

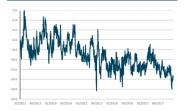
26 February 2018

Utilico Emerging Markets*

Shareholder vote on proposal to re-domicile

Fund in the spotlight: UEM

UEM Diluted Discount 13.5% as at 23 Feb



Source: Morningstar

The Board of Utilico Emerging Markets (UEM) has announced details of its proposal to re-domicile from Bermuda to the UK. Ordinary shareholders will exchange all their ordinary shares, on a one for one basis, for ordinary shares in Utilico Emerging Markets Trust plc ("UEM Trust"), a newly incorporated Investment Trust established in the United Kingdom, subject to shareholder and other approvals. The shareholder meeting is scheduled for 20 March 2018. The Board believe that this enhances the attractiveness of UEM. We continue to recommend that investors buy UEM for exposure to infrastructure assets in emerging markets.

UEM proposes to re-domicile to the UK

Ordinary Shareholders will exchange all their ordinary shares for UEM Trust Shares on the basis of one UEM Trust Share for every ordinary share held as at the scheme record date, which is currently scheduled to be on 27 March 2018. UEM Trust shares issued will be admitted to the premium listing segment of the official List and to trading on the London Stock Exchange's main market for listed securities, which is scheduled to occur on 3 April 2018. The existing listing of the company's shares will be cancelled at the same time; and the company will become a wholly-owned subsidiary of UEM Trust. UEM Trust will indirectly acquire all of the Company's assets and liabilities (including its investment portfolio) as at the date of admission. UEM Trust will carry on the business and operations of the Company and will have the same investment objective and the same investment policy as the Company. Fully details are in the circular, available at www.uem.limited.

Table 1: % returns for UEM and the MSCI EM Index till 31 January 2018, inception June 2005

	6 months	1 year	3 years	5 years	Inception
UEM – NAV total return	4.9	17.9	39.5	65.3	313.9
MSCI Emerging Markets index (GBP adjusted) – total return	10.2	25	48.1	48	245.5

Source: Company data

Will make UEM more attractive

The directors of UEM expect the re-domiciliation to benefit current and future shareholders through taking advantage of the UK investment trust structure and flexibility, increasing marketing appeal, providing greater tax efficiency, streamlining the electronic ownership of shares and providing shareholders with enhanced rights via UK takeover and corporate law. In particular, UEM Trust should be able to benefit from the United Kingdom's extensive network of double tax treaties. UEM has historically suffered a very low or insignificant charge to overseas capital gains tax, but in recent years such charge has become material and had UEM been incorporated in the UK and approved by HMRC as an investment trust, the material taxation charges reported in recent years would have been reduced substantially. We expect the redomiciling of UEM will reduce its capital gains tax burden and thereby improve NAV total returns for shareholders over time.

We have highlighted that UEM offers investors exposure to infrastructure assets in emerging markets. These tend to be income producing and UEM's focus on free cash flow provides a degree of downside protection, in our opinion. Equally, we note that the total NAV returns have been significantly higher than the MSCI EM Index over both five years and since inception.

Priced at close 23 February 2018

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Key risks

The principal risks associated with UEM and this asset class include the following:

Key asset class risks include

- Currency risks
- Interest rates globally are low and may rise over the medium term
- Stock-specific risk
- Strategy or sector-specific risks

Key fund risks

- Premium/discount of UEM may be volatile
- UEM has investments in emerging market equities, which can be more volatile than the developed market indices, especially in periods of heightened volatility

235 230 225 220 215 210 205 200 195 190 185 02/2017 04/2017 06/2017 08/2017 10/2017 12/2017 02/2018 В

Figure 3: Share price & recommendation tracker graph

Source: Bloomberg, Stockdale Securities

Investment Funds research disclosures

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Investment funds ratings are explained as follows:

BUY: Total returns expected to be in excess of those from the fund's benchmark HOLD: Total returns expected to be in line with those from the fund's benchmark SELL: Total returns expected to be lower than those from the fund's benchmark

Total return is defined as the movement in the share price over the medium- to long-term, and includes any dividends paid.

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Stockdale Securities must disclose in each research report the percentage of all investment funds rated by the member to which the member would assign a "BUY", "HOLD" or "SELL" rating, and also the proportion of relevant investments in each category issued by the issuers to which the firm supplied investment banking services during the previous 12 months. The said ratings are updated on a quarterly basis. This recommendation system differs from the recommendation system used on non-investment Fund research.

Investment Funds recommendation proportions in last guarter

	BUY	HOLD	SELL
Funds to which Stockdale has supplied investment banking services	100%	0%	0%

Source: Stockdale

The company has seen this research but no material changes have been made as a result.

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