

# Milltrust Global Emerging Markets Fund

## GEMS Fact Sheet

May 2019

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

### Snapshot

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

### Teams

The investment team consists of specialist managers:

<b>China</b>	Xingtai Capital
<b>China A Shares</b>	China AMC
<b>South Korea</b>	Korea Investment Management
<b>ASEAN</b>	Lion Global Advisers
<b>India</b>	UTI International
<b>Latin America</b>	Itau Global Asset Management
<b>South Africa</b>	Visio Capital
<b>Russia</b>	Prosperity Capital
<b>MENA</b>	Lazard

### Exposures

By Geography	Fund	Difference to Index ETF*
<b>Greater China</b>	41.58%	-0.43%
China	37.24%	+6.20%
Taiwan	4.34%	-6.63%
<b>South Korea</b>	12.41%	+0.39%
<b>India</b>	9.42%	-0.05%
<b>ASEAN</b>	5.37%	-3.03%
Indonesia	1.22%	-0.91%
Malaysia	0.78%	-1.41%
Philippines	0.70%	-0.46%
Thailand	1.20%	-1.67%
Singapore	1.46%	+1.42%
<b>Latin America</b>	12.85%	+0.76%
Brazil	8.88%	+1.41%
Mexico	2.56%	-0.04%
Other	1.41%	-0.61%
<b>South Africa</b>	5.33%	-0.43%
<b>Russia</b>	6.88%	+2.90%
<b>MENA</b>	2.68%	-0.51%
Saudi Arabia	0.86%	-0.54%
Other	1.81%	+0.03%
<b>Other</b>	2.55%	-0.51%

\*Benchmark = iShares MSCI Emerging Markets ETF

By Sectors	Portfolio	Difference to Index ETF
<b>Consumer Disc.</b>	21.56%	+8.60%
<b>Financials</b>	16.18%	-9.32%
<b>Consumer Staples</b>	14.37%	+7.62%
<b>Industrials</b>	10.31%	+4.93%
<b>Real Estate</b>	6.23%	+3.25%
<b>Materials</b>	6.75%	-0.81%
<b>IT</b>	6.12%	-7.52%
<b>Health Care</b>	4.14%	+1.45%
<b>Energy</b>	4.50%	-3.58%
<b>Comm Services</b>	4.80%	-6.72%
<b>Utilities</b>	1.38%	-1.29%

By Market Cap	Portfolio	Difference to Index ETF
<b>Large Cap</b>	40.13%	-47.63%
<b>Mid Cap</b>	23.84%	+12.90%
<b>Small Cap</b>	32.38%	+31.30%

### 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.

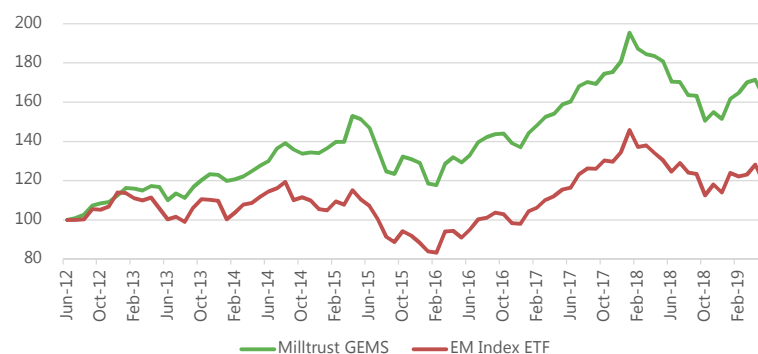
### Key Statistics (Net)

	Portfolio*	Index ETF**
Last Month:	-5.39%	-7.33%
Year-To-Date:	7.08%	4.23%
Since Inception:	62.22%	18.81%
Annualised Return:	7.24%	2.52%
Annualised Standard Dev:	12.46%	15.15%
Annualised Sharpe Ratio (RFR=4%):	0.55	0.14
Annualised Alpha (RFR=4%):	4.13%	
Beta:	0.73	
Ann Tracking Error:	7.17%	
Down Capture Ratio:	71.74%	
Information Ratio:	0.58	
Annual Portfolio Turnover:	0.23	

\*Inception date of strategy = July 1 2012

\*\*Index ETF = iShares MSCI Emerging Markets ETF

### Cumulative Returns



### Top Positions

By Company	Sector	Country	Weight
Ausnutria Dairy Corp	Consumer Staples	China	3.11%
China Overseas Property	Real Estate	China	3.11%
Bosideng Intl Hldgs	Consumer Discretionary	China	2.04%
361 Degrees	Consumer Discretionary	China	2.02%
Yihai International	Consumer Staples	China	1.49%
New World Dept Store	Consumer Discretionary	China	1.42%
Car Inc	Industrials	China	1.38%
A-Living Services	Industrials	China	1.37%
Health & Happiness	Consumer Staples	China	1.34%
Anta Sports	Consumer Discretionary	China	1.34%
Colour Life Services	Real Estate	China	1.28%
China Aircraft Leasing	Industrials	China	1.11%
Samsung Electronics	Information Technology	South Korea	1.00%
Banco Bradesco	Financials	Brazil	0.97%
Xtep International	Consumer Discretionary	China	0.97%
Banco Do Brasil	Financials	Brazil	0.80%
Bajaj Finance	Financials	India	0.78%

