

Quarterly Update

Q4 2020

GENESIS & GEMF UPDATE

Genesis

Xing Hu, Portfolio Manager, joined the Genesis Partnership on 1st January 2021. Since joining Genesis in 2018, Xing has made a significant contribution to both the portfolio and the team, not least by generating investment insights in the countries and sectors under his coverage, including China and South Korea, and the internet and IT hardware sectors.

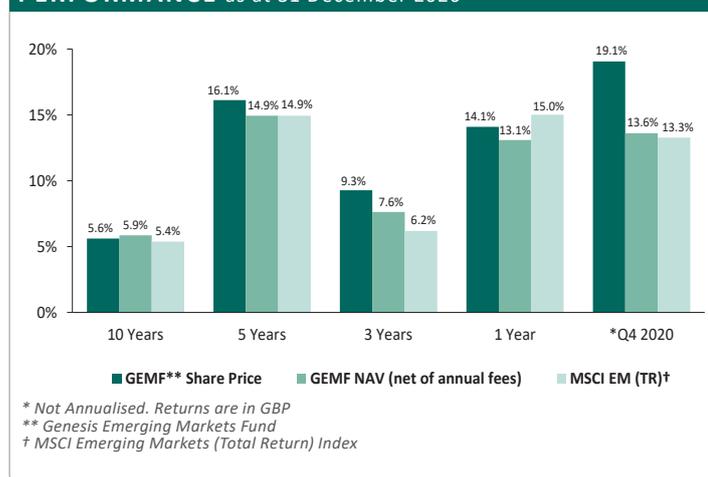
Marguerite Mills, Head of Investment Governance, became an Associate Partner on 1st January 2021. Marguerite joined Genesis in 1997 and works with the investment team to support their analysis of ESG matters, engagement activities and voting decisions. Previously, Marguerite was the General Counsel and Head of the Legal, Compliance and Regulatory teams at Genesis.

In line with the UK Government's advice on travel, office working and general Covid-19 guidance, all our employees continue to work remotely and our office in London remains shut.

GEMF

Potential tender offer of up to 25% of issued shares in 2021.

PERFORMANCE as at 31 December 2020



PORTFOLIO ACTIVITY

Purchases continued to largely focus on new investments this quarter. Philippine broadband supplier Converge and ecommerce company Ozon (Russia) were introduced following their respective IPO's, while another position introduced via an IPO in September, Boa Vista (Brazil), continued to be built upon. Remgro (South Africa) and By-Health (China) were also new holdings added during the quarter.

In other purchases, Indian insurance duo ICICI Prudential and SBI Life both continued to be added to and the position in Brazilian healthcare provider Intermédica was scaled up to better reflect its quality and size after a secondary equity offering was announced. Increased conviction prompted purchases in food delivery firm Delivery Hero, and Heineken was also topped up prior to both companies rallying strongly. In China, capital was redeployed from New Oriental Education into TAL Education and market volatility provided opportunities to add to Country Garden Services, CSPC Pharmaceutical and Greentown Service.

China A-share holdings accounted for a significant portion of sales – Focus Media was scaled back and baijiu duo Jiangsu Yanghe and Wuliangye were reduced as their share prices continued to soar. Profits were taken from Samsung Electronics (Korea) following share price strength while sociopolitical concerns in Thailand saw CP All and Bangkok Dusit cut back. In India, Kotak Bank was trimmed after a steep share price increase and the position in Tata Consultancy Services was halved. There were also some reductions across the portfolio's LatAm holdings. The approval of a merger between Linx (Brazil) with StoneCo saw the position sold following concerns this was not in the best interests of shareholders, while Mexican bank Inbursa and telecoms company América Móvil exited the portfolio, both after 13 year residencies. In total four holdings were sold this quarter, including the small position of Edita (Egypt).

PORTFOLIO PERFORMANCE

Emerging markets finished a tumultuous year with a bang with news of vaccines, with high efficacy levels, to fight Covid-19. As a result markets climbed sharply, and the MSCI EM Index posted a return of 13.3% for the quarter in sterling terms. Emerging markets finished 2020 with a healthy, and at one point highly improbable, return of 15.0%. Some of the more vulnerable markets that were hit hard earlier in the year bounced back in Q4, with Brazil, Mexico, Indonesia and Turkey all gaining 23% or more, while Colombia rose by over 40%. South Korea pipped Taiwan as the best performing EM in 2020 (+41%), as it gained 31% in Q4, but China's 5% quarterly return was a notable underperformer as some of its largest companies were hit by regulatory concerns. The year was characterised by huge dispersion of returns and amidst all this volatility the portfolio gained 13.6% in Q4, outperforming the benchmark by 0.3% but it underperformed by 1.9% over the year despite a 13.1% gain.

The two behemoth chipmakers were the standout contributors this quarter as TSMC rose by 20% and Samsung Electronics 46%. Close behind was the Chinese liquor producer Jiangsu Yanghe, whose share price rose by 86% in Q4 to post a 128% return in 2020, just behind its counterpart Wuliangye which 'only' gained 30% over the quarter. Elsewhere a few of the banks that had been impacted by the pandemic finished strongly, namely Sberbank (Russia, +28%), OTP (Hungary, +41%) and Kotak (India, +50%). In such a strong quarter there were few holdings whose share price fell, but within them was Alibaba, as its share price experienced a few significant blows. Firstly, there was the shock suspension of the massive IPO of Ant Group, of which it owns 33%, as the Chinese regulator imposed tighter regulations on financial services just days prior to the deal. Next, draft rules were issued in November meant to prevent monopolistic behaviour by internet companies, and then in late December Chinese regulators launched an antitrust investigation into the ecommerce giant, focusing on the exclusive agreements it requires merchants to sign. The end result was a 25% share price drop and US\$150bn wiped off its market cap.

