MAGNA EMERGING MARKETS DIVIDEND FUND

AS AT 30 SEPTEMBER 2020 EUR

FUND DETAILS

Structure	UCITS
Domicile	Ireland
Registrations	AT CH DE DK ES FI FR GB IE IT LU NL NO SE SG
Launch Date	28 Jun 2010
Income	Accumulated or distributed
Daily Dealing	12 noon (Dublin time)
Dealing Cut-off	T - 1
Number of Holdings	51
Cash Weight	2.1%
Volatility	14.4%
Active Share	87.4%
Information Ratio	-0.39
Beta	1.10
Fund Size	EUR 210.7m
Portfolio Managers	Ian Simmons and team

Volatility, Information Ratio and Beta are calculated from the last 3 years monthly fund data.

DIVIDENDS

Historic Yield	Fund: 4.2% Index: 2.5%
Payment Dates	Jun / Dec

AWARDS & RATINGS

MORNINGSTAR ★★★

ELITE RADAR on our watchlist: FundCalibre.com

FUND OBJECTIVE

The Magna Emerging Markets Dividend Fund seeks to achieve a combination of income and long-term capital growth by investing in a diversified portfolio of higher yielding Global Emerging Market Securities. The Magna Emerging Markets Dividend Fund is a sub-fund of the Magna Umbrella Fund plc.

STRATEGY DESCRIPTION

We look to invest in quality companies, with strong management and sustainable growth prospects, at attractive valuations. Our approach to investing is bottom-up, stock-focused and research-driven. We focus on both quantitative and qualitative analysis and search for less well-understood opportunities. Regular management meetings are a key principle of our process. We like to find companies we can invest in for the long term. Belief in the sustainability of their growth and evidence of good shareholder relations are key drivers for us. Portfolios are built on the basis of our conviction; we are aware of any benchmark index but if we don't like a stock, we don't invest in it, regardless of its index weighting. This strategy invests in high dividend paying companies across emerging markets without restriction, aiming to provide a combination of income and long-term capital growth.

HIGHLIGHTS

- A portfolio of quality companies with a dividend paying culture
- Combination of capital growth and income
- Opportunities across all regions, sectors and market caps

GROSS FUND PERFORMANCE (%)

Period to 30 September 2020	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y	SI
Magna Emerging Markets Dividend Fund	-1.15	3.95	19.29	-15.18	-10.01	-0.97	0.57	5.90	5.05	5.24
MSCI Emerging Markets Index	-1.95	4.93	21.05	-5.39	2.77	3.56	2.69	7.90	4.07	4.56
Added Value	0.81	-0.99	-1.76	-9.79	-12.78	-4.53	-2.12	-1.99	0.97	0.68

Calendar Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Magna Emerging Markets Dividend Fund	24.17	-7.92	16.77	13.94	-6.09	8.12	2.30	24.79	-10.34	NA
MSCI Emerging Markets Index	20.61	-10.27	20.59	14.51	-5.23	11.38	-6.81	16.41	-15.70	NA
Added Value	3.55	2.35	-3.82	-0.57	-0.87	-3.26	9.11	8.38	5.35	NA

Returns are presented gross of management fees, in EUR
SI Since Inception (30 June 2010)

GROWTH OF EUR 10,000

Performance is represented by the Magna Emerging Markets Dividend Composite comprising all share classes of the Magna Emerging Markets Dividend Fund. Composite performance figures are shown gross, ie before fees, in EUR. The Magna Emerging Markets Dividend Fund is not managed against a benchmark. Performance figures are annualized for periods in excess of one year. Past performance should not be seen as an indication of future performance. Fiera Capital claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified for the period 1 Jun 2000 through 31 Dec 2018. A copy of the verification report and a presentation that adheres to GIPS standards are available upon request to the Marketing Department.

