

EAST WEST

THE MAGAZINE OF MILLTRUST INTERNATIONAL GROUP

**TECHNOLOGY LEADS EM BOOM
AGRICULTURE AS AN ASSET CLASS
SPOTLIGHT ON THE INNOVATORS
GRAB'S RECORD-BREAKING ROUND**

Fall 2017

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Emerging markets and disruptive innovation are both witnessing a truly remarkable year

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Around the Business



Pictured: Eric Anderson and Simon Hopkins on AssetTV

Allocation Innovation

When it comes to emerging markets, top-down country allocation decisions matter. Responding to client demand, Milltrust has launched a new **Global Emerging Markets Fund** which automatically implements country allocation changes (p. 5). It leverages existing building blocks - specialist local managers, in-house country allocation advice – to create a transparent one-stop-shop solution for EM equity investments. All of this is delivered at a highly competitive total expense ratio.

New Launches

As the BFHIF (left) takes shape, several other exciting developments are also in motion. The **CerraCap II Fund**, a partnership with US venture capital firm CerraCap Ventures (p. 8), has gone live on a Cayman platform for international investors in conjunction with the group's Delaware LP. Milltrust Agricultural Investments introduces the **Chile Buy & Lease Fund** (p.8). New vehicles for **Russia** and **Korea** will soon join the EMMA roster (p. 4). East India Capital Management will shortly introduce the **ZPX Tech Titans Fund**, a proprietary vehicle which provides access to the top international unicorns before IPO (p. 10).

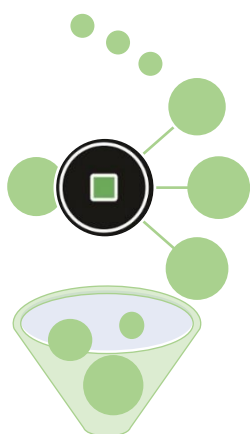
Technology in Focus

Milltrust Agricultural Investments is pioneering a specialist vehicle dedicated to disruptive innovation and new technology in the food and health sectors: the **British Food and Health Innovation Fund** (p. 8). With an open-ended structure to enable a long-term approach, the BFHIF targets both direct investments in young businesses and incubator funding.

This is one of several vehicles across the Milltrust business dedicated to science and technology, with investors increasingly recognising the importance of being ahead of the curve on disruptive change.

About Milltrust

With a unique multi-local multi-affiliate structure, Milltrust provides innovative investment solutions to family offices, entrepreneurs, high net worth individuals and institutional investors around the globe. From Australian and New Zealand farmland to Sub-Saharan shopping malls, from Bollywood films to British science, Milltrust recognises that the best investment opportunities in today's uncertain climate often lie off the beaten path. The firm operates in a regulated capacity across multiple jurisdictions including the UK, Singapore, Ireland, Cayman, and Mauritius. The primary affiliated businesses are: **Milltrust International LLP**, **Milltrust Agricultural Investments** and **East India Capital Management**.



