

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 is a diversified portfolio that will primarily invest in shares of small and mid-capitalisation companies that are located in or earn substantial revenue from global emerging markets.

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	21 September 2018
Fund value	USD114.38m
Benchmark	MSCI Emerging Markets SMID Net Total Return USD Index
Lead Fund Manager	Gary Greenberg
Co-Fund Manager	Kunjal Gala
Base currency	US Dollar

Market and Performance Review

The benchmark MSCI Emerging Markets SMID Net Total Return Index returned -1.32% in July. The Fund outperformed the benchmark index in relative terms over the month. Country allocation (combining currency) contributed the most to relative returns, notably the underweight Korea, which underperformed, the overweight United Arab Emirates, the best performing market and overweight Taiwan which outperformed. Selected names in China, Korea and Taiwan also contributed positively, offsetting stock selection in the UAE and Brazil which detracted.

Sinbon Electronics, a cable-assembly and connector-trading solutions provider based in Taiwan, rose after reporting Q2 2019 earnings beat, with margin improvement from industrial and medical segments being the key driver. SITC International, a Hong Kong-listed marine services company, rose on strong intra-Asia container shipping volumes and forecast demand growth thanks to fast growth in local economies and manufacturing relocation. Shares in Duratex, a Brazilian company manufacturing wood building materials, ceramics and metal fittings, rose sharply as pension reform progress boosted hopes for economic recovery in Brazil.

Samsonite International, the worldwide luggage retailer, fell as ongoing trade tariff concerns put pressure on the share price. Mahindra Logistics, an India logistics services provider, detracted due to the slowdown in the supply chain management business and ongoing slowdown in the automotive sector (60% of revenues). Hong Kong-listed Shenzhen International, which operates toll roads, logistic hubs, services and ports, moved lower due to further Renminbi depreciation.

Outlook

After the initial respite from the US/China trade truce, Emerging Markets have reversed most of the gains this year and are c.20% below the 2018 peak, due to a slowing global economy, tariffs, supply chain disruption and, after hitting a bottom in 2018, a steady rise in the US Dollar. As a result, Emerging Markets relative to Developed Markets are trading at a 20% discount on price earnings and a significant 30%+ discount on Price to Book despite enjoying a similar level of profitability. Central banks globally are embarking on a simultaneous easing cycle led by the Federal Reserve and bond yields are likely to remain lower for longer. 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. The prospect of reform accelerating is in play in India, Brazil and several other Emerging Markets. 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 note that a number of attractive secular themes, such as 5G, Data Centres, Premiumisation, Financialisation and Logistics remain in place in Emerging Markets 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 (%)
NMC Healthcare	United Arab Emirates	4.44	-	4.44
Accton Technology	Taiwan	4.26	0.14	4.12
SINBON Electronics	Taiwan	3.86	0.06	3.79
Mail.Ru	Russia	3.70	-	3.70
Techtronic Industries	China	3.60	-	3.60
Nari Technology	China	3.52	-	3.52
Delta Electronics	Taiwan	3.48	-	3.48
Gedeon Richter	Hungary	3.50	0.17	3.32
SITC International	China	3.21	-	3.21
Commercial International Bank Egypt	Egypt	3.14	-	3.14

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
NMC Healthcare	United Arab Emirates	4.44	-	4.44
Accton Technology	Taiwan	4.26	0.14	4.12
SINBON Electronics	Taiwan	3.86	0.06	3.79
Mail.Ru	Russia	3.70	-	3.70
Techtronic Industries	China	3.60	-	3.60
Nari Technology	China	3.52	-	3.52
Gedeon Richter	Hungary	3.50	0.17	3.32
Delta Electronics	Taiwan	3.48	-	3.48
Baozun (ADR)	China	3.25	0.14	3.12
SITC International	China	3.21	-	3.21

