

Fund Investment Report



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Fund information

Investment objective

The Investment objective of the Fund is to achieve long-term capital appreciation.

Investment policy

The Fund will seek to achieve its objective by investing primarily in a diversified portfolio of equity securities and equity related securities of, or relating to companies in, or companies that derive a large proportion of their revenues from, global emerging markets. These companies will be listed or traded on a Regulated Market worldwide and the Fund will invest at least two-thirds of its assets in these securities.

Approach to ESG integration and stewardship

ESG integration and stewardship are integral to delivering sustainable returns. Through quantitative data and fundamental bottom-up research, we assess the absolute and change in ESG performance of companies. Engagement allows us to understand the effectiveness of their approach, the management of strategic issues and to exert positive influence.

Fund information

Fund inception date	9 December 2008
Fund value	USD4,788.06m
Benchmark	MSCI Emerging Markets Net
Lead Fund Manager	Gary Greenberg
Co-Fund Manager	Kunjal Gala
Base currency	US Dollar

Market and Performance Review

The benchmark MSCI Emerging Markets Index returned 1.91% in September. Markets rose as trade negotiations showed more positive signals after President Trump delayed a tariff increase that had been scheduled for October 1st, and after the US Federal Reserve cut interest rates. Geopolitical tensions rose in the Middle East, where Saudi Arabian oil facilities were attacked, sending the oil price 15% higher on supply concerns. China's economy continued to slow, industrial production growing at 4.4%, down from around 7% at the start of 2018, reinforcing the need for more policy measures to support domestic activity and offset weaker external demand.

The Fund outperformed the benchmark index in relative terms over the period. Stock selection in India, the United Arab Emirates and South Africa contributed the most to relative returns, helping offset the negative impact from selected names in Taiwan and Brazil which detracted.

Nari Technology, a leading provider for power and automation technologies in China, rose on expectations for an acceleration of grid investment in the second half of 2019 and sustainable growth in secondary/grid automation equipment demand. Samsung Electronics, the Korean electronic equipment manufacturer, rose due to earnings improvement from mobile and display and a positive read-across from competitor Micron's better-than-expected quarterly results which point to a bottoming in the memory cycle. Taiwan Semiconductor rose as management guided for a better-than-expected Q3 2019 and highlighted that 5G rollouts are accelerating, offering strong visibility into 2020.

Delta Electronics, a Taiwanese manufacturer of power supplies, underperformed due to weakness in the PC and notebook market and industrial automation (IA) recovery has been slower than expected. Bank Rakyat Indonesia fell amid concern state-owned banks will be pressured by the government to support weaker financial institutions in the country. Baozun, a Chinese e-commerce solutions provider, fell post results due to growing concern over market maturity and the potential churn of large brands.

Outlook

Emerging Markets are trading at a moderate discount on price earnings and significant 30%+ discount on price book relative to Developed, despite enjoying a similar level of profitability. Globally, central banks are in an easing cycle led by the Federal Reserve, and bond yields are likely to remain lower for longer. Global Purchasing Managers' Index (PMI) data already points to a manufacturing recession. The team expects the services sector will follow suit, employment levels will start to fall in the US, and any monetary response to be insufficient for a global rebound. They anticipate a consensus to form around the need for a spending boost, starting in Europe, spreading to the US and from there to Emerging Markets, over the next 18 months.

Few markets in Emerging Markets have major macro vulnerabilities this time, unlike in 2013, and most markets offer positive interest rates after adjusting for inflation. This backdrop of slower economic growth, a wide valuation discount, and lower yields are particularly beneficial for asset prices in economies that can grow despite global headwinds like trade wars. The team remains focused on several attractive secular themes, such as the rollout of 5G, digitisation, logistics, premiumisation, and demand for health care and financial services remain in place and the sell-off offers opportunities to buy into them at attractive valuations.

Fund breakdown
Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Tencent	China	7.77	4.49	3.28
NMC Healthcare	United Arab Emirates	3.05	-	3.05
Samsung Electronics	Korea	6.65	3.66	3.00
Bank Rakyat Indonesia	Indonesia	3.06	0.30	2.76
Nari Technology	China	2.69	0.01	2.68
Taiwan Semiconductor Mftg	Taiwan	6.35	4.03	2.32
Techtronic Industries	China	2.29	-	2.29
AIA	China	2.19	-	2.19
KB Financial	Korea	2.38	0.26	2.12
Delta Electronics	Taiwan	2.20	0.16	2.04