Emerging Markets

About Milltrust Emerging Markets

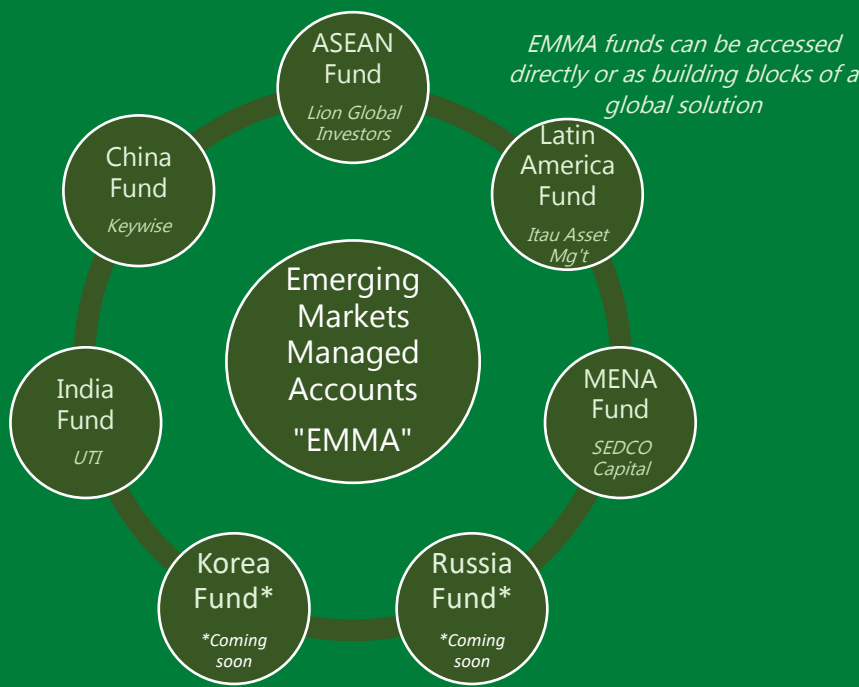
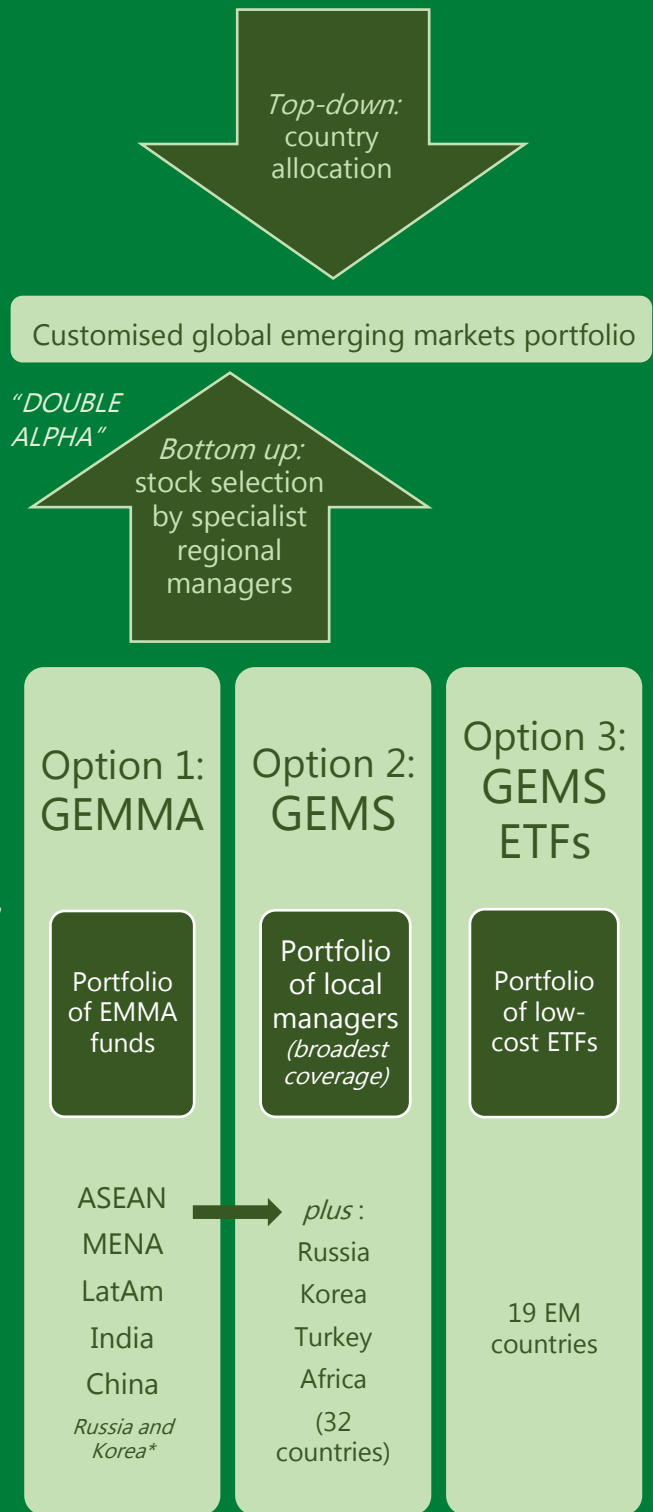
Milltrust's Global Emerging Market Solutions (GEMS) and Global Emerging Markets Managed Accounts (GEMMA) offer a unique "double alpha" framework. Top-down in-house asset allocation is combined with bottom-up stock selection expertise from local manager partners deeply embedded in the relevant regions.

A structured modular framework offers unique flexibility for client customisation. Pure "top-down" country allocation can be accessed at low cost through GEMS ETFs; pure "bottom-up" investment in specific preferred regions can be done through standalone EMMA UCITS funds.

Whatever the solution, Milltrust's robust, regulated single custodial platform permits allocation to all investments through a single counterparty, providing safety, transparency and liquidity.

Both GEMMA and GEMS have outperformed the MSCI Emerging Markets Index and the asset manager peer group over the past five years. The GEMMA platform and regional EMMA UCITS funds have received multiple industry awards since launch in July 2012, including most recently two 2017 UCITS Hedge Awards.

Milltrust International is regulated by the FCA.





Pictured: Shenzhen Bay, China

Technology Leads EM Boom

Eric Anderson, Head of Investment Solutions, Milltrust International

If you had woken up half way through the year and looked at the oil price, which had its worst start in 19 years, you would have assumed based on history that Emerging Markets would have done badly also. This was the old-school way of thinking: where commodities go, Emerging Markets go.

Yet EM equities have had their best start since 2009. By September they were up 30% in USD terms, with 40% of that growth coming from China and 45% from the strong performance of the TMT space.

The change began in November 2014. That was when the weight of technology stocks finally overtook the weight of energy and material stocks, which are the vestiges of the EM commodity story, in the MSCI index. If you look back at 2008, during the height of the commodity price boom, those commodity-related stocks represented a full third of the index while tech stocks comprised 10%; today, tech stocks make up 25% and commodity stocks less than an eighth.

This shift from 'old economy' to 'new economy' stocks represents a profound

change for emerging markets. And, with the trend in full swing, the 2017 bull run shows no signs of abating. Although some investors are starting to wonder whether this is as good as it gets, we believe all signs point to continued outperformance.

Global trade, always an important indicator of EM success, continues to expand in both volume and value terms. Today, 80% of EM countries are in expansionary mode, versus fewer than 50% two years ago. The developing countries continue to benefit from a weaker dollar,

while global investors are showing a greater appetite for non-US assets, thanks in part to the uncertainty of the US fiscal situation. Meanwhile, Although tighter monetary policy poses a risk, the Fed is moving slowly and Europe is still in accommodative mode.

Indeed, it is testament to investor confidence that North Korean geopolitical tensions produced only a modest – and largely temporary – impact on regional markets.

“
The shift to new economy stocks represents a profound change
”

Continues on page 6.

Technology Leads EM Boom

Continued from page 5

Our recent allocation tilts have reflected high exposure to countries that benefit from the trade story, such as South Korea, Mexico and Taiwan. We also continue to favour countries with strong domestic growth drivers such as India and positive structural reforms (Argentina, Mexico, India) that lay the foundation for greater private investment and diversified growth.

On China we continue to hold a neutral position. While some commentators have

predicted a Chinese collapse, the closed banking system, closed financial sector and high (domestically-financed) savings rate all lower the risk of a sharp slowdown.

