

Milltrust Global Emerging Markets Fund

GEMS Fact Sheet

December 2018

A Global Emerging Markets equity portfolio of high conviction investments hand-picked by country-specialist investment teams.

Snapshot

Asset Class:	Listed Equities
Investment Style:	Active, Benchmark Agnostic
Geography:	Global Emerging Markets
Liquidity:	Daily
Structure:	Regulated, Open-Ended Fund

Teams

The investment team consists of specialist managers:

China	Keywise Capital
China A Shares	China AMC
South Korea	Korea Investment Management
ASEAN	Lion Global Advisers
India	UTI International
Latin America	Itau Global Asset Management
South Africa	Visio Capital
Russia	Prosperity Capital
MENA	SEDCO Capital

Exposures

By Geography	Fund	Difference to Index ETF*
Greater China	34.04%	-7.60%
<i>China</i>	33.45%	+3.22%
<i>Taiwan</i>	0.59%	-10.82%
South Korea	15.81%	+2.04%
India	7.23%	-2.12%
ASEAN	9.09%	+0.80%
<i>Indonesia</i>	2.13%	-0.17%
<i>Malaysia</i>	1.31%	-1.12%
<i>Philippines</i>	1.24%	+0.14%
<i>Thailand</i>	1.50%	-0.93%
<i>Singapore</i>	2.91%	+2.87%
Latin America	15.34%	+3.27%
<i>Brazil</i>	10.68%	+3.29%
<i>Mexico</i>	3.01%	+0.24%
<i>Other</i>	1.65%	-0.27%
South Africa	7.16%	+1.11%
Russia	6.24%	+2.55%
MENA	2.43%	+0.63%
<i>Saudi Arabia</i>	1.92%	+1.92%
<i>Other</i>	0.51%	-1.29%
Other	2.65%	-0.62%

*Benchmark = iShares MSCI Emerging Markets ETF

By Sectors	Portfolio	Difference to Index ETF
Financials	19.33%	-5.33%
Consumer Disc.	14.05%	+3.62%
Industrials	9.51%	+4.00%
Materials	8.94%	+1.29%
Telecom Services	8.57%	-5.49%
Consumer Staples	7.44%	+0.75%
Real Estate	6.39%	-0.07%
Energy	5.99%	-1.96%
IT	4.68%	-9.55%
Health Care	4.43%	+1.62%
Utilities	3.35%	+3.40%

By Market Cap	Portfolio	Difference to Index ETF
Large Cap	61.65%	-24.93%
Mid Cap	17.91%	+6.20%
Small Cap	13.20%	+11.80%

Strategy

- Follows a multi-specialist approach by selecting locally-based leading investment teams who have both the local penetration and informational edge in their respective markets to run country or regional unconstrained, alpha-seeking strategies.
- Emphasis on fundamental and on-the-ground company research where the investment teams seek out strong growing companies that are well-run and levered to the dominant domestic themes in each region.
- Active asset allocation between the different regional investments teams to the regions in the developing world that provide the most favourable environment.

Key Statistics (Net)

	Portfolio*	Index ETF**
Last Month:	-2.18%	-3.50%
Year-To-Date:	-16.15%	-15.31%
Since Inception:	51.49%	14.00%
Annualised Return:	6.60%	2.04%
Annualised Standard Dev:	12.35%	14.77%
Annualised Sharpe Ratio (RFR=4%):	0.51	0.12
Annualised Alpha (RFR=4%):	3.90%	
Beta:	0.74	
Ann Tracking Error:	7.02%	
Up Capture Ratio:	70.94%	
Down Capture Ratio:	71.78%	
Information Ratio:	0.58	
Annual Portfolio Turnover:	22.78%	

*Inception date of strategy = July 1 2012

**Index ETF = iShares MSCI Emerging Markets ETF

Performance Attribution

	Weight	# of Positions	Contribution to Return		
			MTD	YTD	ITD
Milltrust GEMS Fund	100.00%				
Greater China Strategy	28.59%	33	-0.96%	-5.81%	7.28%
China A Shares Strategy	6.22%	40	-0.19%	-2.39%	7.04%
South Korea Strategy	15.75%	49	-0.33%	-3.47%	8.51%
India Strategy	7.79%	41	-0.07%	-1.18%	3.61%
ASEAN Strategy	8.40%	66	-0.06%	-1.43%	-1.15%
Latin America Strategy	15.57%	70	-0.07%	0.06%	3.87%
South Africa Strategy	7.62%	28	-0.20%	-0.77%	7.35%
Russia Strategy	6.95%	44	-0.44%	-1.08%	3.79%
MENA Strategy	2.56%	34	0.00%	0.08%	6.17%