The portfolio added 130bps from China, helped by the underweight position in Alibaba and a number of stocks performing well, including Anta (+45%) and AIA (+18%). In India, 95bps was added through stock selection, predominantly banks, as the portfolio's holdings gained an aggregate of 25%, compared to the benchmark's 15%. Gains were also made in some of the smaller markets, including Indonesia, Hungary and Greece. The large underweight position in the South Korean market cost the portfolio 85bps, a similar story in Brazil cost 40bps, while some losses were also made in Mexico and the Philippines through underperforming stocks. By sector, there were significant gains from financials (190bps) and consumer discretionary (120bps) but there were losses from IT (90bps) and healthcare (80bps), where the portfolio's two pharma names disappointed.

NEW HOLDINGS

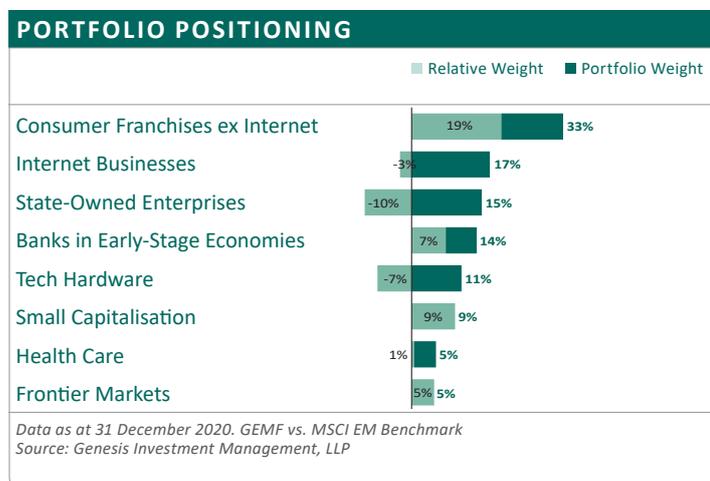
BYHEALTH By-Health is a leading vitamin and dietary supplement (VDS) provider in China with a growing product portfolio. After actively building its online capability to capture a shift in consumption it is now the dominant provider both online and in pharmacies. The VDS market has been growing at an annual rate of 10-15% over the last 10 years and By-Health is well positioned to gain share of this growing market through its newly launched and pipeline products.

CONVERGE Converge is the second largest fixed broadband operator in the Philippines with a 19% share and is the largest high-speed fixed broadband provider with a 55% share. Significant demand for high-speed, reliable connectivity has been created by a large number of overseas workers, along with the country's strong social media consumption and this demand has been accelerated by the pandemic.

Remgro Limited Remgro is a South African based investment holding company, largely focused on consumer goods, financial services, health care and ICT, across both listed and unlisted companies. Remgro's portfolio provides a liquid way to gain exposure to high quality assets in South Africa at a significant discount to NAV and there is further value to be unlocked through restructuring inefficient holding structures, which management incentives have recently been aligned with.

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PORTFOLIO CHARACTERISTICS

Diversified portfolio of attractively-priced, high quality businesses. Portfolio overlap with the MSCI EM Index is 28%.

	PORTFOLIO	BENCHMARK
Top 20 Stocks Represent	47.0%	36.1%
Number of Stocks	100	1,397
Countries Represented	28	27
Average Holding Period	5 years	n/a
VALUATION (CURRENT YEAR)		
RoE	16.0%	12.2%
P/Book	3.2x	2.0x
P/E	24.8x	17.9x

*AUM US\$22.0 billion as at 31 December 2020
Based on GEMF and MSCI EM Index. Valuation ratios are weighted average
Sources: GEMF and MSCI EM valuation ratios data from FactSet*

PORTFOLIO: TOP 20 HOLDINGS

COMPANY	COUNTRY	SECTOR	COMPANY	COUNTRY	SECTOR		
1 Taiwan Semiconductor	Taiwan	IT	5.7%	11 Yandex	Russia	Communication Services	1.8%
2 Alibaba	China	Consumer Discretionary	3.9%	12 Infosys	India	IT	1.7%
3 Tencent	China	Communication Services	3.9%	13 New Oriental Education	China	Consumer Discretionary	1.7%
4 Samsung Electronics	South Korea	IT	3.5%	14 China Mengniu Dairy	China	Consumer Staples	1.7%
5 Sberbank	Russia	Financials	3.3%	15 HDFC Bank	India	Financials	1.6%
6 Wuliangye Yibin	China	Consumer Staples	2.5%	16 OTP Bank	Hungary	Financials	1.6%
7 AIA Group	China	Financials	2.3%	17 Jiangsu Yanghe Brewery	China	Consumer Staples	1.5%
8 Heineken	Netherlands	Consumer Staples	2.1%	18 Country Garden Services	China	Industrials	1.5%
9 Naspers	South Africa	Consumer Discretionary	2.0%	19 Vinamilk	Vietnam	Consumer Staples	1.5%
10 Richemont	Switzerland	Consumer Discretionary	1.8%	20 Anta Sports Products	China	Consumer Discretionary	1.4%
Total							47.0%

*Based on GEMF, as at 31 December 2020
Source: Genesis Investment Management, LLP*

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