Meanwhile, we continue to be modestly underweight MENA, although we do believe that exposure to this region is increasingly important as we count down to a final decision on Saudi Arabia inclusion in the MSCI indices.

A summary of the relative allocation tilts taken by GEMS at the beginning of Q4 2017 can be found below.

Relative Country Views

Snapshot of our positioning and asset allocation on a 3-to-6-month horizon, relative to the MSCI Emerging Markets Index.

Country/Region	--	-	Neutral	+	++
China	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
South Korea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
India	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
South Africa	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brazil	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Russia	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mexico	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Philippines	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thailand	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Turkey	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



China

The forthcoming economic slowdown is likely to be moderate, while government policy may become more supportive for the financial sector. There are signs of deceleration in the industrial economy but the overcapacity problem is starting to ease, which should help earnings growth.



Russia

An improving economy and declining inflation are positive for stocks. Russia also offers some of the cheapest valuations in EM with a declining cost of equity.



South Korea

Nuclear missile tests by North Korea have unnerved investors but the economic fundamentals are strong, stocks are cheap and South Korea has good exposure to the improving global trade cycle.



Indonesia

The main positive drivers are still in place including: strong GDP growth, sound monetary policy, progress on structural reform implemented by the strong economic team that President Jokowi has put in place.



India

The economic headwinds are likely to turn into tailwinds for earnings over the next year, while policy will remain supportive. The combination of strong GDP growth and stable politics will continue to attract inflows.



Mexico

Valuations are attractive, the relative earnings impulse will remain favourable on a 6-to-12-month view, and recent underperformance has provided a good entry point.



Brazil

Brazilian stocks are overbought, overvalued and vulnerable to renewed political turmoil and/or Chinese housing market slowdown.

Inside the Chinese Tech Giants

Alexander Kalis – Head of Investments

Chinese technology and e-commerce stocks have been the darlings of the investment world this year, thanks to rapidly changing consumer behaviour and a huge adoption rate by Chinese millennials.

Unlike the companies that characterised the excesses of the dot.com bubble, the key firms – Tencent, Alibaba, Baidu and so forth – have real cash flows and earnings, as well as clear visibility on further monetisation of business lines ranging from video streaming to news services.

There are key differences between the Chinese market and the domestic US tech and e-commerce sectors.

“
*Alibaba is becoming
 an integral part of
 Chinese society*
 ”

One interesting distinction is the greater concentration of online activity in the hands of the leading firm – Tencent. Its online social platforms such as Wechat and QQ command the lion’s share (55%) of domestic Chinese users’ digital time, with Alibaba and Baidu commanding 10% and 5% respectively.

In contrast, Google, Facebook, and Amazon are much more fragmented, with a 28%, 21%, and 2% market share respectively, across their domestic US user base.

This deep penetration lends support to Tencent’s notoriously high valuation, underpinning its tremendous potential for strong future growth.

Yet Alibaba is also fast becoming an integral part of Chinese society. Alipay, their online and mobile payment platform, now accounts for 50% of all third-party payments

Capturing Double Alpha

In emerging market equities, alpha can be generated from top-down country allocation and bottom-up stock selection. Yet, up until now, Milltrust investors have not been able to access one simple product that blends both elements. That changes in 2017 with the launch of the **Milltrust Global Emerging Markets Fund**: a new fund vehicle under the firm’s ICAV QIAF umbrella.

The fund follows the same flagship multi-manager strategy that the firm has been managing for over five years, but features automatic adjustments to country allocations rather than the more cumbersome process involved in changing country exposures with the previous discretionary mandates.

The core underlying investments of the Fund comprise allocations to individual Milltrust country/regional Emerging Markets UCITS Funds: a structure designed to address investor concerns regarding the double-layer of cost and low transparency often associated with multi-manager products. These funds are run by locally-based investment teams.

in China and many stores no longer accept other forms of payment. The company recently announced an upgraded outbound tourist service platform with partners from over 20 countries.

One of the favourite stock picks of the Milltrust Keywise China Fund is graphics chip maker **Nvidia**, which is involved in important advancements in AI, cloud computing and autonomous driving.

The firm generates more than half its revenues from China and has seen its shares rise 69% this year and more than five-fold since the 2015 Chinese crash, thanks in part to the increased use of pictures and videos in the mobile internet era.

Agricultural Investments

About Milltrust Agricultural Investments

MAI is one of the few firms around the world that provides exposure to agricultural land as an asset class, with a regional or global focus.

- **Buy and Lease:** highly productive assets that attract a ready pool of lessee tenants who are able to grow with the portfolio, delivering income (4-6%pa) and capital appreciation (4-5%pa).
- **Global Diversified:** partner with local operators (usually family offices) who are incentivised to increase the value of assets, delivering long-term growth (20-25% IRR).

In addition, with the launch of the **British Innovation Fund** (2016) and the **British Food and Health Innovation Fund** (2017), the firm now offers access to innovation from some of the world's top universities, with both an agricultural and a non-agricultural dimension.

MAI operates as the sub-advisor to the Milltrust International Managed Investments ICAV (Irish Collective Asset Vehicle). The ICAV is a fully-authorized and AIMFD compliant investment company, incorporated in Ireland and regulated by the Central Bank of Ireland. Very different from a traditional private equity model, the ICAV enables a more direct and long-horizon investment structure. Investments are made directly by the ICAV, or through a series of tax efficient SPVs.

The agricultural investment strategy is focused on the southern hemisphere, including developed (New Zealand, Australia) and developing (primarily Latin America) markets. The MAI investment process identifies high quality and attractively priced farmland assets, creditworthy and experienced lessees (Buy and Lease) and highly credible operating partners (Global Diversified). MAI is small enough to access less contested mid-market opportunities and to move expeditiously to conclude transactions.