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## Portfolio Manager Commentary: Monthly Recap

Emerging-market stocks headed for their worst May decline since 2012 and currencies extended losses for a fourth month as weeks of risk-averse sentiment prompted by trade battles took centre stage. In equity markets, the MSCI Asia Index (May -8.79%, YTD +3.17%), MSCI Latin America (May -2.04%, YTD +6.11%) and MSCI Europe & Middle East (May -0.71%, YTD +8.56%) were all down in May. Within Asia, the Philippines (May +0.73%, YTD +10.17%) and India (May +0.22%, YTD +7.99%) led the way, followed by the other ASEAN countries (Malaysia, Thailand and Indonesia). Amongst the larger EM markets, China (May -13.09%, YTD +4.57%), Korea (May -9.30%, YTD -4.48%) and South Africa (May -7.09%, YTD +4.70%) all posted big losses while Brazil (May +1.71%, YTD +9.16%) was one of the best performers.

While it remains likely that some form of a U.S./China trade truce will eventually emerge, the timing has now become more uncertain. We reiterate our view that, ultimately, it is in the political and economic interests of both sides to reach a deal. It may well be that some real economic damage will need to become apparent in order to focus the minds of the negotiators, and their bosses.

Despite this, we continue to maintain an overweight to China which is supported by attractive valuations and an accommodative monetary policy. As a reminder, our core holdings in China do not have exposure to the 'trade war' and China's shift away from an export-led growth model will likely accelerate due to higher U.S. tariffs and Beijing's tax cuts. This will benefit the domestic consumer sector which we are overweight in the portfolio.

Meanwhile, U.S. President Donald Trump launched a new front in the global trade war with a threat to impose higher tariffs on Mexican imports to force Mexico to control the flood immigrants coming across the border to the US. Trump is linking tariffs with immigration instead of trade, but the net effect is the same, it creates more economic uncertainty and adds to the souring mood on global growth.

The two big events in Emerging Markets in May were the South African election and the Indian one. Both results were generally positive for markets.

The larger than expected Modi victory will certainly boost sentiment in the short term and increase the attractiveness of Indian markets but valuations are still a significant headwind. On a relative basis, the 1 year forward valuations are trading 50% over the EM average and about 20% over the 20 year average for India, while return on equity is slipping and trading at a discount to Emerging Markets. The overall dividend yield is also relatively low so there are better opportunities elsewhere in Emerging Markets at the moment. The forecasted growth numbers for India in 2019 and 2020 have also come down around 40 basis points. The country will still grow around 7% but the expectations have come down. Currently, the portfolio maintains a neutral weight to India vis-à-vis the MSCI EM Index (approx 9%).

In South Africa, the election results were broadly in line with expectations and positive in the sense that the uncertainty has been removed and the government can now focus on the task at hand with a clear (if somewhat diminished) electoral mandate. Cyril Ramaphosa is now entrenched as President. As investors, we are now waiting to see evidence from government that they are addressing the challenges that still remain and hope to see announcements in this regard soon. In the portfolio, we have continued to maintain an underweight position to South Africa. A modest economic recovery will likely maintain positive earnings forecasts in absolute terms, but mediocre growth implies that the relative outlook is negative.

The Fund posted a -5.39% net return for the month of May versus the MSCI Emerging Markets Index performance of -7.33%. From a geographical allocation perspective, the portfolio's overweight to Brazil and Russia proved beneficial to overall monthly returns while the exposure to China and South Korea were the main detractors to performance. Stock selection was strongest in our China exposure (-7.73% versus -13.09% for index), South Africa exposure (-5.78% versus -7.09% for the index). From a position-level, the main drivers came from our holdings in Ausnutria (Chinese goat milk formula producer), Bajaj Finance (Indian private bank) and Banco do Brasil (Brazilian bank). Bosideng (Chinese down apparel producer) and Yihai International (Chinese hot pot condiment provider). Sector-wise, our underweight in IT and communication services helped with the outperformance in May.

**Eric Anderson**  
**May 2019**

# Milltrust Global Emerging Markets Fund

## Structure

<b>Type:</b>	Open-Ended Fund
<b>Regulatory:</b>	Irish ICAV
<b>Domicile</b>	Ireland

## Fund Terms

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

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

## Service Providers

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

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## Additional Notes & Disclaimer

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