ANNUAL SHAREHOLDER LETTER

31 December 2019

To Shareholders of the Genesis Emerging Markets Fund (the "Fund"),

Happy New Year!

This letter is set out in four parts: (1) investment performance in 2019 including key contributors; (2) investment outlook for 2020 and beyond; (3) our investment process with a focus on our team-based approach to portfolio management; and finally (4) update on Genesis.

Before we dive into performance, we would like to share some Partnership news. Arindam Bhattacharjee, Partner and Portfolio Manager since 2008, has been appointed as a Managing Partner, effective June 2020[1]. Arindam will take over Andrew Elder's responsibilities when Andrew's three-year term ends in June. Andrew, who had taken on this role in July 2017, will remain a Partner.

Arindam will work closely with our other Managing Partner, Catherine Vlasto. Thus, Catherine and Arindam will lead the Partnership, while Chris Ellyatt will continue to manage the business as the Managing Director and Rufus Frazier will continue to chair the Portfolio Coordination Team ("PCT"). Andrew will continue his leadership responsibilities as the Chair of the Genesis Operating Board, our executive board; he will begin to hand over his direct investment responsibilities while taking on a broader mentoring role in the Investment Team and the Partnership.

Investment Performance

In 2019, the Fund's net asset value gained 23.3% in sterling total return terms. This performance was better than that of the MSCI Emerging Markets ("EM") Index, which returned 14.3%. We would like to put this in a longer-term context and highlight the elements of continuity that produced it: our investment process has been consistent. And over this past year, markets have rewarded the Fund's consistent approach and diversified portfolio of quality businesses run by aligned management teams.

Performance was particularly strong in China, where our investments, mostly in good quality, entrepreneurial, consumer-oriented businesses returned 40%, or about 20 percentage points more than the country benchmark. Brazil was another bright spot. Our investments, predominantly in niche businesses with high barriers to entry, were up 60% or about 40 percentage points more than the index. Further afield, our strategy of investing in early-stage consumer-oriented banks and avoiding excessive leverage continued to play out. Our financial investments rose 28%, while EM financials returned only 9% as big banks in markets with higher financial penetration didn't perform well.

Wuliangye and New Oriental Education led the 550bps of relative performance in China.

At the beginning of 2019, premium baijiu producer Wuliangye traded on only 14x our estimate of 2019 earnings despite its rapid sustainable growth and exceptionally high returns on capital employed. As the year progressed, management executed brilliantly, rolling out a product upgrade and pricing increase, and 2019 EPS now look one-quarter higher than our earlier estimate. On top of the earnings surprise, Wuliangye's multiple expanded to 29x of 2019 earnings, delivering, with the dividend, a total return of 150% and

[1] Subject to regulatory approvals.

contributing 250bps to 2019 performance[2]. Over the course of the year, we sold 150bps of Wuliangye in response to the more demanding valuation, although we still have a 200bps position as we remain optimistic about the company's prospects.

After-school tutoring provider New Oriental Education is a more recent purchase, added in 4Q18. We made the investment during a storm of negative factors including new regulations for private sector education in China. The clouds dissipated faster than anticipated, and our initial 70% upside estimate proved conservative as the stock returned 110% during the year. New Oriental contributed 140bps to 2019 performance. While we trimmed marginally, we continue to hold a 200bps position.

BTG Pactual and Totvs outperformed significantly; Brazilian investments added 210bps to relative returns.

Premier investment bank BTG rose 210% during the year and contributed 105bps to relative performance. The company delivered very strongly with its main businesses – investment banking, sales and trading, asset management, and corporate lending – benefiting from a pickup in capital markets activity and rising confidence in Brazil. BTG took the opportunity to restructure its balance sheet and successfully consolidated its digital businesses into a new unit, which is now well positioned to grow. We sold 95bps of BTG as the expected return became relatively less attractive, and we currently hold a 50bps position.

Software company Totvs rose 120% and added 55bps to 2019 performance. At the end of 2018, the company's board appointed a new CEO, who has re-energised the company, led to a greater focus on its core products, and accelerated its M&A strategy. The core business delivered strong results, especially in recurring software revenues. Totvs also acquired a supply chain finance company, which looks highly synergistic as it can leverage the client base of around 35,000 companies, predominantly small and medium-sized businesses that often have difficulties with supply chain finance. We sold 75bps of Totvs as the expected return became relatively less attractive, and we currently hold a 25bps position.

Early-stage EM consumer-oriented banks outperformed significantly; financials contributed 360bps to relative returns.

