

EMERGING CITIES. EMERGING WEALTH. EMERGING OPPORTUNITIES.

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

MAY 2019

## 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

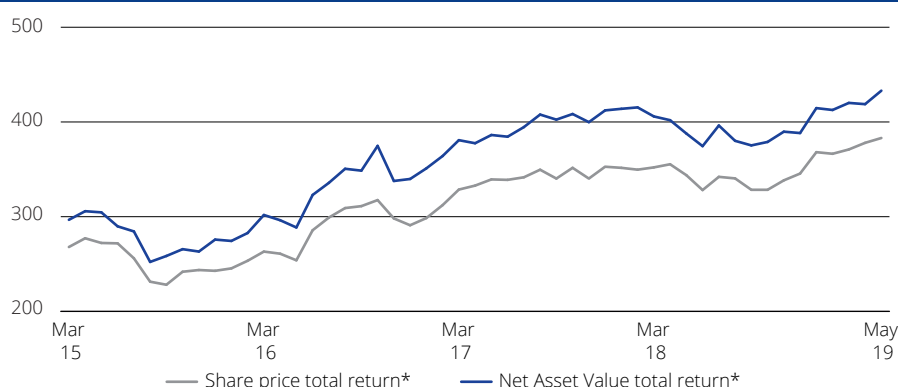
To seek to invest mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

## KEY DATES

|                                |                                   |
|--------------------------------|-----------------------------------|
| <b>Launch Date<sup>+</sup></b> | 20 July 2005                      |
| <b>Year End</b>                | 31 March                          |
| <b>AGM</b>                     | September                         |
| <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 2021 |

<sup>+</sup>Utilico Emerging Markets Limited - UEM's predecessor

## PERFORMANCE



Rebased to 100 as at 20 July 2005

## PERFORMANCE (Total return\*)

|                 | 1 month | 3 months | 1 year | 3 years | Inception |
|-----------------|---------|----------|--------|---------|-----------|
| Share Price     | 1.4%    | 4.5%     | 11.4%  | 50.8%   | 283.1%    |
| Net Asset Value | 3.4%    | 4.9%     | 11.7%  | 50.0%   | 333.0%    |

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

| 12 Months to    | May 19 | May 18 | May 17 | May 16 | May 15 |
|-----------------|--------|--------|--------|--------|--------|
| Share Price     | 11.4%  | 1.3%   | 33.6%  | (6.7%) | 7.8%   |
| Net Asset Value | 11.7%  | 0.4%   | 33.8%  | (5.2%) | 14.7%  |

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

## FUND DETAILS

| ORDINARY SHARES                                   | Ticker: UEM.L |
|---|---------------|
| NAV at launch +                                   | 98.36p        |
| NAV (cum income)                                  | 257.52p       |
| Share Price                                       | 225.00p       |
| Discount to diluted NAV                           | (12.6%)       |
| NAV Total return since launch *                   | 333.0%        |
| Annual average compound return *                  | 11.1%         |
| Historic Dividend paid per share (last 12 months) | 7.20p         |
| Historic Dividend Yield (last 12 months)          | 3.2%          |
| Ongoing charges figure excluding performance fee  | 1.1%          |
| Shares in issue                                   | 229,812,473   |

<sup>+</sup>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

## CAPITAL STRUCTURE

|                                       |          |
|---------------------------------------|----------|
| Gross Assets less Current Liabilities | £615.6m  |
| Bank Debt                             | £(23.8)m |
| Shareholders' Funds                   | £591.8m  |
| Gearing (based on AIC definition)     | 3.1%     |

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) and [www.icmim.limited](http://www.icmim.limited)

## INVESTMENT MANAGEMENT FEE

0.65% of net assets plus Company Secretarial Fee.

## PERFORMANCE FEE

15% of the outperformance of the higher of (i) benchmark plus 2% and (ii) 8%, subject to high watermark, with a cap on the performance fee of 1.85% of average net assets for that financial year.





## PERFORMANCE

UEM's NAV total return increased 3.4% during May. This was substantially ahead of the MSCI Emerging Markets Total Return Index which fell by 4.2% in Sterling terms over the month.

Broader emerging markets posted a poor performance as a risk-off environment reflected continued uncertainty over the US-China trade war, culminating in the Trump administration raising tariffs on USD 200bn of Chinese goods from 10% to 25% on 10 May. China subsequently retaliated with tariff increases on USD60bn of US goods at the start of June. In Asia the Shanghai Composite and Hong Kong's Hang Seng Index were both down 5.8% and 9.4% respectively during the month, though these moves were partly offset by the Chinese Renminbi and Hong Kong Dollar appreciating by 0.6% and 3.5% versus Sterling respectively.

The Trump administration also turned its sights on Mexico at the end of the month, announcing a 5% tariff to come into effect in June, stepping up in 5% increments monthly to 25% in October if the illegal migration issue wasn't resolved. This saw the Mexbol Index down 4.1% with the Peso easing slightly versus Sterling.

In India the world's largest democratic elections were held again and saw Prime Minister Narendra Modi sweep to a landslide victory with a strengthened mandate to continue the reform programs implemented during his first term. The India Sensex was up 1.7% and the Rupee strengthened by 3.2% against Sterling.

In Argentina the Merval Index was up 14.8% in May, recovering the losses registered in April as the local market continues to experience very high volatility ahead of elections later this year. Elsewhere markets were broadly flat, with the likes of the Brazil Bovespa up 0.7% though it is notable that the Real appreciated by 4.4% against Sterling in May.

## PORTFOLIO

There was one change to the constituents of the top twenty holdings in the portfolio during May, with India Grid Trust ("Indigrid") replacing DP World as UEM participated in a major placing by the company. Indigrid is an Infrastructure Investment Trust listed on the Bombay Stock Exchange which owns operating electricity transmission assets, in which UEM first invested at the start of 2018. Indigrid's share price was up 2.5% during the month.

