

**SHINING A LIGHT ON THE.....
RWC Global Emerging Markets Fund**

AT A GLANCE

Investment Objective

To provide long term capital appreciation by investing primarily in global emerging markets and, to a limited extent, frontier markets. The Fund will primarily invest its assets (excluding cash and cash equivalents) in global emerging markets and, to a limited extent, frontier markets. The Investment Manager will seek to identify growing companies with strong sustainable cash flows at attractive valuations. The Fund will invest primarily in the securities of companies in emerging markets and frontier markets, which will include companies listed or headquartered in other locations but with substantial connections to emerging markets or frontier markets (such as significant operations in, or revenue derived from, emerging markets or frontier market countries).

Inception Date	15 th December 2015
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000ZYTC

Management

Manager Name	Start Date
John Malloy	15 th December 2015

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2021:

	2016	2017	2018	2019	2020	2021
RWC Global Emerging Markets Fund	48.86%	31.25%	-22.49%	21.34%	31.28%	-1.11%
MSCI EM NR	32.63%	25.40%	-9.27%	13.86%	14.65%	-0.55%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
RWC Global Emerging Markets Fund	21.42%	52.55%	55.46%	150.67%
MSCI EM NR	10.33%	32.01%	39.54%	107.39%

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.

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
9.53	0.56	78.66	134.20	121.52	50.00	3.00	2.59	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	20.71%
3-Yr Mean Return (average)	15.12%

Investment Style Details	
Giant	50.27%
Large	36.32%
Medium	11.17%
Small	1.16%
Micro	0.00%

Top 5 Holdings – 68 holdings		
Taiwan Semiconductor Manufacturi...	Technology	5.43%
First Quantum Minerals Ltd	Basic Materials	4.86%
Meituan	Consumer Cyclical	3.62%
Bank Bradesco SA Participating P...	Financial Services	2.78%
Reliance Industries Ltd Shs Dema...	Energy	2.77%

Top 5 Sectors	
Technology	21.54%
Basic Materials	19.22%
Financial Services	14.59%
Consumer Cyclical	13.52%
Communication Services	9.82%

Top 5 Regions	
China	32.01%
India	14.17%
South Korea	9.41%
Taiwan	8.00%
Canada	5.63%

UPDATE....

This was our first introduction to the strategy. At first glance, in terms of holdings, this is very different to other emerging market strategies we have seen. The performance is strong but it is volatile, and in periods when markets go down this has tended to fall more than the index. This means that although there is the opportunity for strong returns, investors must be prepared to accept the additional volatility this strategy brings.

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The manager provided a macro view and in turn, how these feed into the holdings. China did well in 2020 and they reduced holdings so are underweight the index. This reflected the wave of legislation and negative sentiment. Some areas of the education sector will not recover but areas like the internet will. Long term, China will benefit from technology, localisation, green economy, domestic circulation, urbanisation and opening-up.

They believe that much of the negative sentiment is priced into markets and that this not only provides mispriced opportunities, but also longer term a good return profile. Examples include Evergrande, where the bonds have stabilised, and there are parts of the real estate services sector away from Evergrande which are providing opportunities for them. China is also at the forefront of the green wave, and they hold LONGI China Solar which has a 25% market share. They have also added to Tencent on weakness of the share price.

In India they have been actively working with Reliance Industries to promote energy transition and carbon footprint reduction. The company have also pledged to be carbon neutral by 2035. They have reduced their exposure in India to take profits and take some of this money to invest in China.

China is at the forefront of EV cars, with 5% of cars sold being EV. This is expected to 25% in 2025. This opens opportunities for countries that mine copper and other materials and this is reflected in holdings in Peru and Chile. One specific holding is First Quantum Minerals, who operate mines across Africa, Australia, Finland, Turkey, and Latin America. They believe that many commodity companies are at the beginning of the investment cycle, and with growing demand the opportunities moving forward are positive.

Technology disruption is another area of focus, especially as smart phone penetration increases across emerging markets. Food penetration is an area they see opportunities. They have around 11% allocation to frontier markets, which again makes this different. In Vietnam they have exposure to steel, which is benefiting from infrastructure projects, and in Nigeria they have exposure to oil and the commodity cycle.

They also feel that many emerging markets have done better in terms of COVID than is priced into markets. For example, Brazil has a near 100% uptake in vaccines, which is way above the US. In terms of the fund, the average price to earnings is 14 times, with average growth around 20%.

In summary, we were impressed by the team and certainly this has a very different approach and feel to other emerging market funds. This does carry more volatility than other strategies and investors need to be aware of that, and perhaps this is more about investing and leaving to allow the long-term investment returns to work. We would place this on our watch list to enable us to do further work on the strategy.

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The source of information in this note has been provided by RWC and is correct as of November 2021. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.