The MAI team of executive asset managers and advisors has an average of 20 years' investment management experience and includes specialist farmers, agronomists, financiers and ecologists. Local lessees and operating partners further enhance the collective experience with their track records, skills and local networks.

People News

Dr. Ryan Clarke, Head of Disruptive Technology at Fortman Cline Capital Markets, becomes a senior scientific advisor to Milltrust and member of the British Innovation Fund Advisory Board.

Milltrust CEO Simon Hopkins joins the National University of Singapore Yong Loo Lin School of Medicine International Council (NIC). The council seeks to broaden the reach of Asia's leading medical school.

Farming

Australia
Buy-and-
Lease

ICAV,
AIMFD-
compliant

New
Zealand
Buy-and-
Lease

ICAV,
AIMFD-
compliant

Global
Diversified

Australia,
NZ, Latin
America

Science and Innovation

British Food and
Health Innovation
Fund

Science and
technology,
human and
animal health,
food

British Innovation
Fund

Science and
technology,
British university
start-ups / spin-
outs

Deals Down Under

The Australia Buy & Lease Fund has made several investments in 2017: citrus, grape and avocado orchards in Australia's Sunraysia region (Cottrell Farms), a large scale irrigated specialist cropping farm in Queensland (Lurline North Farm) and, coming soon, a dairy farm in the southern Riverina region of New South Wales.

Adding value

Lurline North Farm has just completed a large-scale irrigation project, doubling the size of the irrigated area, and is undertaking the construction of a large water storage dam. The capex programme was initiated immediately after the acquisition in May 2017 (the fund typically seeks to deploy 30% of each deal value in further capex). Crops include chickpeas, cotton, hay, maize, peanuts, potatoes, pumpkins, rice and even mung beans.

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Pictured: Pivot irrigation system, similar to those used on Lurline North Farm (page 6)

Agriculture as an Asset Class

Griff Williams, Chief Executive Officer, Milltrust Agricultural Investments

There is no doubting the strong interest in agriculture investing among pension funds today. This has increased along with appetite for all ‘real assets’ as allocators seek diversification and income in an era of low yields. Yet, while allocations have increased, we observe that many interested investors do continue to hold back, with meaningful obstacles inhibiting them from entering the field.

“*Many investors continue to hold back from this sector*”

The first is unfamiliarity. Investigating new terrain requires education, not just for resource-constrained investment teams but also for trustees. This is a challenge that specialist agricultural asset managers can help to tackle, working proactively on education and knowledge transfer.

The second is more critical. There have been failures in product construction, with managers offering agriculture in structures that do not, from a pension fund perspective, deliver the most valuable characteristics of this asset class.

For example, a number of agriculture funds focus far more on capital gains than income, purchasing assets that remain

cashflow-negative for years in pursuit of a 20% or 30% IRR. That is essentially private equity. Agriculture inherently presents allocators with the question: “where should we put this?” Even if the investor has a clear vision, it may not fit with what’s on offer.

Increasingly, and we think correctly, allocators are seeing farmland funds as a diversifying addition to their real estate

exposure. On that basis, a degree of predictable income yield is important, as is the achievement of solid risk-adjusted capital gains on acquisitions and development capex.

These questions also shape our own strategy. Having spent 25 years in the institutional investment space, including a period at one of the UK’s larger pension funds (Railpen), I was committed to delivering what I believed investors want from assets like this: strong income, relatively low volatility and an investment horizon aligned to their long-run liability profile, with an open-ended structure to avoid forced-selling.

SPOTLIGHT ON THE INNOVATORS

Digital Health Disruption

As start-ups and R&D teams race to compete for a slice of the emerging digital health market, scientific advances are now coming thick and fast.

Within the Milltrust network we find **Bluedot**, the ‘innovation factory’ founded by Naveen Jain, and its recent spin-out **Viome**. With a waiting list of 5000 clients, Viome uses AI to analyse trillions of microbes within the gut for personalised dietary medicine.

Both are portfolio companies of **CerraCap** Ventures, a California-based VC firm that recently hit the headlines with an investment by NBA superstar Kevin Durant. East India Capital Management has just launched the Cayman-based Cerracap II Fund.

Meanwhile, the British Food and Health Innovation Fund is closing a deal in blood diagnostics firm **Attomarker**. Its game-changing approach allows users to test themselves for serious illness and get results in seven minutes through a smartphone app.



Pictured: Cerracap portfolio companies

Cyber Security Smartens Up

Deep Instinct, the first company to apply AI to cyber security, has followed a remarkable win at the NVIDIA Inception Awards by rounding off its Series B at a \$110 million valuation, with a major \$15 billion fund among the new stakeholders.

The firm’s software was the first in the world to arrest the recent Wannacry and Petya threats. Those who invested in 2015, including CerraCap Ventures (see left), are now relishing a 7x multiple to date.

US technology continues to be high on the agenda for Milltrust clients – and it’s not just about the start-ups. At the more mature end of the spectrum, the newly launched **ZPX Tech Titans** Fund will give access to existing unicorns in partnership with leading investors in the Valley, ahead of a spate of IPOs expected during the coming years (*page 10*).

Chinese Giant in PE Foray

China’s largest investment bank, **CITIC Securities**, has announced the launch of a new private equity fund for late-stage investments in leading companies across China and the ASEAN region. The CSOBOR Fund, established in partnership with Milltrust, will focus on the TMT, healthcare, consumer and other sectors (*page 10*).