Performance attribution - 1 month
Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
SINBON Electronics	Taiwan	3.86	0.06	17.04	0.60
SITC International	China	3.21	-	8.33	0.29
Duratex	Brazil	2.75	0.07	8.27	0.26
China Mengniu Dairy	China	2.59	-	4.74	0.24
Accton Technology	Taiwan	4.26	0.14	4.17	0.23
Chipbond Technology	Taiwan	2.53	0.09	8.74	0.23
Notre Dame	Brazil	2.04	0.28	10.33	0.23
BIM Birlesik Magazalar	Turkey	1.02	-	22.43	0.17
ICICI Lombard General Insurance	India	1.69	0.17	9.26	0.15
Nari Technology	China	3.52	-	2.77	0.14

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Samsonite	China	2.16	-	-13.10	-0.30
Mahindra Logistics	India	0.95	-	-16.44	-0.17
Shenzhen International	China	2.92	0.12	-6.41	-0.17
China Communication Service	China	2.37	-	-6.86	-0.14
The Foschini Group	South Africa	2.26	0.19	-6.28	-0.10
Tech Mahindra	India	0.72	-	-10.17	-0.10
Gedeon Richter	Hungary	3.50	0.17	-4.04	-0.10
Motherson Sumi Systems	India	0.76	-	-12.16	-0.09
Container Corp	India	1.03	0.11	-9.90	-0.09
Magazine Luiza	Brazil	-	0.37	-	-0.08

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
BIM Birlesik Magazalar	Turkey	1.02	-	22.43	0.17
SINBON Electronics	Taiwan	3.86	0.06	17.04	0.60
Notre Dame	Brazil	2.04	0.28	10.33	0.23
SBI Life	India	1.05	-	10.28	0.09
ICICI Lombard General Insurance	India	1.69	0.17	9.26	0.15
Chipbond Technology	Taiwan	2.53	0.09	8.74	0.23
SITC International	China	3.21	-	8.33	0.29
Duratex	Brazil	2.75	0.07	8.27	0.26
Abu Dhabi Commercial Bank	United Arab Emirates	0.79	-	8.11	0.10
Transaction Capital	South Africa	0.03	-	7.81	0.00

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Mahindra Logistics	India	0.95	-	-16.44	-0.17
Samsonite	China	2.16	-	-13.10	-0.30
Motherson Sumi Systems	India	0.76	-	-12.16	-0.09
Tech Mahindra	India	0.72	-	-10.17	-0.10
Container Corp	India	1.03	0.11	-9.90	-0.09
Oberoy Realty	India	0.91	0.03	-9.23	-0.08
Hero Motocorp	India	0.91	-	-8.41	-0.07
KEC International	India	0.79	0.02	-7.55	-0.02
China Communication Service	China	2.37	-	-6.86	-0.14
Shenzhen International	China	2.92	0.12	-6.41	-0.17

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Information Technology	20.28	11.62	8.66	1.14	0.03	0.40	0.20	0.62
Financials	13.62	13.01	0.61	4.42	0.12	-0.01	0.47	0.58
Materials	2.75	11.00	-8.25	11.49	0.05	0.14	0.26	0.45
Health Care	12.58	7.50	5.08	3.48	-0.01	-0.09	0.44	0.33
Consumer Staples	5.10	8.55	-3.45	6.27	0.03	-0.03	0.31	0.31
Communication Services	7.69	3.95	3.74	2.42	-0.03	-0.04	0.19	0.12
Industrials	18.39	15.26	3.13	0.32	0.01	-0.05	0.06	0.02
Energy	-	2.76	-2.76	-	0.00	0.00	-	0.00
Utilities	-	5.58	-5.58	-	-0.02	-0.09	-	-0.11
Real Estate	0.91	7.62	-6.71	-9.00	-0.02	-0.05	-0.09	-0.16
Consumer Discretionary	16.17	13.16	3.01	-3.14	0.03	0.03	-0.53	-0.48
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.52	-	2.52	-	0.00	0.04	-	0.04

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
EM Asia	66.21	64.14	2.07	3.16	0.18	-0.04	1.96	2.11
EM EMEA	21.28	17.16	4.11	-0.48	0.03	0.05	-0.13	-0.06
EM Latin America	9.99	18.69	-8.70	0.55	-0.02	-0.34	0.02	-0.34
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.52	-	2.52	-	0.00	0.04	-	0.04

