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# Offering long-term value in emerging markets investments



## AUGUST 2022

**UK closed-end investment trust focused on long-term total return**

### OBJECTIVE

Utilico Emerging Markets Trust plc ("UEM") seeks to provide long-term total return by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets.

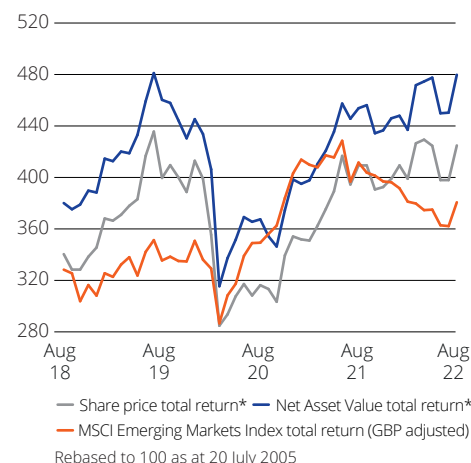
### INVESTMENT APPROACH

To seek to invest mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

## KEY DATES

<b>Launch Date<sup>+</sup></b>	20 July 2005
<b>Year End</b>	31 March
<b>AGM</b>	September 2022
<b>Ex-Dividend Dates</b>	September, December, March & June
<b>Dividend Paid Dates</b>	September, December, March & June
<b>Continuation Vote</b>	To be proposed at the AGM in 2026

## PERFORMANCE



## PERFORMANCE (Total return\*)

	1 month	3 months	1 year	3 years	5 years	Inception
Share Price	6.8%	0.1%	3.8%	6.3%	21.5%	324.9%
Net Asset Value ("NAV") per share	6.5%	0.5%	5.8%	4.2%	17.6%	379.8%
MSCI Emerging Markets Index (GBP adjusted) ("MSCI")	5.1%	1.5%	(7.5%)	13.5%	14.2%	280.7%

## ROLLING 12 MONTH PERFORMANCE (Total return\*)

	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18
Share Price	3.8%	29.4%	(20.9%)	17.4%	(2.7%)
Net Asset Value ("NAV") per share	5.8%	23.4%	(20.2%)	21.1%	(6.8%)
MSCI Emerging Markets Index (GBP adjusted) ("MSCI")	(7.5%)	17.8%	4.1%	2.2%	(1.5%)

## FUND DETAILS

### ORDINARY SHARES

NAV per share at launch +	98.36p
NAV per share (cum income)	256.43p
Share price	221.00p
Discount to diluted NAV	(13.8%)
NAV per share total return since launch *	379.8%
Annual average compound return *	9.6%
Historic dividend paid per share (last 12 months)	8.00p
Historic dividend yield (last 12 months)	3.6%
Ongoing charges figure	1.4%
Shares in issue	208,208,573
Ticker	UEM.L

### CAPITAL STRUCTURE

Gross Assets less Current Liabilities	£553.8m
Bank Debt	£(19.9)m
Shareholders' Funds	£533.9m
Gearing/(net cash)	3.7%

Gearing AIC – standardised gearing calculation as recommended by the AIC is based on net assets

### INVESTMENT MANAGERS

UEM is managed by ICM Limited and ICM Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority.

[www.icm.limited](http://www.icm.limited)

### INVESTMENT MANAGEMENT FEE (PER ANNUM)

1.0% of NAV up to and including £500m;  
 0.9% of NAV exceeding £500m up to and including £750m;  
 0.85% of NAV exceeding £750m up to and including £1,000m; and,  
 0.75% of NAV exceeding £1,000m.

+ Utilico Emerging Markets Limited – UEM's predecessor

\* Total return is calculated based on undiluted NAV plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

### Important Notes

The information presented on this document is solely for information purposes and is not intended to be, and should not be construed as, an offer or recommendation to deal in UEM. Investments in UEM are subject to investment risks and the value of investments and the income derived from them may fall as well as rise and investors may not get back the principal amount invested. Past performance is not indicative of future performance. Investors should read the prospectus along with the supplement(s) and seek relevant professional advice before making any investment decision. The information presented has been obtained from sources believed to be reliable, but no representation or warranty is given or may be implied that they are accurate or complete. The Investment Managers reserve the right to make any amendments to the information at any time, without notice. Issued by ICM Investment Management Limited (registered in England: 08421482), which is authorised and regulated by the Financial Conduct Authority (FRN: 630094).





## PERFORMANCE

In August, UEM's NAV total return increased by 6.5%, outperforming the MSCI Emerging Markets total return Index which was up 5.1% in Sterling terms for the period.

Global equity markets were mixed during

August, with developed markets broadly retreating whilst some EM delivered robust performances. The US Federal Reserve reiterated its hawkish stance on interest rate increases, notwithstanding evidence that inflation is starting to peak with CPI easing to 8.5% for the year to July, down from 9.1% in June. This saw the S&P Index fall 4.2% in August while the USD (as measured by DXY index) strengthened to its highest level in two decades.

China markets were weak, with the Shanghai Composite down by 1.6% and the Hang Seng Index easing 1.0% in August on concerns over the drop in real estate sales, as well as weak factory and retail activity. In a surprise move, China's central bank cut key lending rates, but the response in credit growth has so far been lacking. Recent news of another major city going into lockdown highlights the continuing challenge of maintaining a zero-covid approach.

Elsewhere there were some robust performances with the India SENSEX increasing 3.4%, the Vietnam VSE up 6.1% and the Brazil Bovespa up 6.2%. All three markets are benefitting from increased investor attention as the impact of geopolitical tensions between China and the US and the effect of lockdowns on Chinese manufacturing are digested. Vietnam and India are emerging as major beneficiaries as large corporations such as Apple and Google shift production away from China. In Brazil inflation has peaked and the interest rate hiking cycle looks to be near, if not at, an end.

