cap universe, which by nature has thinner liquidity, has seen brutal price correction due to the selloff. In fact, we observed many cases where holdings fell in the absence of any fundamental deterioration, but that in fact has given rise to very attractive investment opportunities.

Looking into the second half of 2019, we believe market growth will largely be in line with earnings trend and growth stocks will outperform. Given this backdrop, investors should actually focus on extracting alpha from picking out stock with good bottom-up fundamentals.

What are the top investment themes your team has identified for this year?
We are currently finding good value in a various parts of the market including higher education in China and Chinese oilfield services sector. We remain constructive on the Chinese education sector because 1) demand for higher education remains strong in China and the low admission rate demonstrates the need for higher educational resources; 2) the top-down push for the transformation of satellites universities into stand-alone education institutions is providing M&A opportunities for leading players; 3) the government policy to support vocational education provides ample opportunities for listed higher education players, and lastly, the sector is relatively immune to macro risk.

We are positive on China oilfield services sector. As part of China's energy security plan to promote maximum self sufficiency, domestic gas production is expected to grow by around 10% pa over the next few years. Oilfield services companies will benefit from rising orders with improvement in pricing and payment terms.

Elsewhere, we favor direct beneficiaries of China's rising infrastructure investments especially for EPC contractors which are trading at close to trough valuations.

In the event the trade conflict between US and China escalates and the market corrects sharply, we will take advantage of the opportunity to buy on dips especially for companies whose fundamentals are not affected by the trade development, be it in China or other regions.