Financials are about a quarter of our opportunity set, but most of the companies are in higher debt systems, including but not limited to North Asia. We have largely avoided banks in these more penetrated systems, and instead focused on those with room to grow in places like India, Central and Eastern Europe and Egypt. For example, Sberbank in Russia rose 55% and added 130bps to 2019 relative performance. Simply put, we are keen to invest for high returns, without too much leverage, in places where balance sheet growth can be healthy for several years. A good example is India, where private sector banks like HDFC, Axis and Kotak that have an aggregate weight of 400bps in the Fund.

We did well in our financial sector investments by staying true to our philosophy and avoiding some of the large banks in North Asia. China, South Korea and Taiwan together are home to banks with a market cap of about USD 1.5 trillion. Indeed, the four largest banks in the world by assets are all Chinese and state-owned. The largest is ICBC, with USD 4.3 trillion of assets and reports bad loans at a vanishingly small 0.8% of assets, but we find this hard to believe. Inscrutable situations like these don't lend themselves to good minority investor returns and unsurprisingly the Fund isn't invested in any of these banks.

Impact from underperforming investments.

Of course, not all our holdings did well in 2019. Our non-technology holdings in South Korea, i.e. excluding Samsung Electronics, SK Hynix and Naver, detracted 90bps in relative terms; our frontier stocks in Nigeria and Vietnam detracted 90bps; and our holdings in India detracted 45bps.

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[2]Attribution data are calculated relative to the MSCI EM Index return without reference to stock index weights.

Outlook

Looking ahead to 2020 and beyond, we are confident in the outlook for two reasons. Some significant parts of the Fund, including some smaller capitalisation and frontier market companies, have not yet had their time in the sun and are showing decent IRRs. Plus, we have been disciplined about reducing positions when valuations became less attractive, which has been the biggest driver of our unusually high 37% turnover in 2019.

Since the Fund's inception in 1989 we have generated 11.6% annualised returns in GBP, net of fees. This is above the MSCI EM benchmark, which has returned 9.8%, and the MSCI World Index, which has returned 8.3%. We remain very focused on our single product and believe our team remains globally competitive. Our four pillars of success remain in place: (1) sophisticated clients, now with a median relationship duration of 14 years; (2) our aligned structure as an owner-managed single-strategy partnership; (3) our long-term investment time horizon and rigorous fundamental research process; and (4) our diverse team of skilled and experienced professionals.

Our database of investments has a median forecast five-year IRR at about 11% annualised in USD, reflecting the good value still on offer in EM. It is possible that the investment environment may become more conducive to our strategy compared with the period 2014-2019. The Fund's diversified portfolio typically performs better when small and mid-capitalisation stocks do well. But in EM every year from 2014 to 2019 larger capitalisation stocks outperformed. This is reflected in the 15% cumulative outperformance of the capitalisation-weighted MSCI EM Index versus the equal-weighted index. In an historical context, this small cap underperformance is exceptional.

Our Team-Based Approach to Portfolio Management

As business analysts, we know that in competitive industries it is hard for a company to outperform over the long term. We spend a significant proportion of our research effort assessing the sustainability of a company's competitive advantages, including how its culture helps to make it different. As owner-managers of Genesis, we apply the same analysis to assess our own position in a highly competitive industry.

Genesis has a unique structure. For 30 years, we have generated solid investment performance while the team has evolved significantly. None of the team were founding members. We don't have star portfolio managers. What makes us different is our unusual combination of individual accountability and team collaboration. We would like to take the opportunity to describe our team structure and explain how it works.

Our approach is the result of an ongoing evolution, which started with our founders who wanted to create something that would outlast them. Early on, they appreciated the benefits of working as a team, enabling the free flow of ideas and encouraging constructive challenge. It soon became clear that the team had to be diverse enough to engender a range of views and cover our wide EM opportunity set, but tight enough to communicate effectively. The setup that embodies these priorities is the one we have today: a team of ten experienced Portfolio Managers ("PM"s), with individual accountability and a highly collaborative, non-hierarchical structure that doesn't depend on any one individual. Our research effort is primarily organised by country, overlaid by global industry coverage, giving a matrix of responsibilities that precipitates collaboration.

Sustaining this balance requires a few elements to be rooted in the organisation. Three key aspects that require careful design are culture, process and incentives, discussed briefly below.

Culture

To analyse a company, we try to understand its culture and see if this supports its competitive advantages. We analyse ourselves in the same way. As an investment firm, our people and their judgement are our greatest assets, and how we interact to bring out the best in each other is primarily a function of culture.

