

# Utilico Emerging Markets Trust plc

## INVESTOR DISCLOSURE DOCUMENT

### IMPORTANT INFORMATION

#### **Regulatory and legal status of the Company**

Utilico Emerging Markets Trust plc (the “**Company**”) is an 'alternative investment fund' (“**AIF**”) for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (as implemented in the United Kingdom, the “**AIFM Directive**”) which has appointed ICM Investment Management Limited (“**ICMIM**”) as its Alternative Investment Fund Manager (“**AIFM**”). ICMIM is authorised and regulated by the United Kingdom Financial Conduct Authority (the “**FCA**”) to act as an AIFM for the Company. ICMIM and ICM Limited have been appointed as Joint Portfolio Managers.

The Company’s ordinary shares are admitted to listing on the premium segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange. The operation of the Company is subject to its Articles of Association, the FCA Listing Rules, the FCA Disclosure and Transparency Rules, the UK Corporate Governance Code issued by the Financial Reporting Council (April 2016) and the Companies Act 2006.

The provisions of the Company's Articles of Association, which are binding on the Company and all of its shareholders, set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's Articles of Association. The Company's articles of association are governed by English law.

#### **Limited purpose of this document**

This document is issued for the sole purpose of making certain required regulatory disclosures to investors in accordance with the requirements of the AIFM Directive. To the fullest extent permitted under applicable law and regulation, the Company, its Directors and ICMIM, as AIFM, will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in or dispose of shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and is not intended to be an invitation or inducement to any person to engage in any investment activity. It does not include all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

#### **No advice**

The Company, its Directors and ICMIM, as AIFM, are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, ICMIM or any of their respective affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment and any other related matters

concerning the Company and an investment in the Company's shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

#### **Overseas investors**

The distribution of this document in certain jurisdictions will be restricted and accordingly any persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. In particular, the Company's shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer and other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

This Investor Disclosure Document is based on information, law and practice at the date hereof. The Company, its Directors and ICMIM, as AIFM, will not be bound by an out of date Investor Disclosure Document when an updated Investor Disclosure Document has been issued and investors should check with ICMIM that this is the most recently published Investor Disclosure Document.

When there is any material change to the information contained in this Investor Disclosure Document, it shall be updated.

This Investor Disclosure Document is dated, and is valid, as at 3 April 2018.

# THE COMPANY

## Introduction

The Company is a public limited company incorporated in England and Wales on 7 December 2017 with registered number 11102129. The Company is registered as an investment company under section 833 CA 2006 and intends to carry on its business at all times so that it qualifies for approval as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 (as amended). The registered address of the Company is The Cottage, Ridgeway, The Ridge, Epsom, Surrey KT18 7EP. On 3 April 2018, the scheme of arrangement of Utilico Emerging Market Limited (UEM Bermuda) under section 99 of the Bermuda Companies Act 1981 was implemented pursuant to which ordinary shareholders of UEM Bermuda were issued with ordinary shares in the Company in place of their existing holdings of ordinary shares of UEM Bermuda and the Company acquired the entire issued share capital of UEM Bermuda, together with its subsidiary undertakings.

## Investment Objective

The Company's investment objective is "to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets."

## Investment restrictions and guidelines

The Board of Directors of the Company (the "Board") sets guidelines for the AIFM under which the Company is managed and these can be varied from time to time. The Company typically remains fully invested, mainly in equities.

Within the general policy of maintaining a diversified portfolio there are no specific geographic or industry sector exposure limits, although investments in a single country must not exceed 50% of gross assets at the time of investment. The Company has placed a limit of 10% of gross assets that can be invested in unquoted and untraded investments at the time of acquisition (excluding the Company's investment in a segregated account of Global Equity Risk Protection Limited ("GERP"), which it uses for derivative transactions).

Investments other than in infrastructure, utility and related companies (including GERP) must not exceed 20% of gross assets at the time of investment. No single investment may be made by the Company which exceeds 20% of gross assets at the time of investment.

Not more than 10% in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List maintained by the FCA (except to the extent that those investment funds have stated investment policies to invest no more than 15% of their total assets in other investment companies which are listed on the Official List). Regardless of the investment policy of other closed-ended investment funds listed on the Official List and which are invested in by the Company, the Company shall not invest in such funds more than 15% in aggregate of the value of the total assets of the Company at the time the investment is made.

Derivatives may be used to enable the Company to make investments more efficiently and for the purposes of efficient portfolio management including, if appropriate, protection against currency risks. Equity derivative transactions are carried out by GERP, who may not hold more than 50% of the value of the Company's segregated portfolio in index options.