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Tencent	China	7.77	4.49	3.28
Samsung Electronics	Korea	6.65	3.66	3.00
Taiwan Semiconductor Mftg	Taiwan	6.35	4.03	2.32
Alibaba (ADR)	China	5.45	4.44	1.01
Bank Rakyat Indonesia	Indonesia	3.06	0.30	2.76
NMC Healthcare	United Arab Emirates	3.05	-	3.05
Sberbank	Russia	2.70	0.71	1.99
Nari Technology	China	2.69	0.01	2.68
KB Financial	Korea	2.38	0.26	2.12
Techtronic Industries	China	2.29	-	2.29

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Nari Technology	China	2.69	0.01	18.47	0.38
Samsung Electronics	Korea	6.65	3.66	13.52	0.31
Taiwan Semiconductor Mftg	Taiwan	6.35	4.03	9.63	0.26
NMC Healthcare	United Arab Emirates	3.05	-	9.60	0.22
Container Corp	India	1.26	0.03	19.97	0.18
HDFC Bank	India	1.92	-	11.02	0.16
KB Financial	Korea	2.38	0.26	8.91	0.14
Bharat Forge	India	0.90	0.02	17.11	0.10
Samsonite	China	1.05	-	11.95	0.09
Housing Development Finance	India	-	0.85	-	0.09

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Delta Electronics	Taiwan	2.20	0.16	-8.43	-0.23
Bank Rakyat Indonesia	Indonesia	3.06	0.30	-3.58	-0.16
Baozun (ADR)	China	1.66	0.03	-6.69	-0.15
China Mengniu Dairy	China	1.76	0.19	-5.68	-0.13
Chipbond Technology	Taiwan	1.24	-	-7.01	-0.12
Notre Dame Intermedica	Brazil	1.19	0.08	-3.98	-0.12
Duratex	Brazil	1.42	-	-5.18	-0.11
AIA	China	2.19	-	-2.50	-0.10
Mail.Ru	Russia	1.17	-	-5.92	-0.10
Gedeon Richter	Hungary	1.70	0.04	-3.23	-0.09

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Container Corp	India	1.26	0.03	19.97	0.18
Nari Technology	China	2.69	0.01	18.47	0.38
Bharat Forge	India	0.90	0.02	17.11	0.10
Samsung Electronics	Korea	6.65	3.66	13.52	0.31
Samsonite	China	1.05	-	11.95	0.09
HDFC Bank	India	1.92	-	11.02	0.16
Shoprite	South Africa	1.11	0.07	10.14	0.04
Taiwan Semiconductor Mftg	Taiwan	6.35	4.03	9.63	0.26
NMC Healthcare	United Arab Emirates	3.05	-	9.60	0.22
KB Financial	Korea	2.38	0.26	8.91	0.14

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Delta Electronics	Taiwan	2.20	0.16	-8.43	-0.23
Chipbond Technology	Taiwan	1.24	-	-7.01	-0.12
Baozun (ADR)	China	1.66	0.03	-6.69	-0.15
Mail.Ru	Russia	1.17	-	-5.92	-0.10
China Mengniu Dairy	China	1.76	0.19	-5.68	-0.13
Duratex	Brazil	1.42	-	-5.18	-0.11
Autohome (ADR)	China	1.21	0.09	-4.62	-0.08
Alibaba (ADR)	China	5.45	4.44	-4.46	-0.07
Notre Dame Intermedica	Brazil	1.19	0.08	-3.98	-0.12
Bank Rakyat Indonesia	Indonesia	3.06	0.30	-3.58	-0.16

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Industrials	8.68	5.40	3.27	5.29	-0.02	0.04	0.46	0.48
Consumer Discretionary	14.69	13.05	1.63	1.81	-0.01	-0.04	0.28	0.23
Health Care	7.56	2.60	4.96	6.61	-0.08	-0.28	0.56	0.21
Financials	23.36	24.69	-1.33	0.75	0.07	0.00	0.10	0.17
Information Technology	22.99	15.09	7.91	-1.14	0.08	0.30	-0.29	0.08
Consumer Staples	7.11	6.90	0.21	0.75	0.03	0.00	0.02	0.05
Utilities	1.10	2.82	-1.72	0.58	0.02	0.03	0.00	0.05
Real Estate	-	2.86	-2.86	-	0.01	-0.01	-	0.01
Materials	1.42	7.34	-5.92	-6.10	-0.03	0.06	-0.07	-0.04
Communication Services	11.44	11.57	-0.13	-0.71	0.04	-0.01	-0.12	-0.09
Energy	-	7.67	-7.67	-	-0.02	-0.20	-	-0.22
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.64	-	1.64	-	0.00	0.00	-	0.00