Our culture reflects our core values: excellence, teamwork, openness and humility. We strive to build a patient, empathetic organisation where substantive disagreements are a fertile part of the decision-making process and are resolved objectively. We understand that divergent opinions are critical to avoid groupthink, and the absence of dissent in a team addressing a complex problem (like an investment decision) should sound an alarm. Meeting dynamics are important. It would be naïve to think, for example, that a public platform even between well-aligned colleagues doesn't create defensiveness. Therefore, much of the detailed challenge is conducted in small groups of two to three team members who know most about each investment, and the wider group challenge occurs online, with all comments logged. This keeps things objective.

Process

Knowing our individual biases is not enough to eliminate them. Embedded in our investment process is the belief that individual bias can be reduced at the organisational level and that drawing on experience in the team results in better decisions. We travel to meet companies in pairs or small teams, using the time to discuss investments and take constructive challenge. A financial model on each company is built and maintained by the stock owner, with the stock "back-up" and the relevant industry principle closely involved. A stock idea is recommended and sized by each PM based on five factors: expected IRR, quality, conviction, investability and correlated risks. The recommendation is circulated to the broader team for comment as outlined above.

Back in the office we interact more broadly, with Monday lunches, quarterly portfolio weeks and industry review days. PMs incorporate feedback into different scenarios to show a company's cashflow stability. All ideas compete for a place in the Fund based on their relative merits, and the Fund is constructed on a bottom-up basis.

Many investment firms have a CIO to calibrate the ideas. Our devolved process behaves more like a neural network and doesn't need a single processor like this on top. Instead the Portfolio Coordination Team ("PCT") ensures our process is followed (PCT approval is required for all trades). The PCT analyses portfolio risk/return characteristics, and the feedback helps the individual PMs to calibrate their position sizing. It also organises portfolio level discussions including sector reviews and macro risks. Finally, the independent Investment Risk Manager provides an unbiased perspective on the risk/return profile of the portfolio and raises issues to the PCT and ultimately the Group Risk Committee.

Incentives

We aim for a structure where team members are motivated both to generate excellent individual investment performance and to help colleagues do the same. Each PM has clear accountability for their holdings. Each of us is also responsible for helping teammates reach better decisions. We are therefore financially incentivised according to our long-term individual performance and our effective collaboration as measured by feedback from the team. The simplicity of the incentive structure protects us from non-investment distractions and office politics. Star fund managers that prefer to operate on their own need not apply.

Genesis Updates

We have extended the Associate Partner Scheme to our Operations Executive Committee members, Robert Bricout (Legal, Compliance and Risk), Jens Moller-Butcher (Operations), Robert Shillinglaw (Finance), Helen Preston (Human Resources), Mark Gooding (Portfolio Analysis) and Sedef Koktenturk (Clients). We believe adding these leaders to our partnership makes us stronger as a business.

On the Investment Team front, Portfolio Manager Xing Hu has been promoted to Associate Partner. Xing joined us from Fidelity in August 2018 and has already contributed significantly to our investment capabilities in China, especially in the technology and internet sectors. We have also welcomed back Yash Sidana, who interned with us as an Investment Analyst in the fourth quarter of 2018. He completed his MBA at London Business School in May 2019 and is now an Investment Analyst focusing on India. Prior to his MBA, Yash worked for WestBridge Capital Partners and the Boston Consulting Group in India. He holds Bachelors and Masters dual degrees in Electrical Engineering from the Indian Institute of Technology.

On the Client Team front, Mireli Antun joined us as a Relationship Manager in September 2019. Previously Mireli was a Business Developer at Votorantim Securities in London. She holds a Bachelors in Law from the University of the State of São Paulo and an Advanced Masters in Law and Economics from the Graduate School of International Studies in Geneva.

With your support, we were able to simplify the legal structure of our business at the end of June 2019. As such, we are winding down our legal entity in Guernsey, Genesis Asset Managers, LLP, and building on our simplified legal entity in the UK, Genesis Investment Management, LLP. In the process we have also become a registered Alternative Investment Fund Manager under the Alternative Investment Fund Management Directive ("AIFMD") in the UK. We continue to maintain our SEC registration in the US.

Under AIFMD, we strengthened our investment risk management process by adding an Independent Investment Risk Manager with separate reporting lines from our Investment Team. Thus Matt Saunders, our Enterprise Risk Officer, has joined the PCT as an Independent Investment Risk Manager. Matt has been with Genesis since 2015, and previously, he was a Senior Risk Analyst and Investment Analyst at Newton Investment Management. Matt is a CFA Charterholder and has an Executive MBA from Cambridge University.

Conclusion

The foundations of our long-term success remain in place. Our active investment strategy of undertaking deep fundamental research to unearth long-term investments in quality businesses at attractive prices remains as relevant today as ever in EM. We thank you for the trust you have placed in us as the stewards of your capital and look forward to continuing our long-standing partnership.

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