

EMERGING CITIES. EMERGING WEALTH. EMERGING OPPORTUNITIES.

# Offering long-term value in emerging markets investments

## MAY 2020

**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

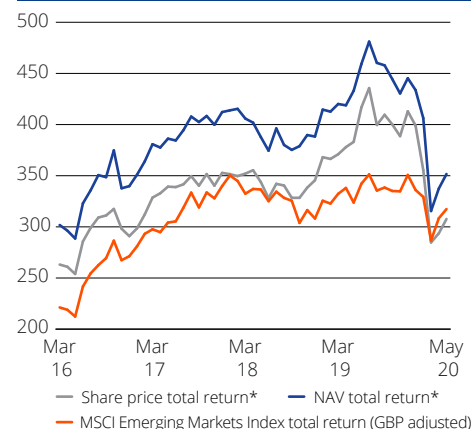
To seek to invest mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

## KEY DATES

Launch Date <sup>+</sup>	20 July 2005
Year End	31 March
AGM	September
Ex-Dividend Dates	September, December, March & June
Dividend Paid Dates	September, December, March & June
Continuation Vote	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	4.8%	(13.4%)	(19.7%)	(9.3%)	207.7%
Net Asset Value	4.3%	(13.4%)	(18.8%)	(9.0%)	251.7%
MSCI Emerging Markets Index (GBP adjusted)	2.9%	(3.6%)	(2.0%)	4.3%	217.4%

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

12 Months to	May 20	May 19	May 18	May 17	May 16
Share Price	(19.7%)	11.4%	1.3%	33.6%	(6.7%)
Net Asset Value	(18.8%)	11.7%	0.4%	33.8%	(5.2%)
MSCI Emerging Markets Index (GBP adjusted)	(2.0%)	(3.8%)	10.6%	43.3%	(13.3%)

\*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 <sup>+</sup>	98.36p
NAV (cum income)	202.70p
Share Price	174.50p
Discount to diluted NAV	(13.9%)
NAV Total return since launch*	251.7%
Annual average compound return*	8.8%
Historic Dividend paid per share (last 12 months)	7.45p
Historic Dividend Yield (last 12 months)	4.3%
Ongoing charges figure excluding performance fee	1.1%
Shares in issue	227,103,181

<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	£507.5m
Bank Debt	£(47.2)m
Shareholders' Funds	£460.3m
Gearing (based on AIC definition)	0.3%

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

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 by 4.3%, NAV cum income ending the month of May at 202.70p. UEM's performance was better than the MSCI Emerging Markets Total Return Index which was up for the

same period by 2.9% in Sterling terms.

In May, most emerging markets continued to see positive returns after the sharp losses witnessed in March, as countries began to ease lockdown and central banks and governments continued to cut interest rates, increase stimulus packages as well as announce further support packages for workers and companies. Argentina saw the biggest gains over the month with the Merval Index up 15.5% aided by more positive debt renegotiations discussions, whilst the Brazilian Bovespa Index was up 8.6% on the back of a more encouraging political scenario with indications of Bolsonaro having a better relationship with congress and signals of a resumption in the pro-market agenda such as the presidential veto against salary increases for public employees. Malaysia and Thailand also performed well up by 4.7% and 3.2% respectively for the period, whilst the Philippines trailed behind, up 2.4% due to the reduction of lockdown levels only occurring at the end of the month.

Hong Kong and China were among the few markets that bucked the global trend with the Hang Seng Index and the Chinese Shanghai Composite Index both down by 6.8% and 0.3% respectively. The Hang Seng Index was the worst performing market in the region due to China's NPC approving the proposal to insert national security laws into the Hong Kong Basic Law, whilst China was affected by the re-emergence of US-China tensions as President Trump threatened to impose compensatory tariffs for Covid-19 as well as delisting Chinese companies from US markets. In Latam, Chile also went against the trend after seeking a flexible credit line from the IMF whilst India despite posting above consensus real GDP rate for 4Q20, saw its GDP growth slow to an 11 year low, resulting in the SENSEX being down 3.8%.

Emerging market currencies during May strengthened alongside the improvement in global market sentiment and general market recovery with Sterling depreciation against all currencies except the Argentinian Peso. The resurfacing of a potential no-deal Brexit further fuelled Sterling's weakness. Sterling depreciated the most against the Mexican Peso, down 8.9%, the Chilean Peso, down 5.6% and the Thai Baht, down 3.7%.