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
EM Asia	73.05	72.52	0.52	1.02	0.07	0.00	0.68	0.75
EM EMEA	14.17	15.48	-1.31	2.66	0.03	0.02	0.32	0.36
EM Latin America	11.14	12.00	-0.85	-1.32	-0.01	-0.01	-0.17	-0.19
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.64	-	1.64	-	0.00	0.00	-	0.00

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
India	12.41	8.86	3.55	3.76	0.01	0.03	0.42	0.47
United Arab Emirates	3.05	0.72	2.33	13.73	-0.01	-0.12	0.39	0.26
South Africa	2.39	4.72	-2.32	10.69	-0.02	0.06	0.22	0.25
China	32.67	31.89	0.77	0.69	0.03	-0.01	0.20	0.22
Korea	10.91	12.15	-1.25	2.17	-0.01	-0.05	0.23	0.16
Thailand	-	2.91	-2.91	-	0.01	0.07	-	0.08
Malaysia	-	2.05	-2.05	-	0.00	0.05	-	0.05
Saudi Arabia	-	2.60	-2.60	-	0.01	0.04	-	0.05
Philippines	-	1.09	-1.09	-	0.00	0.04	-	0.04
Turkey	1.58	0.58	0.99	-4.04	0.03	0.07	-0.07	0.03
Mexico	1.46	2.51	-1.05	2.09	-0.01	0.00	0.03	0.02
Qatar	-	1.01	-1.01	-	0.00	0.01	-	0.01
Colombia	-	0.41	-0.41	-	0.01	0.00	-	0.01
Poland	-	0.99	-0.99	-	0.01	0.00	-	0.01
Czech Republic	-	0.14	-0.14	-	0.00	0.01	-	0.01
Greece	-	0.31	-0.31	-	0.00	-0.01	-	0.00
Pakistan	-	0.03	-0.03	-	0.00	0.00	-	0.00
Argentina	-	0.19	-0.19	-	0.00	-0.01	-	-0.01
Peru	1.24	0.38	0.86	-0.81	0.00	0.00	-0.01	-0.01
Chile	-	0.95	-0.95	-	0.02	-0.04	-	-0.02
Egypt	1.59	0.15	1.43	-1.30	0.02	-0.05	-0.02	-0.05
Indonesia	3.06	2.07	0.99	-0.72	0.00	-0.05	-0.02	-0.07
Hungary	1.70	0.29	1.41	-4.08	-0.04	0.02	-0.07	-0.09
Russia	3.87	3.96	-0.10	-2.71	0.02	0.00	-0.12	-0.11
Brazil	8.44	7.55	0.88	-1.67	-0.02	0.02	-0.17	-0.17
Taiwan	14.00	11.48	2.52	-1.92	0.02	0.04	-0.27	-0.21
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.64	-	1.64	-	0.00	0.00	-	0.00