## Leverage

Borrowings, whether short or long-term in nature, can be taken out either in Sterling, US Dollars, Euros or any currency for which there is a corresponding asset within the Company's portfolio (at the time of draw down the value drawn must not exceed the value of the corresponding

asset in the portfolio). The Board's guidelines on borrowings are that gearing (being total borrowings measured against gross assets) must not exceed 25% at the time of drawdown.

Maximum gross and commitment leverage, calculated in accordance with the requirements under the AIFM Directive as inclusive of borrowings and exposure to derivatives (see above), shall similarly not exceed 300%.

Material changes to leverage policies must be agreed by the Board and will be notified to shareholders via the Company's website [www.uemtrust.co.uk](http://www.uemtrust.co.uk) and its Annual Report and Accounts.

The total level of gearing employed by the Company is updated regularly on the "Monthly Factsheet" published on the Company's website, [www.uemtrust.co.uk](http://www.uemtrust.co.uk).

### **Investment Policy and strategy**

The Business Review section of the Annual Report and Accounts, which can be found on the Company's website, [www.uemtrust.co.uk](http://www.uemtrust.co.uk), contains a description of the Investment Policy, investment strategy and objectives of the Company, the types of assets in which the Company may invest and the techniques it may employ. There are no arrangements for collateral or asset reuse.

The Company is required to obtain the prior approval of shareholders, by ordinary resolution, to any material change to its published Investment Policy or investment strategy. The Company will announce any such change through a Regulatory Information Service.

Any change in investment strategy or investment policy which does not amount to a material change to the Company's published Investment Policy may be made by the Company without shareholder approval.

### **Dividend policy**

The Company pays dividend distributions quarterly to shareholders. Dividend payments are announced through a Regulatory Information Service. The Annual Report and Accounts on the Company's website [www.uemtrust.co.uk](http://www.uemtrust.co.uk) contains details of dividends paid and proposed in respect of the relevant financial year.

## **ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

### **Alternative Investment Fund Manager (AIFM)**

The Company has entered into a novation and amendment agreement dated 23 February 2018 which amended and novated to the Company the existing management agreement made between UEM Bermuda and ICMIM and ICM Limited ("**ICM**") dated 31 March 2015, under which ICMIM was appointed to act as the Company's AIFM, in accordance with the requirements of the AIFM Directive, with sole responsibility for risk management and both ICMIM and ICM were appointed with joint responsibility for portfolio management. ICMIM is an English incorporated company which is authorised and regulated by the FCA.

In addition to its duties as joint portfolio manager, ICMIM also provides company secretarial services to the Company.

The aggregate annual management fee payable by the Company is 0.65% of net assets, payable quarterly in arrears which will be apportioned between ICM and ICMIM (the "**Joint Portfolio Managers**") in accordance with a management services agreement between them. The annual management fee is adjusted for fees earned by the Joint Portfolio Managers in respect of

investment holdings managed or advised by them. The Joint Portfolio Managers may become entitled to a performance related fee equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the higher of (i) the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus 2% and (ii) 8%. The maximum amount of a performance fee payable in respect of any financial year is 1.85% of the average net assets of the Company and any performance fee in excess of this cap will be written off. No performance fee is payable until the net asset value exceeds the high watermark established when a performance fee was last paid, adjusted for capital events and dividends paid since its establishment.

In addition to the management fee and the performance fee, ICMIM receives a fee equal to 45% of the total employment costs in employing a suitably experienced person to provide company secretarial services to the Company.

ICMIM and ICM are also reimbursed for all out of pocket costs and expenses incurred on behalf of the Company by them and for reasonable travel and related costs incurred in the performance of their duties.

The management agreement continues unless or until terminated by either party giving to the other not less than six months' notice in writing or unless otherwise terminated with cause upon immediate written notice from the non-defaulting party/ies to the defaulting party/ies.

#### **Depository services provider**

The Company has appointed JPMorgan Europe Limited ("**JPMEL**" or the "**Depository**") to act as its depository for the purposes of the AIFM Directive, under the terms of a depository services agreement dated 23 February 2018 to which both the Company and the AIFM are parties (the "**Depository Services Agreement**"). The services provided by JPMEL as depository services provider include:

- general oversight responsibilities over the issue and cancellation of the Company's share capital, the carrying out of net asset value calculations, the application of income, and the ex-post review of investment transactions;
- monitoring the Company's cash flows and ensuring that all cash is booked in appropriate accounts in the name of the Company, ICMIM or JPMEL acting on behalf of the Company; and
- verifying the Company's ownership of its assets other than financial instruments and maintaining records sufficient for verification of the Company's ownership rights.

The Company has agreed to indemnify JPMEL against any liabilities that may be imposed on or incurred by JPMEL in connection with or arising of its performance under the Depository Services Agreement other than as a result of its fraud, negligence or wilful misconduct.