Sterling depreciated against almost every major currency in August on political uncertainty over a new Conservative leader and concerns over the rapidly widening current account deficit on higher energy costs. Sterling fell 4.4% against the US Dollar, 3.0% versus the Euro, 2.2% against the Chinese Renminbi, 4.1% versus the Indian Rupee, and 4.7% against the Brazilian Real.

## PORTFOLIO

Performance across the portfolio was mostly positive and there were three changes to the constituents of UEM's top thirty holdings in August, primarily due to partial realisations of KT Corporation, Linknet and China Everbright Greentech. Re-entries included Engie Energia Chile, whose shares rebounded 23.1% on the back of improving hydrological conditions, and Corfi Colombiana which was broadly flat. A new entry to the top thirty holdings was Adani Ports and Special Economic Zone ("APSEZ"), which is India's largest integrated port and logistics company operating 13 domestic ports handling dry cargo, liquid cargo, crude and containers. APSEZ's share price was up 9.9% in August on the back of good results.

There were some excellent performers in Brazil in August. Santos' share price was up 23.7% as it delivered robust Q2 results demonstrating strong

operational momentum with improving volume mix and achieving its highest EBITDA margins in a decade. Orizon's share price soared 25.8% as the transformational nature of the acquisition of Estre was recognised by investors. Rumo's share price was up by 15.2% as it reported record monthly volumes in July and management guidance looks firmly on track. Meanwhile, Ocean Wilsons remained a laggard, with its share price down 4.5% over the period after reporting losses mainly due to poor performance of its investment portfolio.

Elsewhere the standout performers included OMA, up 6.3%, Powergrid India, up 7.1%, and Kunlun Energy, up 18.5%. Kunlun delivered surprisingly strong H1 results with EBITDA growth of 27%. Elevated LNG prices and the ability of gas distribution companies to pass these through to end-users has weighed heavily on the sector, and Kunlun is one of the few that has successfully risen to this challenge. Weaker share price performance was seen with China Gas, down 7.8% on concerns of the weak real estate market on new connections. There were also negative share price movements at Datang Renewable, down 7.1%, and Naver was down 7.5%, the latter due to poor reception to Q2 results and generally weak market sentiment towards internet stocks.

## DEBT

UEM's bank debt increased from £19.3m to £19.9m due to FX movements, with the debt all drawn in Euros and unchanged at EUR 23.0m over the month. During August, purchases totalled £10.0m and realisations totalled £7.3m.

## OTHER

UEM's share price ended August at 221.00p, up 6.8% over the month. The discount to NAV narrowed slightly to 13.8% from 14.0% as UEM is continuing to take advantage of the discount, buying back 0.8m shares at an average price of 217.18p.

UEM declared a first quarterly interim dividend of 2.00p per ordinary share in respect of the year ending 31 March 2023, which will be paid on 23 September 2022 to shareholders on the register on 2 September 2022.

## Charles Jillings ICM Investment Management Limited and ICM Limited

### SECTOR SPLIT OF INVESTMENTS

Electricity	19.1%
Ports and Logistics	18.1%
Data Services and Digital Infrastructure	14.9%
Renewables	9.4%
Gas	7.7%
Telecommunications	7.0%
Airports	5.9%
Water and Waste	5.1%
Other	5.0%
Infrastructure Investment Funds	4.7%
Road and Rail	3.1%

TOP THIRTY HOLDINGS		% of total investments
1	International Container Terminal Services, Inc.	4.2%
2	Alupar Investimento S.A.	4.1%
3	Petalite Limited	3.3%
4	Centrais Eletricas Brasileiras S.A. (Eletrobras)	3.2%
5	India Grid Trust	3.2%
6	Gujarat State Petronet Limited	3.1%
7	FPT Corporation	2.6%
8	Power Grid Corporation of India Limited	2.6%
9	CGN Capital Partners Infra Fund 3	2.5%
10	VinaCapital Vietnam Opportunity Fund Ltd	2.4%
11	Ocean Wilsons Holdings Limited	2.3%
12	Orizon Valorizacao de Resiuos S.A.	2.2%
13	Rumo S.A.	2.2%
14	My E.G. Services Bhd	2.1%
15	KunLun Energy Company Limited	2.0%
16	Santos Brasil Participacoes S.A.	2.0%
17	Simpar SA	1.9%
18	Telelink Business Services	1.8%
19	Grupo Aeroportuario del Pacifico, S.A.B. de C.V. (GAP)	1.8%
20	Citic Telecom International Holdings Limited	1.8%
21	Powergrid Infrastructure Investment Trust	1.8%
22	China Gas Holdings Limited	1.7%
23	Korean Internet Neutral Exchange Inc. (KINX)	1.6%
24	Engie Energia Chile S.A.	1.5%
25	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. (OMA)	1.5%
26	China Datang Corporation Renewable Power Co., Limited	1.5%
27	Conversant Solutions Pte Limited	1.4%
28	Adani Ports and Special Economic Zone Limited	1.4%
29	Corporacion Financiera Colombiana S.A.	1.2%
30	Naver Corporation Limited	1.2%
<b>Total Top Thirty</b>		<b>66.1%</b>

### GEOGRAPHICAL SPLIT OF INVESTMENTS

Brazil	22.0%
China incl. HK	15.4%
India	12.8%
Other Europe	10.6%
Vietnam	7.9%
Middle East/Africa	5.0%
South Korea	4.6%
The Philippines	4.2%
Other Asia	4.2%
Mexico	4.1%
Colombia	2.8%
Chile	2.5%
Malaysia	2.1%
Romania	1.8%