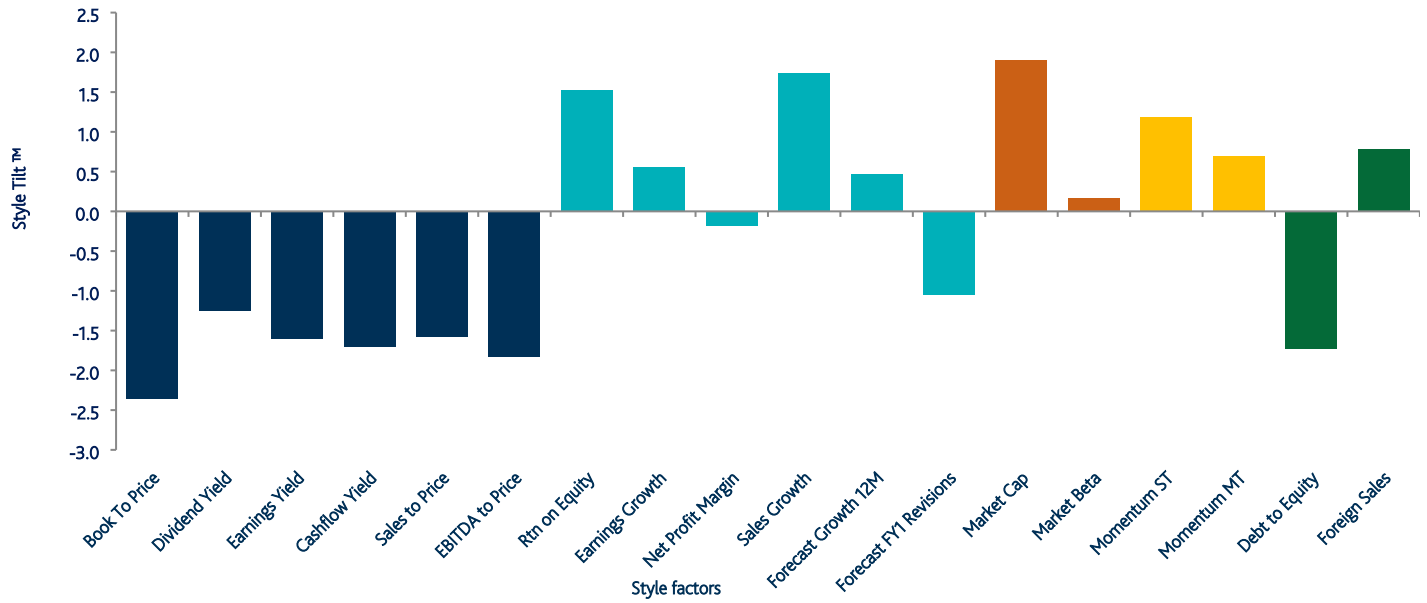
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 1B	0.96	0.23	0.73	4.51	0.01	-0.05	0.04	0.00
1 - 5B	15.42	14.97	0.45	2.27	-0.05	-0.01	0.40	0.34
5 - 10B	17.92	15.49	2.43	-0.22	0.03	-0.01	-0.06	-0.04
10 - 20B	17.59	19.41	-1.83	1.79	-0.01	0.01	0.35	0.35
20B+	45.31	49.89	-4.58	0.82	0.02	-0.03	0.34	0.34
Unclassified	1.17	0.00	1.17	-	0.02	-0.15	0.07	-0.06
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.64	-	1.64	-	0.00	0.00	-	0.00

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
42.40	83.26	2.34	104,139.50	6.48

Fund Style Skyline™



Source: *Northern Trust. ** Barra. ***Style Research, Market Cap is the Portfolio Weighted Average.

Risk analysis

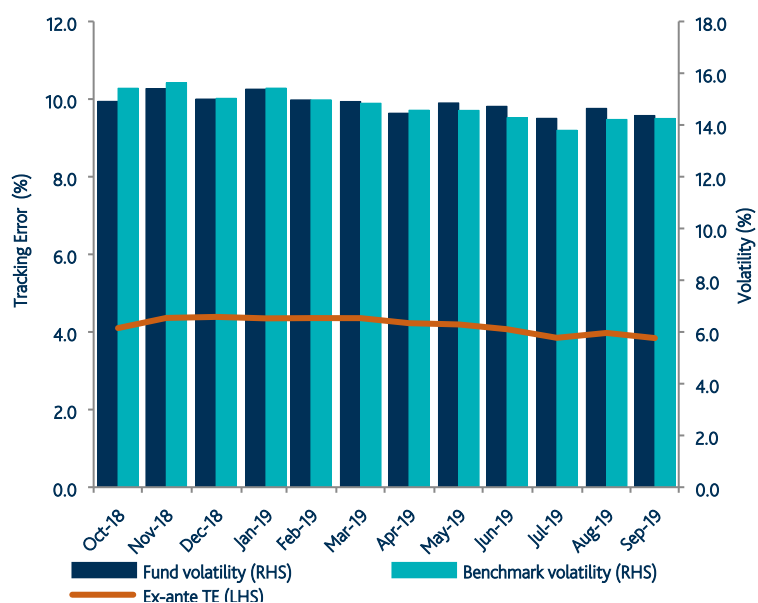
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
NMC Healthcare	United Arab Emirates	10.27
Taiwan Semiconductor Manufacturing	Taiwan	9.62
Accton Technology	Taiwan	5.67
NARI Technology	China	5.30
Tencent	China	3.80
Baozun	China	3.52
Delta Electronics	Taiwan	2.68
Techtronic Industries	Hong Kong	2.67
Commercial International Bank Egypt SAE	Egypt	2.47
Samsung Electronics	Korea	2.34

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	3.84	0.97	14.37	14.25	-	-
Ex-post	3.43	1.00	14.34	13.84	1.32	0.62

Tracking error (TE) and volatility history (ex-ante)



Fund statistics

Number of stocks (Fund)	52
Number of stocks (Benchmark)	1202
Upside market capture ratio	116.51
Downside market capture ratio	95.01

Contact us

If you have any general questions concerning your investment, or specifically related to the content of this Fund investment report, please let us know using the contact details below.

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