Pictured: Jubilee Orpington Chicken

World-First Flu Vaccine Trial

The UK NHS has begun the world's first widespread human testing of a new flu vaccine developed by **Vaccitech** – a spin-out of **Oxford Sciences Innovation (OSI)**. The British Innovation Fund, sub-advised by Milltrust, took a stake in OSI in 2016. The Milltrust team recently hosted senior Vaccitech staff in Singapore as the firm eyes Asian opportunities and broadens its investor base.

Avian 'Noah's Ark' Strikes Deal

The **Frozen Aviary**, a business line of start-up **Roslin Technologies**, has confirmed a strategic partnership with major poultry breeding company **Cobb Vantress**. It represents a major step for the commercialisation of a remarkable scientific breakthrough. Roslin Technologies, in which the British Food and Health Innovation Fund holds a significant minority position, is a joint venture with Edinburgh's Roslin Institute.

In the industrialised world of chicken breeding and production, primary breeding groups invest heavily in genomics research. Such R&D is essential for tackling the serious challenges that arise in industrial breeding, such as the devastating impact that new strains of disease can wreak on genetically similar populations.

“
Primary breeding groups invest heavily in genomics
”

Rare breeds represent a crucial source of genetic diversity. The new technology provided by Roslin makes it possible to preserve those breeds in the form of primordial follicles – which can be frozen for decades – and rear them using surrogate chickens that have been genetically engineered to be sterile themselves. The result is a Noah's Ark for the poultry population and an invaluable resource for the industry. This avian biobank already carries more than 500 samples from over 25 different breeds.

Griff Williams, CIO of Milltrust Agricultural Investments, says: “The Roslin Institute has gone from strength to strength. The fund's stake in Roslin Technologies provides a valuable governance and screening structure to identify and commercialise the best ideas being generated by world-class research. Roslin Technologies is moving ahead of budgetary expectations and is already cashflow positive, which is remarkable at this stage and beyond what we anticipated.”

Wealth Management & Corporate Advisory

About East India Capital Management

Milltrust's MAS-regulated wealth solutions business specialises in structuring customised wealth management services for families, HNWIs, entrepreneurs, corporates and institutional investors.

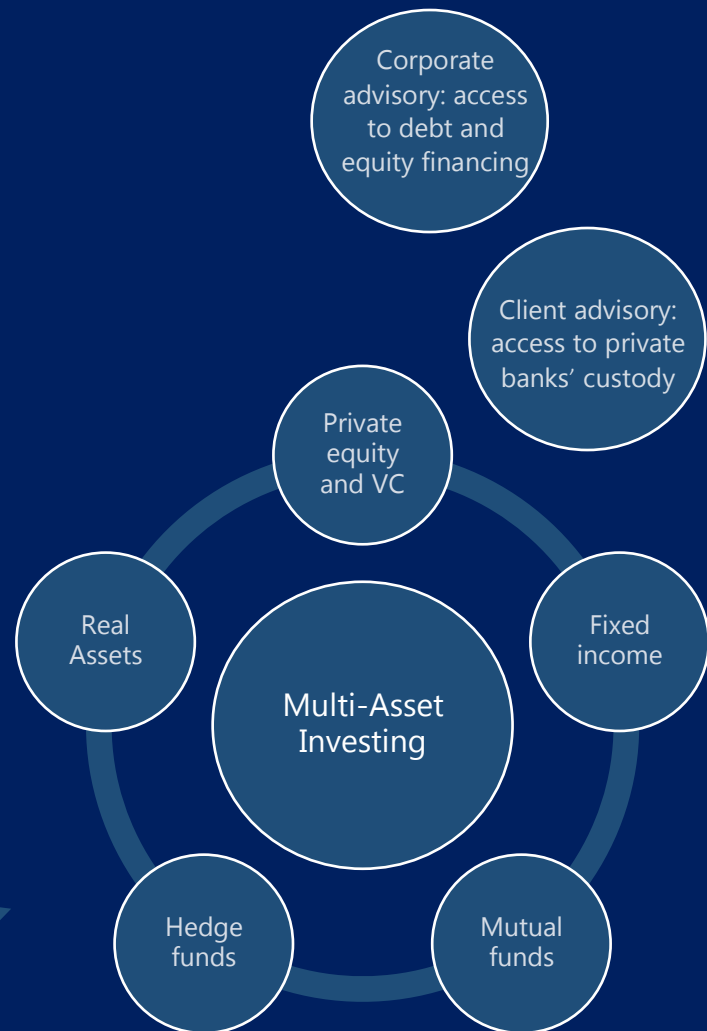
EICM provides discreet and secure ways for asset owners to hold investments, access integral banking and corporate finance services, appoint an arms-length professional asset manager, and even invite co-investors or debt providers to join the principal in a co-mingled, equitable collective asset vehicle.

The firm has structured vehicles for assets in Africa, South East Asia, India, the UK and the USA. Structures:

- **Fully-regulated UCITS platform:** Separate Managed Accounts in partnership with SS&C GlobeOp / BAML.
- **Irish Collective Asset Vehicle (ICAV):** the flexibility to house assets within a single custodial framework offering co-mingled, single-asset or single-client accounts provided by MUFG.
- **Cayman Segregated Portfolio Company:** managed by MAS-regulated EICM.

Corporate advisory solutions we assist clients with include:

- Secured and Unsecured Lending Facilities;
- Arrangement of Project Finance;
- Equity Raises;
- Trade Finance and Working Capital Finance;
- Acquisitions and Divestments.



Launched in 2016	New in 2017/8
Asian Film Fund	Cerracap II Fund (launched)
South Asian Hospitality Fund	ZPX Tech Titans Fund (Q4 2017)
	Asian Music Fund (2018)
	Cambodia Development Fund (2018)

Sunken Treasure

In an unusual and esoteric investment opportunity, EICM is raising \$6 million for DWR (Deep Water Recoveries) to retrieve the valuable cargo of the 1944 American cargo ship, the John Barry, torpedoed by a German U-boat off the coast of Oman. Contact the team for more information.