There was very strong performance by UEM's top investment, ICT, whose shares appreciated by 7.9% in May. This follows strong Q1 results

**Registered Office:** The Cottage, Ridge Court, The Ridge, Epsom, Surrey KT18 7EP

**UK Contact:** Telephone: 01372 271 486

## 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 the Financial Conduct Authority (FRN: 630094).

which saw volumes up 7.0% and revenues up 18.0% on higher yield per TEU. The share price in UEM's top twenty investment in the Philippines, Metro Pacific, declined 1.5% during the period.

The poor market performance in China and Hong Kong was evident in UEM's holdings, with APT Satellite falling 19.5%, impacted by the deletion of its shares from the MSCI China Index. At the same time, China Everbright Greentech also declined 13.6% in May on concerns over renewables subsidies and the potential for downward revisions to tariffs. Yuexiu's share price was down by a more modest 4.4%, while CR Gas was a notable outperformer, up 3.6% in May.

In Brazil Cosan Logistica was up 12.4%, Energisa up 7.4%, Omega up 5.1%, Alupar up 5.2%, Rumo up 6.7%, while Comgas eased 2.1%, Ocean Wilsons declined 4.3% and Sanepar fell 8.3%. Cosan was strong as expectations are that corn volumes will be boosted in H2 on the back of firmer corn prices, while Energisa, Omega and Alupar all reported strong results. Sanepar was notably weak on the back of the announcement that the TCE, State Audit Court decided to halt a 12.1% tariff increase which was due to be implemented in mid-May. This intervention was unexpected, especially as the regulator holds jurisdiction over tariff changes, not the State Court. After public hearing, an above-inflation 8.4% tariff increase was allowed which will mean Sanepar continues to recover historical profits due.

UEM's Romanian investments posted reasonable performances, with Transgaz up 5.9% and Conpet up 2.3% in May. In India, Powergrid's share price appreciated by 1.7% while GSPL fell 2.8%. UEM's only top twenty investment in Chile, EECL, fell 8.2% as higher energy costs dampened financial results for Q1.

Purchases during the month for the portfolio amounted to £41.3m and realisations totalled £12.6m.

Comgas, UEM's third largest investment as at the end of May, is subject to an offer which has now been accepted. UEM received £26.0m in June.

## DEBT

UEM increased its bank debt in May from £7.7m to £23.8m, drawn at USD 20m and EUR 9.0m

## OTHER

UEM's share price ended May at 225.00p, up 1.4% on end-April. The discount widened to 12.6% to NAV. On 28 May 2019 UEM declared a fourth quarterly interim dividend of 1.80p per share with an ex-dividend date of 6 June.

**Charles Jillings**

**ICM Investment Management Limited  
and ICM Limited**

## PORTFOLIO SUMMARY

| TOP TWENTY HOLDINGS     |  | % of total investments |
|-------------------------|--|------------------------|
| 1                       | International Container Terminal Services Inc. | 6.3%                   |
| 2                       | Alupar Investimento S.A.                       | 4.6%                   |
| 3                       | Companhia de Saneamento do Paraná (Sanepar)    | 4.1%                   |
| 4                       | Companhia de Gas de Sao Paulo (Comgas)         | 4.1%                   |
| 5                       | Energisa S.A.                                  | 3.9%                   |
| 6                       | China Resources Gas Group Ltd                  | 3.7%                   |
| 7                       | Ocean Wilsons Holdings Limited                 | 3.6%                   |
| 8                       | Rumo S.A.                                      | 3.4%                   |
| 9                       | China Everbright Greentech Limited             | 3.0%                   |
| 10                      | Engie Energia Chile S.A.                       | 2.6%                   |
| 11                      | Cosan Logistica S.A.                           | 2.5%                   |
| 12                      | Transgaz S.A.                                  | 2.5%                   |
| 13                      | Yuexiu Transport Infrastructure Limited        | 2.2%                   |
| 14                      | APT Satellite Holdings Limited                 | 2.2%                   |
| 15                      | Metro Pacific Investments Corporation          | 2.1%                   |
| 16                      | Power Grid Corporation of India Limited        | 1.9%                   |
| 17                      | Omega Geracao S.A.                             | 1.8%                   |
| 18                      | Conpet S.A.                                    | 1.8%                   |
| 19                      | Gujarat State Petronet Limited                 | 1.7%                   |
| 20                      | India Grid Trust                               | 1.7%                   |
| <b>Total Top Twenty</b> |  | <b>59.7%</b>           |

## SECTOR SPLIT OF INVESTMENTS

|                                 |       |
|---------------------------------|-------|
| Electricity                     | 19.2% |
| Gas                             | 14.9% |
| Ports                           | 14.8% |
| Road and Rail                   | 10.2% |
| Water and Waste                 | 8.7%  |
| Telecoms and Satellites         | 7.7%  |
| Other                           | 7.3%  |
| Renewables                      | 7.3%  |
| Airports                        | 5.3%  |
| Infrastructure Investment Funds | 4.6%  |

## GEOGRAPHICAL SPLIT OF INVESTMENTS

|                           |       |
|---------------------------|-------|
| Brazil                    | 30.2% |
| China including Hong Kong | 18.5% |
| Philippines               | 8.5%  |
| India                     | 7.7%  |
| Romania                   | 6.8%  |
| Middle East/Africa        | 6.4%  |
| Other Latin America       | 5.8%  |
| Other Asia                | 3.9%  |
| Other Europe              | 3.8%  |
| Argentina                 | 2.9%  |
| Chile                     | 2.7%  |
| Malaysia                  | 2.1%  |
| Thailand                  | 0.7%  |

