

**SHINING A LIGHT ON THE.....**  
**Aberdeen Emerging Markets Investment Trust**

**AT A GLANCE**

<b>Investment Objective</b>	
To achieve consistent returns in excess of the MSCI Emerging Markets Net Total Return Index through investing in a portfolio of funds and products which give a diversified exposure to developing and emerging market economies.	

<b>Inception Date</b>	22 June 1998
<b>Fund Factsheet Link</b>	<a href="http://tools.morningstar.co.uk/t92wz0sj7c/cefr/report/default.aspx?SecurityToken=FOGBR051WT%5D21%5D0%5DCEEXG%24XLON">http://tools.morningstar.co.uk/t92wz0sj7c/cefr/report/default.aspx?SecurityToken=FOGBR051WT%5D21%5D0%5DCEEXG%24XLON</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Andrew Lister and Bernard Moody	1 July 2014

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	42.81%
Large	24.34%
Medium	19.09%
Small	11.65%
Micro	2.11%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	-	
<b>Assets in Top 10 Holdings</b>	57.19	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Neuberger Berman China Eq USD I Acc	-	8.80%
Schroder ISF Taiwanese Equity Z Acc USD	-	6.86%
Schroder Asia Pacific Ord	-	6.63%
BlackRock Emerging Europe plc	-	5.94%
Fidelity China Special Ord	-	5.94%
Weiss Korea Opportunity Ord	-	5.92%
Brown Advisory Latin American B USD Inc	-	5.68%
Avaron Emerging Europe E	-	4.56%
Steyn Cap Sa E	-	3.54%
Laurium Limpopo Cayman Feeder Segregated Portfolio (Class A)	-	3.33%

<b>Volatility Measurements</b>	
<b>3-Yr Std Dev (volatility)</b>	12.10%
<b>3-Yr Mean Return (average)</b>	14.97%

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2013 to 31<sup>st</sup> August 2018:

	2013	2014	2015	2016	2017	2018
<b>Aberdeen Emerging Markets IT</b>	-5.02%	0.83%	-5.54%	28.01%	22.93%	-7.84%
<b>iShares MSCI EM ETF</b>	-5.82%	2.62%	-11.15%	33.56%	24.43%	-4.85%

Performance over 12 months, 3 years, 5 years and since new fund managers:

	1 year	3 years	5 years	Since new Fund Managers
<b>Aberdeen Emerging Markets IT</b>	-5.85%	54.61%	41.31%	37.06%
<b>iShares MSCI EM ETF</b>	-2.98%	59.37%	48.57%	41.58%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

This was our first introduction to the trust. The team took over the management of the trust in 2014, but it has continued to struggle against the index. The portfolio is a fund of funds, this means it invests in other investment trusts and investment funds. Some of these would not normally be available to UK investors and this is its USP.

The fund focuses on value and is therefore looking for cheap / good long-term investments. However, value has been out of favour and this they believe has impacted performance. The fund also aims to deliver additional performance through country allocation and this has been wrong. My two concerns with the fund are costs as this invests in other funds and investment trusts and therefore this must be absorbed into the performance figures, and fundamentally the performance which has been behind the benchmark for a number of years.

There is no evidence the managers can turn this around. We discussed performance and the managers explained there is a discount of 14% of the trust and current sentiment towards emerging markets is poor. However, they believe sentiment can turn quickly and this will benefit the fund and the performance.

In terms of where they are invested and the types of holdings we discussed Russia; they like Russia and have exposure through a private equity fund. This has been in the trust since 1998 and has been the best performing asset for over 20 years. Another asset that has done well for them is the BlackRock Emerging Europe Trust which has a large exposure to Russia; however, this trust is being wound up and they are waiting for money to come back on this, so they can re-invest. They feel that under Putin, Russia has more stability than many western economies that are plagued by political uncertainty. The investment opportunities are a lot stronger than we would be led to believe, and it currently has a current account surplus of 4%.

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In terms of EM, it has had a strong period of outperformance after nearly five years of underperformance. Concerns over a trade war have made people start to take profits and this is damaging to some economies and pulled down the market this year. Argentina as an example has seen an exceptional turn around over the last seven years but the market has gone up more than the actual growth in the economy itself, so a pullback is healthy but could be damaging especially if this fear pushes out to other economies. They have some exposure to Argentina via a Latin American Fund which has 8% exposure.

They like Frontier Markets with an 8% weighting towards this. We talked about liquidity and they explained that some of the stocks are more illiquid than others. They have around 50% in closed ended funds and 50% in open ended structures which can be sold quickly. They have a Thailand Fund which would take 3 months to liquidate and the Russian Equity Fund is similar but there are other assets which can be sold quickly so this is not a concern for them. They have around 30 holdings and they will be making additional changes once the money comes back from BlackRock.

In summary, we liked the management team and we understand that the value bias for the fund has gone against them. The concern is whether they can turn this around and whether the additional costs associated with a fund of funds is a drag on performance which will make it harder to catch up.

*The source of information in this note has been provided by Aberdeen and is correct as at September 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*