One Belt One Road

Milltrust is pleased to announce that the firm has been engaged to partner China's largest investment bank, CITIC Securities, in the launch of a new private equity fund which takes its name from a key foreign policy initiative of president Xi Jipeng: the CSOBOR (One Belt, One Road) Fund.



Pictured: a taxi driver in Bukit Bintang, Kuala Lumpur, Malaysia

Grab's Record-Breaking Round

When Anthony Tan first met SoftBank Group chairman Masayoshi Son in 2014, he was CEO of a fledgling Malaysian start-up. GrabTaxi had just closed a \$54 million Series C round. By contrast, its California-based ride-hailing rival Uber was finishing a \$1.4 billion Series D backed by some of the biggest names in investment management, with a valuation of \$17 billion.

Tan and Son-san sealed their deal with a handshake. Grab received a \$250 million investment from SoftBank that year and the Japanese telecommunications giant has backed every fundraising round since.

This year the relationship reached new heights. SoftBank and Chinese ride-hailing firm Didi Kuaidi will invest a massive \$2 billion sum into Grab, with a further \$500 million expected from others in the largest single financing in South East Asia's history.

Today, Grab claims to hold a 70% market share for car-hailing (and more than 90% for taxi-hailing) in the markets where it operates, although Indonesian Go-Jek is doing well on its home turf. Southeast Asia represents a key battleground in the war of the ride-hailing firms, particularly after Uber's withdrawal from China and Russia and legal battles elsewhere.

If one were looking for a single man responsible for Uber's failure to dominate the Asian markets, Masayoshi would come closest to the title – although he certainly would not claim it. Didi, which finally drove Uber out of China in 2016, has received eye-watering sums from SoftBank. With a stake in Ola (India), the Japanese firm invests in three out of the four members of the “anti-Uber alliance” - the fourth being Lyft. This, remember, is the firm that backed Alibaba's battle in China against first eBay and then Amazon.

“*This is not just a war for the ride-hailing sector*”

Yet this is not just a war for ride-hailing, or – with automobile manufacturers from Toyota to General Motors also taking stakes in the rival firms – for the future of road transportation. It may also represent a competitive shift in the fast-developing mobile payments sector, currently dominated by Tencent and Alibaba. The GrabPay division, established in 2016, will be a likely beneficiary from the cash influx.

Milltrust is delighted to be offering participation in Grab's current round, expected to be the last before IPO. To enquire, contact the EICM team.



Riding the Geopolitical Storm

with John Kim, Product Specialist, Korea Investment Management

The geopolitical tensions surrounding North Korea reached new heights in the third quarter, creating a noticeable dent in regional equity markets. South Korea suffered the greatest impact, with a 4% stock price drop in late July. We caught up with Seoul-based firm Korea Investment Management (KIM) – one of the regional managers for Milltrust’s GEMS portfolio (page 4) – to find out more.

EW: How severely have the tensions in the Korean peninsula affected equity markets? What is the discount on South Korean stocks now?

“Tensions have remained high since North Korea’s ballistic missile tests in late July, with an additional missile launch over Japan’s Hokkaido Island and an H-bomb test. U.S. President Donald Trump responded with strong rhetoric and military demonstrations close to the border.

“Ironically, as confrontation ramps up, we see less uncertainty as there are fewer and fewer options to be considered. While risk of military collision is still on the table, we

do not envisage action being taken as both sides are fully aware of the costs of such a step. Since the armistice in 1953, North and South Korea have had several confrontations but none of them extended to a war; North Korea always moved one step back once it got too serious.

“The market reaction has also been reasonably measured. In late July, sizeable foreign profit-taking activities pulled the index down about 100pts, or 4%. Yet the market then recovered almost half of that loss in September.

“In summary, we do see knee-jerk reactions on North Korea-related issues, but it has made little impact on mid-term investor

sentiment. As for valuations of South Korean equities, we believe that the market is discounted by about 30% based on both 12MF P/E and P/B. The MSCI Korea index and MSCI Asia ex-Japan index are affected not only by geopolitical tensions on the peninsula but also by Korean corporate governance concerns.”

Continues on page 15

“*As confrontation ramps up we see less uncertainty*”

Riding the Geopolitical Storm

Continued from page 15

EW: Although the heightened geopolitical risks have damaged investor sentiment, where are the best opportunities to make money in South Korean equities, especially if these risks linger on for a while longer?

“Since 2005, there have been more than a dozen North Korea-related issues that caused a 20-to-300 bps fall in the market on the next trading session.

“Most of the time, the market rebounded within two weeks. Learning from these experiences, local institutions tend to use geopolitical corrections as a buying opportunity and, so far, that strategy has played out quite well.

“In addition, despite the heightened risks caused by recent political and military tensions, Korean equities seem to be consistently driven by leading Korean corporates and the global economic recovery. Market participants these days are more focused on the level of companies’ valuations, including the Q4 2017 corporate earnings outlook.

“The MSCI Korea index is, so far, the second best-performing index in the Asia Pacific region, next to China, posting approximately a 30% return YTD with levels of foreign ownership of KOSPI at an all-time high. The healthy market sentiment generates plenty of opportunities to create alpha.”

EW: What will be the repercussions of recent political scandals?

“Former South Korean president Park Geun-hye is on trial until 17th October for abusing her power and colluding with a conspirator, Choi Soon-sil, to pressure

“
Local institutions tend to use geopolitical corrections as a buying opportunity
 ”

major South Korean companies into paying tens of millions of dollars in bribes in return for business favours. Prosecutors recently asked to extend the trial period, since she is facing a total of 18 charges.