The Company has also appointed JPMorgan Chase Bank, NA – London Branch ("**JPMCB**") to provide custodial services pursuant to a custody services agreement dated 23 February 2018 (the "**Global Custody Agreement**"). The services provided by JPMCB include safekeeping of all assets held within the Company's investment portfolio, including those classed as financial instruments for the purpose of the AIFM Directive and retaining custody of the Company's financial instruments in segregated accounts so that they can be clearly identified as belonging to the Company.

The terms of the Global Custody Agreement provide that JPMCB has a general lien over financial instruments that it holds and is entitled to withhold delivery of such assets, sell or

otherwise realise such assets and to apply the proceeds pending satisfaction of any liabilities outstanding of the Company to JPMCB under the Global Custody Agreement.

JPMEL receives an annual fee for its services of 2.2 basis points on the Company's net asset value, subject to a minimum fee of £25,000 per annum. JPMCB receives safekeeping and administration charges based on the market value of assets in different countries and a transaction charge for all securities transactions, both of which vary country by country.

JPMEL's and JPMCB's duties are owed to the Company and not directly to shareholders in the Company, whether individually or in groups. Accordingly, shareholders may not bring any action or make a claim against JPMEL or JPMCB under the Depositary Services Agreement or the Global Custody Agreement.

#### **Administrator**

JPMCB has also been appointed by the Company pursuant to an administration services agreement dated 23 February 2018 to provide fund accounting, fund valuation and reporting services (the "**JPMCB Administrative Services Agreement**"). For its services under the JPMCB Administrative Services Agreement, JPMCB will be entitled to receive an annual fee based on the Company's month end NAV (5 bps on the first £100m NAV, 3bps on the next £150m NAV, 2bps on the next £250m NAV and 1.5bps on the next £500m NAV). JPMCB and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

ICMIM has appointed Waverton Investment Management Limited ("**Waverton**") pursuant to an agreement dated 23 February 2018 to provide certain support services (including middle office, market dealing and information technology support services) to ICMIM in relation to the provision of its services to the Company (the "**Waverton Support Services Agreement**"). Waverton will be entitled to receive an annual fee of 3 basis points of the NAV, subject to a minimum fee of £4,000 per month. The Company will reimburse ICMIM for all of its costs and expenses incurred in relation to the Waverton Support Services Agreement.

#### **Auditor**

KPMG LLP ("**KPMG**") provides audit and audit-related assurance services to the Company. Its Audit Report in respect of the financial statements of the Company, and the fees for its services, will be set out in the Annual Report and Accounts, when published, on the Company's website [www.uemtrust.co.uk](http://www.uemtrust.co.uk).

The auditor has a statutory responsibility to report to the shareholders of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss as well as confirming that the Company accounts have been prepared in accordance with applicable law and auditing standards. The auditor is also required to report by exception if there are certain matters on which it is not satisfied, including if adequate accounting records have not been kept by the Company or it has not received all the information and explanations required in order to carry out the audit.

#### **Share Registrar**

Computershare Investor Services PLC has been appointed as the registrar of the Company. The Registrar will be responsible for the maintenance of the Register, dealing with routine correspondence and enquiries, and the performance of all the usual duties of a registrar in relation to the Company. Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fee calculated on the basis of the number of Shareholders, subject to a minimum annual fee of £6,400. Any additional services provided by the Registrar will incur additional charges.

#### **Prime Broker**

The Company has not appointed a prime broker.

### **Conflicts of interest**

ICMIM and ICM currently serve as the joint portfolio managers of UIL Limited as well as the Company, and ICM is the appointed portfolio manager for Somers Limited, Zeta Resources Limited and Allectus Capital Limited, and they and their associates may be involved in other financial, investment or professional activities in the future, including providing investment management and/or advisory services to other investment clients. In particular, they may provide investment management, investment advice or other services in relation to investment companies which may have similar investment policies and objectives to that of the Company. As a result, ICMIM and/or ICM may have conflicts of interest in allocating investments among the Company and other clients, including ones in which they or their affiliates may have a greater financial interest.

In accordance with the AIFM Directive, the Joint Portfolio Managers have undertaken to take all reasonable steps to avoid conflicts of interest. If such conflicts of interest cannot be avoided, the Joint Portfolio Managers shall take all reasonable steps to identify, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of the Company and its shareholders and to ensure that the Company is treated fairly.

There can be no assurance that the Joint Portfolio Managers will resolve all conflicts of interest with the Company in a manner that is favourable to the Company.

Save as disclosed in this Investor Disclosure Document and the Company's Annual Report, the Company has not identified any conflicts of interest in its relationships with its service providers.

### **Outsourcing and delegation of functions by the AIFM**

As at the date of this Investor Disclosure Document, ICMIM, as AIFM, has not delegated any of its responsibilities for risk management and neither ICMIM nor ICM has delegated any of their responsibilities as joint portfolio managers.