Top Positions

By Company	Sector	Country	Weight
Tencent	Communication Services	China	2.37%
Link REIT	Real Estate	Hong Kong	2.06%
Alibaba	Consumer Discretionary	China	1.95%
Guangzhou Baiyunshan	Health Care	China	1.67%
Kunlin Energy	Energy	Hong Kong	1.35%
Samsung Electronics	Information Technology	South Korea	1.31%
Shangdong Gold	Materials	China	1.17%
China Railway	Industrials	China	1.13%
Banco Bradesco	Financials	Brazil	1.08%
Li Ning	Consumer Discretionary	China	1.03%
Guangdong Investment	Utilities	Hong Kong	1.00%
Ind & Comm Bank of China	Financials	China	0.96%
Alibaba Pictures	Communication Services	Hong Kong	0.95%
CJ O Shopping	Consumer Discretionary	South Korea	0.91%
BOC Aviation	Industrials	Singapore	0.85%
China Construction Bank	Financials	China	0.82%
Shinsegae	Consumer Discretionary	South Korea	0.78%

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Portfolio Manager Commentary: Monthly Recap

The largest Emerging Markets Index-tracking ETF (EEM) fell 3.5% in December amid concerns over the global economy and turbulence in Washington which continued to dampen risk sentiment. The Emerging Markets stocks were down 15% in 2018 making it the worst performance for the asset class since 2015 in a year defined by tighter US monetary policy, trade tensions between the world's two largest economies and political turmoil in Washington. Out of the large economies, Brazil (+2.09%) and Saudi Arabia (+18.39%) were the best US Dollar-based performers for the year, followed closely by Russia. All three countries were overweights in the Milltrust GEMS portfolio. We also witnessed severe currency weakness throughout the year which pulled the rug out from equity returns in several local markets, including Russia (-15.7% versus the USD), Brazil (-13.1% versus the USD), South Africa (-11.3% versus the USD), and India (-9.1% versus the USD).

Looking forward, the biggest themes for 2019 remain the U.S.-China trade war, the Fed and European politics. If the Fed goes dovish next year and the US Dollar peaks, we should expect the Emerging markets to rally substantially. The MSCI Emerging Markets Index trades at around 10 times earnings while the developed markets trade at 18 times earnings. The gap between valuations is near all-time highs. The Emerging Markets that still look dirt cheap are China (trade war), South Korea (China offshoot) and Russia (Cold War 2.0). Regarding the China trade war, both countries need a deal to get done, so we think a 'deal of sorts' gets agreed. This also helps South Korea. Russia continues to face a seemingly endless wave of sanctions although they have been incredibly resilient up to now.

In terms of our asset allocation, Asia is trending up as most of the larger Asian economies are benefiting from cheaper oil price which is providing a boost to their terms of trade. China and Korea also offer attractive valuations that are well below both the Emerging Markets average and their own long-term averages. India is also trending up but expensive valuations remain a headwind.

The Fund posted a -2.18% net return for the month of December versus the iShares Emerging Markets ETF Index losing -3.5%. From a geographical allocation perspective, the portfolio's overweight to Latin America and underweight to Taiwan proved the most beneficial to overall monthly returns. Stock selection was strongest in Greater China (-3.3% for China stocks versus -6.1% for index), Latin America (-0.5% for LatAm stocks in portfolio versus -0.8% for index), as well as in South Africa (0.1% for South Africa stocks versus -0.7% for South Africa Index). Sector-wise, Consumer Staples, Materials and Real Estate contributed the most to performance while Healthcare, Energy, Consumer Discretionary and Information Technology were the biggest detractors. On a company level, the biggest performers were Amorepacific (Korean skin care, make up and fragrance business), Link Reit (Hong Kong real estate) and Shangdong Gold Mining (Chinese gold mining). The biggest detractors from performance was Alibaba (Chinese e-commerce) and Guangzhou Baiyunshan (Chinese healthcare).

Eric Anderson
December 2018

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Structure

Type:	Open-Ended Fund
Regulatory:	Irish ICAV
Domicile	Ireland

Fund Terms

	Class A	Class B
Management Fee:	0.80%	0.40%
Performance Fee:	None	10% over Hurdle Rate
High Water Mark	N/A	Yes
Hurdle Rate:	N/A	MSCI Emerging Markets Index
Subscription Frequency:	Daily	Daily
Min. Initial Subscription*:	USD 1,000,000	USD 1,000,000
Redemption:	Daily with 5 days' notice	Daily with 5 day's notice
ISIN:	IE00BYWJSR58	IE00BYWJSS65

*Minimum Regulatory Subscription = €100,000 or its USD equivalent

Service Providers

Administrator:	MUFG Alternative Fund Services (Ireland) Ltd.
Custodian:	Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
Auditor:	KPMG
Legal:	William Fry

Contact Details

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Additional Notes & Disclaimer

Source: Milltrust International LLP, State Street Street Fund Services (Ireland), SS&C Financial Services (Ireland) Limited,

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