“President Moon, who was elected in May 2017, is now in the final stages of forming his cabinet and ministerial appointments appear to be pretty evenly distributed among politicians, bureaucrats and experts from the private sector.

“The new administration intends to prioritise job creation in both public and private sectors, encouraging SMEs and entrepreneurs, strengthening development in technologies and improving the welfare state.

“Their ultimate goal, of course, is to boost levels of domestic consumption, which have remained sluggish through recent years, and achieve a more balanced economy. They recognise that the export-driven economic model has not benefited all households through a trickle-down effect and new policies are required. We believe that this will result in a revitalisation of domestic consumption in the near future.”



Letter from the CEO

Harnessing disruption

Three years ago, the McKinsey group notoriously coined three trends that are reshaping our world: emerging market dynamism, technological disruption and ageing populations.

Individually, they said, each of these had a seismic force that might equal the nineteenth century Industrial Revolution. “Colliding together,” however, one could only imagine the fundamental changes that must ensue and the implications for how every company around the globe does business.

“Much of the management intuition that has served us in the past will become irrelevant. The world ahead will be less benign, with more discontinuity and volatility and with long-term charts no longer looking like smooth upward curves, long-held assumptions giving way, and seemingly powerful business models becoming upended.”

McKinsey Quarterly, October 2014.

To our mind, these same trends must also fundamentally influence how investors will generate returns. The road ahead – in the “second half of the chessboard,” to draw on Ray Kurzweil’s analogy – is far from clear, but experience in and exposure to these key trends must surely be at the heart of future success. As a business, Milltrust continues to seek new ways of tapping into these trends through partnerships with leading players, access to different parts of the value chain and structures aligned with our investors’ needs.

So far in 2017, these strategies have resulted in some stellar investment performance as well as the exciting new launches and deals detailed in this edition of our corporate magazine. *Emerging Markets* and *Technological Innovation* are both witnessing a truly remarkable year. Indeed, those two forces have certainly now “collided” with TMT stocks now representing the most powerful single driving force of emerging market equity performance, pushing indices upwards while commodity prices have languished.

Yet innovation doesn’t just lie in finding ways of exploiting the “big trends” at play. Innovation also lies in finding better ways of delivering those returns to our investors and putting their interests first and foremost: more alignment on fees, more appropriate vehicles, a more long-term approach. Writing on page 7, Griff Williams does a fantastic job of explaining how the evergreen, income-oriented Buy-and-Lease funds were structured with investors’ needs in mind. In October 2017, we were very pleased to see Fidelity announce their move to a variable management fee – a structure that Milltrust adopted for its Emerging Market funds in 2015 – bringing baseline costs down for investors at times of poor performance and allowing a better sharing of risk and reward.

I am immensely proud of the diligence, creativity and commitment shown by the team during the past six months. Thank you to all of our partners and investors for your ongoing support and invaluable advice.

Simon Hopkins
Founder and Chief Executive
Milltrust International

Our Team



Mark Ebert

Chairman, Milltrust International Group and Member of the MAI Investment Committee

Mr. Ebert is a pioneer in the Private Equity industry with a career spanning more than 30 years. Previous roles include global head of M&A at UBS, co-head at Panmure Gordon (where he helped to found Lyceum Capital), founding director at Akina Capital (a spin-out of Lombard Odier & Cie) and Chairman of Fortune Group, a company founded by Mr. Hopkins. Mr. Ebert is a qualified chartered accountant and he has recently completed a Masters in Agriculture from the Royal Agricultural University.



Simon Hopkins

CEO & Founder, Milltrust International Group and Co-Founder, Milltrust Agricultural Investments

Mr. Hopkins has been a senior figure in the investment management industry for more than two decades. He has been a prolific capital raiser for single manager funds, funds of funds and listed closed-end funds and founded Fortune Group, a multi asset class advisory firm which was sold to Close Bros Group plc. in 2006. Mr. Hopkins started his career at S.G. Warburg, and held senior roles at UBS, HSBC and Nomura. He now serves as a director of Swallowcourt, Xoomtrip, Novare Fund Manager, CITIC Securities One Belt One Road Fund (CSOBOR) and Roslin Technologies, and is a member of NUS Medicine International Council. He graduated from the University of Bristol Faculty of Law (LLB Hons).



Griff Williams, CFA

Co-Founder and CIO, Milltrust Agricultural Investments

Prior to joining Milltrust, Mr Williams was Head of Europe and interim CEO at Itau Asset Management in London. Previous roles included Institutional Solutions Strategist at Pioneer Global Investments and Investment Director at Railpen Investments, one of the largest Pension Funds in the UK, where he managed the global equities portfolio. A New Zealand National from a farming family, Mr. Williams holds a Bachelor of Commerce and Administration degree from Victoria University, Wellington.



Alexander Kalis

Managing Partner, Senior PM & Head of Investments, Milltrust International LLP

Mr. Kalis has over 15 years' experience working at top-tier asset management firms including Banco Santander and LCF Edmond de Rostchild. He was most recently Managing Partner at Think Alternative Advisors LLP, an Emerging Markets research and advisory firm acquired by Milltrust International Group in 2011. Mr. Kalis has a Masters' degree in economics and management from the University Catholique de Louvain in Belgium.



Eric Anderson

Managing Partner, Senior PM and Head of Investment Solutions, Milltrust International LLP

Mr. Anderson brings nearly 15 years of international investment industry experience in the US, Europe and Asia, starting at State Street Global Advisors. He was most recently Managing Partner at Think Alternative Advisors LLP, an independent emerging markets research and advisory firm which was acquired by Milltrust International Group in 2011. Mr. Anderson holds a degree in International Economics from the University of California, Berkeley, and is a candidate for CFA Level 3.