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Korea	4.38	13.50	-9.12	7.31	0.22	0.65	0.30	1.17
Taiwan	21.07	16.36	4.71	1.47	0.01	0.20	0.32	0.53
China	31.06	12.35	18.72	1.33	0.01	-0.20	0.47	0.27
India	9.70	10.46	-0.76	1.73	-0.01	0.09	0.17	0.25
Turkey	1.94	1.14	0.80	12.00	0.01	-0.01	0.13	0.13
Chile	-	1.22	-1.22	-	0.04	0.01	-	0.05
Argentina	0.74	1.43	-0.69	4.02	0.02	-0.01	0.04	0.05
Poland	-	1.73	-1.73	-	0.05	0.00	-	0.05
United Arab Emirates	5.23	0.66	4.57	-11.91	0.01	0.69	-0.67	0.03
Russia	3.70	2.08	1.62	-0.09	-0.01	0.02	0.00	0.02
Egypt	3.14	0.37	2.76	4.47	0.03	-0.15	0.14	0.02
Peru	-	0.23	-0.23	-	0.00	0.02	-	0.02
Mexico	-	3.02	-3.02	-	-0.04	0.05	-	0.01
Pakistan	-	0.31	-0.31	-	0.00	0.01	-	0.01
Colombia	-	0.49	-0.49	-	0.01	-0.01	-	0.00
Czech Republic	-	0.17	-0.17	-	0.00	-0.01	-	0.00
Qatar	-	1.31	-1.31	-	0.00	-0.01	-	-0.01
Malaysia	-	3.08	-3.08	-	-0.01	0.00	-	-0.01
Philippines	-	1.35	-1.35	-	-0.01	-0.01	-	-0.02
Thailand	-	4.53	-4.53	-	0.00	-0.04	-	-0.04
Greece	-	1.36	-1.36	-	0.03	-0.07	-	-0.05
Saudi Arabia	-	1.57	-1.57	-	0.00	-0.05	-	-0.05
Indonesia	-	2.22	-2.22	-	-0.02	-0.03	-	-0.05
South Africa	3.78	6.53	-2.75	-2.65	0.00	0.00	-0.10	-0.09
Hungary	3.50	0.24	3.25	-0.18	-0.09	0.01	-0.01	-0.09
Brazil	9.25	12.31	-3.06	-2.98	-0.04	-0.15	-0.28	-0.47
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.52	-	2.52	-	0.00	0.04	-	0.04