## PORTFOLIO

There were two changes to the constituents of the top twenty holdings during the month of May with Ecorodovias Infraestrutura E Logistica S.A. ("Ecorodovias") and My EG Services BHD ("MyEG") entering the top twenty, replacing CESC Limited and Power Grid Corporation of India Limited.

Ecorodovias is a Brazilian toll road operator listed in Brazil. Their portfolio includes eleven highway concessions with a total of 3,086km under concession and one port asset, operating in eight different states of Brazil. Ecorodovias has re-entered the top twenty on the back of a strong share price performance.

MyEG has also re-entered the top twenty after additional purchases and an increase in the share price. MyEG is a provider of e-government services in Malaysia with offered services including the online renewal of car tax and work permits.

Within UEM's top twenty, twelve of the holdings' share prices increased during the month, with six of the companies seeing share price movements of greater than 10%. These gains along with April's, are still not enough to recover all of March's steep declines where a number of stocks were oversold.

Companies that saw strong share price increases in May were Ecorodovias, up 23.9%, Cosan Logistica up 17.5%, Rumo up 13.9% and Transgaz, up by 11.6%. China Everbright's share price was down 16.2% and CITIC fell by 14.3%, partly affected by the unrest caused by the change in Hong Kong's Basic Law. CITIC also fell as it went ex-dividend.

Purchases during the month for the portfolio amounted to £13.1m and realisations totalled £16.1m.

## DEBT

UEM's bank debt increased in Sterling terms from £46.3m at the end of April to £47.2m at the end of May, all drawn in US Dollars. However net gearing is materially lower, as UEM had cash balances of £45.6m at the end of May.

## OTHER

UEM's share price ended May at 174.50p, up 4.8% compared to the end of April. The discount reduced to 13.9%. During May, UEM bought back 0.8m shares at an average price of 168.71p.

On 26 May 2020, UEM declared a fourth quarterly interim dividend of 1.925p per ordinary share in respect of the year ended 31 March 2020, which will be paid on 19 June 2020 to shareholders on the register on 5 June 2020.

**Charles Jillings**  
**ICM Investment Management Limited**  
**and ICM Limited**

## PORTFOLIO SUMMARY

TOP TWENTY HOLDINGS		% of total investments
1	International Container Terminal Services Inc.	5.7%
2	Alupar Investimento S.A.	4.2%
3	Engie Energia Chile S.A.	3.2%
4	India Grid Trust	3.1%
5	China Everbright Greentech Limited	2.9%
6	Ocean Wilsons Holdings Limited	2.9%
7	Gujarat State Petronet Limited	2.8%
8	Rumo S.A.	2.6%
9	Energisa S.A.	2.5%
10	Centrais Elétricas Brasileiras SA (Eletrobras)	2.4%
11	CITIC Telecom International Holdings Limited	2.4%
12	Ecorodovias Infraestrutura e Logistica S.A.	2.3%
13	Companhia de Saneamento do Paraná (Sanepar)	2.3%
14	Conpet S.A.	2.3%
15	Transgaz S.A.	2.3%
16	Corporacion Financiera Colombiana S.A.	2.3%
17	Sonatel	2.2%
18	Cosan Logistica S.A.	2.2%
19	Torrent Power Limited	2.1%
20	My E.G. Services Bhd	2.0%
<b>Total Top Twenty</b>		<b>54.7%</b>

## SECTOR SPLIT OF INVESTMENTS

Electricity	23.6%
Ports	13.3%
Other	11.4%
Telecoms and Satellites	10.6%
Road and Rail	10.1%
Gas	10.1%
Renewables	7.1%
Infrastructure Investment Funds	7.0%
Water and Waste	4.9%
Airports	1.9%

## GEOGRAPHICAL SPLIT OF INVESTMENTS

Brazil	26.5%
China including Hong Kong	17.2%
India	13.2%
Other Asia	12.6%
Middle East/Africa	7.9%
Philippines	6.9%
Romania	5.0%
Colombia	4.5%
Chile	3.2%
Other Europe	3.0%

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## 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).