## **SHAREHOLDER INFORMATION**

### **Reports and Accounts**

Copies of the Company's latest Annual and Interim Reports may be accessed at the Company's website, [www.uemtrust.co.uk](http://www.uemtrust.co.uk), or by writing to the Company Secretary at the registered office address, The Cottage, Ridgeway, The Ridge, Epsom, Surrey KT18 7EP.

The information required under paragraphs 4 and 5 of Article 23 of the AIFM Directive will be disclosed in the Company's Annual Report.

### **Publication of net asset values and share prices**

The previous business day's cum- and ex-income net asset values of the Company are published each business day through a Regulatory Information Service and may also be accessed at [www.uemtrust.co.uk](http://www.uemtrust.co.uk) under "Latest News". The current share price is also published on the website.

### **Valuation Policy**

The Company's valuation policy in respect of its listed and unlisted investments and derivatives is set out in the Company's prospectus dated 23 February 2018 and will be contained within the Accounting Policies note in the Annual Report and Accounts to be published on the Company's website which can be accessed at [www.uemtrust.co.uk](http://www.uemtrust.co.uk)

### **Historical performance of the Company**

Details of the Company's historical financial performance will be provided in the Company's Annual Reports and Accounts and monthly factsheets, which are available at [www.uemtrust.co.uk](http://www.uemtrust.co.uk)

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

#### **Purchases and sales of shares by investors**

The Company's shares are admitted to the premium listing segment of the Official List of the FCA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange. The value at which shares trade on the London Stock Exchange may be below (at a "discount" to) or above (at a "premium" to) the net asset value per share of the Company.

The Company's shares are not redeemable. While the Company intends at each annual general meeting to request shareholder authority to issue and to buy back shares, shareholders do not have the right to have their shares re-purchased by the Company or to have new shares issued to them.

#### **Legal implications of contractual relationship**

All key service providers are appointed directly by the Company following appropriate evaluation and on contractual terms which the Company's Board considers to be appropriate. Investors enter into contractual relations with the Company when subscribing for its shares; they do not have any direct contractual relations with, or rights of recourse to, the Company's service providers in respect of any such service providers' default pursuant to the terms of the agreements they have entered into with the Company.

#### **Fees and expenses**

The fees and expenses which will be borne by the Company (and thus indirectly by shareholders) in respect of the appointments of its service providers are as set out above, but there is no maximum cap on the total amount of such fees and expenses which may be borne indirectly by the shareholders. There are no fees or expenses which are charged directly to shareholders by the Company.

Fees and expenses are analysed within the financial statements in the Company's Annual Report and Accounts published on the Company's website which can be accessed at [www.uemtrust.co.uk](http://www.uemtrust.co.uk)

#### **Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors of the Company are subject ensures the fair treatment of shareholders. The FCA Listing Rules require that the Company treats all shareholders of the same class of shares equally.

The Company does not deal directly with investors in the purchase or sale of shares in the Company. No shareholder has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any shareholders.

The Company's shares rank pari passu with each other.

### **RISK FACTORS AND RISK MANAGEMENT**

#### **Risk profile**

The Company's key risks and the procedures in place for the management of those risks are set out in the Company's prospectus dated 23 February 2018 and will be contained in the Annual Report and Accounts on its website, [www.uemtrust.co.uk](http://www.uemtrust.co.uk), under "Principal Risks" and



under the Audit Committee Report.

The Company will report in its half-yearly report and accounts, which can be found at [www.uemtrust.co.uk](http://www.uemtrust.co.uk), whether the key risks have changed since the year end.

### **Gearing**

Gearing levels may change from time to time in accordance with the Investment Managers' and the Board's assessment of risk and reward. Whilst the use of borrowings by the Company should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling.

### **Liquidity risk management**

The AIFM and the Board have in place a liquidity management policy in relation to the Company which is intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to the Company's obligations in respect of investment settlements, unlisted investments commitments, share buybacks, loan repayments, dividend payments and other operating costs. The exercise by the Board of the Company's power to buy-back its own shares is entirely discretionary.

The majority of the Company's portfolio of investments is liquid. Illiquid assets of the Company are likely to include investments in unlisted companies. The Company's Annual Report and Accounts will summarise details of the unlisted investments.

A list of pre-approved counterparties is maintained by the AIFM. Cash and deposits must be held with approved banks with a minimum rating as set by the Company from time to time.

Shareholders will be notified by way of a disclosure on the website, [www.uemtrust.co.uk](http://www.uemtrust.co.uk) in the event of any material changes being made to the liquidity management systems and procedures, or where any new arrangements for managing the Company's liquidity are introduced.

### **Professional negligence liability risks**

ICMIM, as AIFM, covers professional liability risks through additional own funds which equates to at least 0.01% of the value of portfolios of AIFs managed by ICMIM, reviewed annually.