Anaïs de Bretizel

Managing Director

Ms. de Bretizel has held senior positions at BNP Paribas, Dresdner Kleinwort (Director, Institutional Clients), James Capel – part of HSBC Group (Head of Fixed Income Sales) and Greenwich Associates (Senior Consultant). She started her career in 1985 at BFCE (now Natixis) and Lehman Brothers, where she was a foreign exchange and French government bonds trader and market maker. She holds a Master of Science in Foreign Service from Georgetown University



Gary Thornton, FCA

Head of Finance and Operations

Mr. Thornton is an experienced finance professional with over two decades of experience. He was formerly Finance Director at Fortune Group working with Simon Hopkins and, prior to that, worked at HW Fisher where he audited Fortune. Previously he was Head of Finance and Operations of the institutional team at Close Asset Management. He is a qualified chartered accountant with Moore Stephens in 1993 and holds a Degree in Modern Languages and History of Art from Cambridge University.

Our Team *continued*



Dennis See Chee Chiow

Executive Director, East India Capital Management

Mr. See is the founder and CEO of PointWorth Management Pte Limited. He has previously held roles at the Indosuez Group (now part of the Credit Agricole Group) and the Chemical Bank New York, whose Trust and Investment Division is now part of JP Morgan. He was formerly Honorary Auditor of CFA Singapore. Mr. See holds a Bachelor degree (Hons) in Economics from Manchester University, a Masters degree in Finance from Exeter University and is a Chartered Financial Analyst.



Saurabh Gupta

Partner and Portfolio Manager, East India Capital Management

Mr. Gupta has over 13 years of experience in global investment products, specialising in equities and alternative investments. Previous roles include Executive Director and Team Head at Bank Julius Baer in Singapore and head of the Global Indian Business at ANZ Private Bank Singapore. He began his career in 2000 at Siemens AG and has worked at Citibank N.A., ABN AMRO and Deutsche Bank AG. He holds a Bachelor of Economics (Hons) from Delhi University and attained the CAIA designation in 2009.



Shimna Chandan

Director, East India Capital Management

Ms. Chandan has over eight years of wealth management experience, including advising clients in Asia and the Middle East in equities, fixed income, structured products, private equity, forex and derivatives. She has held roles at Standard Chartered Bank, Barclays Bank, Kotak Mahindra Financial Services DIFC, ABN AMRO, DBS and Deutsche Bank. She holds a diploma from the Indian Institute of Management and a Bachelor of Science degree in mathematics, statistics and computer science from Bangalore University, India.



Akshay Kiran

Head of Corporate Advisory, East India Capital Management

Mr. Kiran joined Milltrust in 2016. He previously ran Pensive Ibis, a project finance and investment advisory focusing on South East Asian power projects, advising developers, private equity firms and power companies on thermal, hydro and solar transactions, and co-founded Prometheus Energy, an Indonesian-focused energy infrastructure developer. He spent four years at Barclays Capital in fixed income/risk and Lehman Brothers/Nomura in prime brokerage after an early career in analytics/ decision sciences/systems engineering. He holds a BS in Mathematical Sciences from SSSIHL, India.



Dr. Ryan Clarke

Head of Research, East India Capital Management and Advisor, British Innovation Fund

Dr. Clarke joined Milltrust in 2017. He formerly ran the Singapore office of Fortman Cline Capital Markets where he covered healthcare and agriculture/food. Prior to this he worked at the American Chamber of Commerce, Barclays Capital and Deutsche Bank. He is a senior adviser to the Singapore National University Hospital and the Oxford Nuffield Department of Medicine and has held roles at the MIT Datacollider, the National University of Singapore, the Institute for Defense Studies and Analyses in New Delhi and the Royal United Services Institute in London. Dr. Clarke holds a PhD from the University of Cambridge (Applied Intelligence and Analytics) and received the Salje Medal for innovative research.



Lucas Yang

Associate, East India Capital Management

Mr. Yang is based in Singapore and responsible for investment research, due diligence, fund raising, market monitoring, and business development in the Asia-Pacific region. Prior to joining Milltrust, Mr Yang worked at a number of banks, listcos, and consulting companies. He participated in many corporate actions including capital raising, IPO, RTO, privatisations, and M&A. He holds an MSc in Applied Finance from Singapore Management University, and a Bachelor of Arts degree from Xiamen University.



Wong Kangwei

Associate, East India Capital Management

Ms. Wong works on both funds and advisory services. She was previously CFO at WateROAM, an ASEAN-focused water filtration and disaster response social enterprise. Prior to that she spent several years with TIH Ltd (formerly Transpac Capital), an SGX-listed fund management company, where she worked on venture capital and private equity mandates covering TMT, Biotechnology, Manufacturing, Real Estate and Mining. She began her career in the Audit department of KPMG Singapore. She holds a Bachelor in Business Administration from the National University of Singapore, specialising in Accountancy.

On the cover...

Between 1690 and 1770, inventors pioneered multiple breakthroughs in navigational technology that helped to open the door to the global trade boom that followed. One of the most important was the sextant (pictured here). The first was created in the 1750s by John Bird, although the technological breakthrough that underpinned the instrument happened two decades earlier. In 1731 both John Hadley in England and Thomas Godfrey, a Philadelphia glazier, independently and almost simultaneously came up with the same idea: using two mirrors to make a doubly reflecting instrument that allowed the calculation of the user's position relative to celestial bodies besides the sun, thus solving the major shortcoming of the Davis quadrant (or back-staff) that had been the mainstay of nautical navigation for 150 years.

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