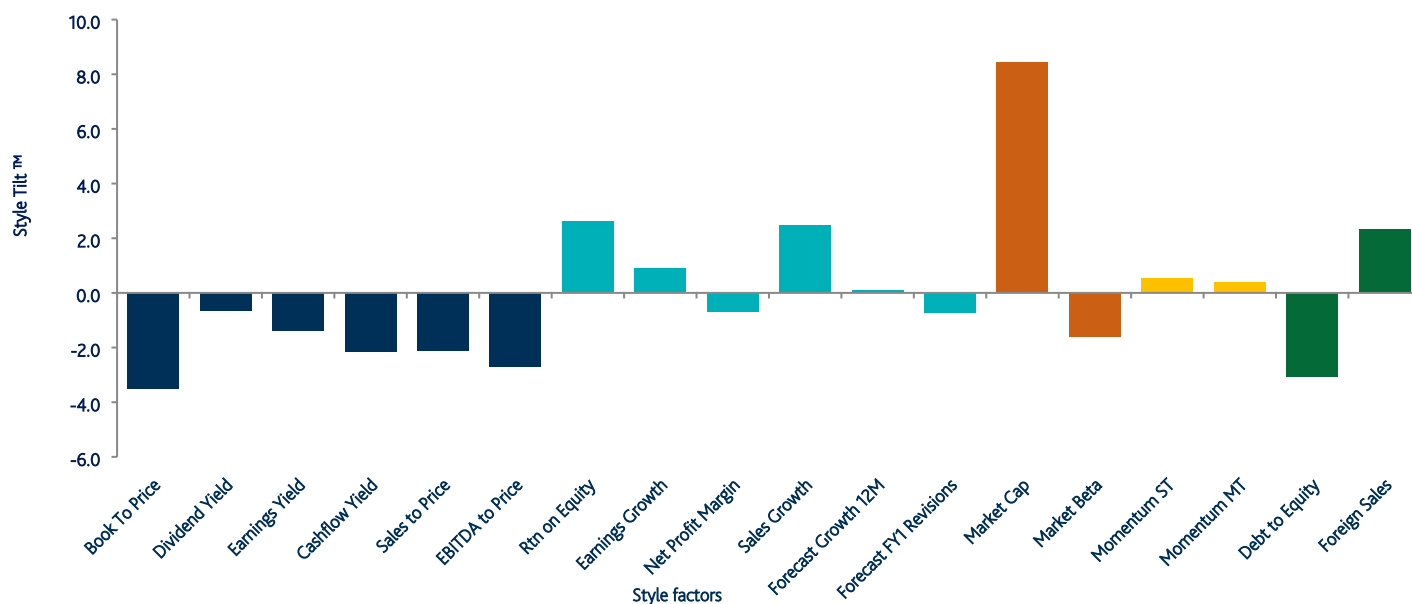
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 100M	-	0.01	-0.01	-	0.00	0.00	-	0.00
100M - 1B	12.56	21.20	-8.63	6.60	0.11	0.11	0.67	0.89
1 - 2B	5.69	20.89	-15.20	0.72	0.01	-0.13	0.03	-0.10
2 - 5B	24.62	40.74	-16.12	1.54	0.03	0.08	0.38	0.50
5 - 10B	26.91	14.17	12.74	-1.41	0.05	0.22	-0.33	-0.07
10B+	24.00	1.39	22.61	-7.74	0.00	2.28	-1.82	0.42
Unclassified	3.70	1.59	2.10	1.52	-0.01	0.00	0.05	0.05
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.52	-	2.52	-	0.00	0.04	-	0.04

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
36.81	99.26	2.56	6,133.09	5.74

Fund Style Skyline™



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

Risk analysis

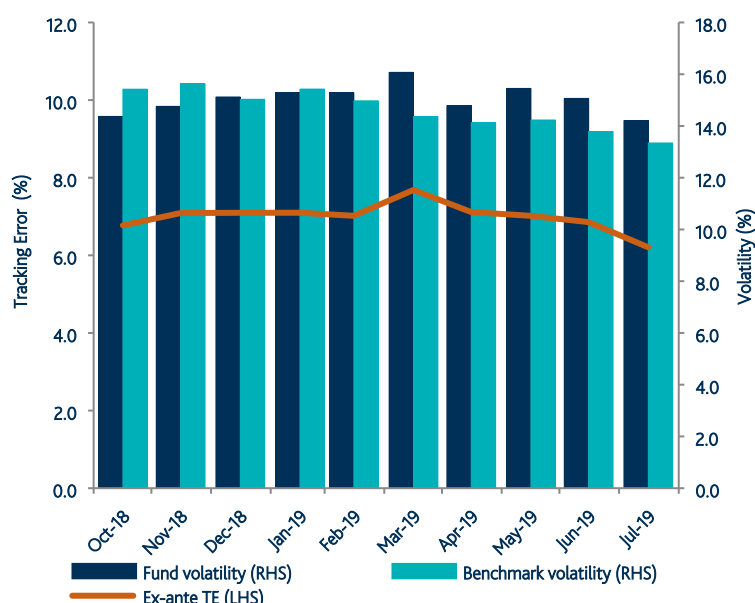
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Accton Technology	Taiwan	8.93
NMC Health	United Arab Emirates	8.06
Baozun	China	7.99
NARI Technology	China	7.27
Mail.Ru	Russia	5.39
JNBY Design	China	5.36
Aier Eye Hospital	China	5.29
Techtronic Industries	Hong Kong	5.29
SINBON Electronics	Taiwan	4.43
SITC International	China	4.23

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	6.21	0.96	14.21	13.34	-	-

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



Fund statistics

Number of stocks (Fund)	45
Number of stocks (Benchmark)	1980

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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