MAGNA EMERGING MARKETS DIVIDEND FUND

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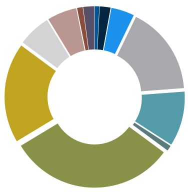
TOP HOLDINGS

Company Name	Country
Chailease	Taiwan
China Mobile	China
Ping An	China
Samsung Electronics	Korea
Sberbank	Russia
TSMC	Taiwan
Wuliangye Yibin	China
Xinyi Solar	China
In alphabetical order	
Combined weight of top 8	36%

SECTOR EXPOSURE (%)



Energy	0.8
Materials	2.0
Industrials	4.4
Consumer Discretionary	16.6
Consumer Staples	10.2
Health Care	1.0
Financials	31.3
Information Technology	18.7
Communication Services	6.2
Utilities	5.6
Real Estate	1.1
Cash	2.1
Total	100.0

COUNTRY EXPOSURE (%)

Brazil	6.4
China	31.2
India	2.9
Indonesia	2.9
Korea	8.0
Mexico	5.1
Philippines	4.7
Russia	12.3
Taiwan	14.8
Vietnam	1.5
Others (inc Cash)	10.2
Total	100.0

COMMENTARY

The Fund generated a negative return of 1.2% in September, as markets globally reacted negatively to the combination of rising infection rates and an impasse in further fiscal stimulus coming out of the US. With US election season upon us it is predictable that the noise generated will create volatility in many markets globally in the short term. There are many variables that might, at face value, provide strong arguments for a binary outcome for emerging markets depending on the result of the election. However, we feel our time is better spent analysing the ability of companies to grow their earnings as that remains the one unwavering determinant of equity market and individual stock performance.

On the positive side, Xinyi Solar increased by 28% in the month as a raft of analyst upgrades were published on the back of very strong released product price data. Despite successive product price hikes in August and September, solar glass shipments have not slowed, and inventory levels remains low. In addition to the short-term drivers, there were some very positive developments announced in the 14th Chinese five-year plan. Firstly, a long-term sustainable growth of renewable energy in China seems increasingly likely, as it aims to achieve carbon neutrality by 2060. China currently accounts for around 30% of global CO_2 emissions. Since the government stated its aim to lower carbon intensity in 2009 and further pledged peak emissions by 2030 at the Paris Agreement in 2015, China has been committed to increase the clean energy proportion in its energy mix. By 2030, China targets to increase the use of natural gas from around 10% to 15% of its total energy needs, and the use of renewables from around 15% to 20% of the total. We believe China is on track to meet its targets and could even further accelerate these. Secondly, lower cost for solar modules is driving higher demand for solar glass and Xinyi Solar, as the market leader, is driving efficiency gains for downstream users via its thinner glass offering in bifacial modules. Extra demand growth for solar glass, driven by rising bifacial module mix from 14% in 2019 to a forecast 50% in 2023, coupled with a stable solar glass price outlook amid tight supply, with limited capacity additions in the pipeline for the sector means we forecast 30% compound earnings growth for the next two years. We forecast that Xinyi Solar, the largest solar glass manufacturer with approximately a 30% global market share, will add around 50% more capacity over the next two years.

On the FCMG side, Vinamilk, the Vietnamese dairy products company, released its 3Q 2020 preliminary results with revenues and net profit up by 9% and 16% year on year respectively. For the first nine months of 2020, revenues and profits both increased by 7%, both well ahead of analysts' expectations. The strong results were driven by lower input prices, particularly a fall in powdered milk prices, and by lower advertising spend. This lower advertising spend is largely a result of COVID-19 lockdowns, where many off-line advertising channels became much less effective. The company still sees opportunities for further margins expansion, from improvement and synergy of Moc Chau Milk productivity. On the export side, it expects double-digit growth this year, with Iraq remaining the key market while waiting for drinking and powder milk export licenses from the Chinese authority. The stock has now appreciated by 23% from our entry price in a short space of time and we are reviewing the model to determine the remaining upside in light of the recent results.

On the negative side of attribution for September, the largest contributor versus the Emerging Markets Index was Alibaba, a stock that we do not hold in this Fund due to the absence of the required dividend yield. This is another example of a massive style headwind for the Fund since lockdowns commenced, with just the absence of Alibaba and Tencent in the portfolio costing 4.3% of relative performance year to date.

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SUBSCRIPTION INFORMATION

		B Acc Shares	B Dist Shares	N Acc Shares	R Acc Shares	R Dist Shares
Minimum Subscription		GBP 5,000	GBP 5,000	EUR 1,000,000	EUR 5,000	EUR 5,000
Additional Subscriptions		GBP 100	GBP 100	EUR 1,000	EUR 100	EUR 100
Annual Management Fee		1.00%	1.00%	1.25%	1.75%	1.75%
Performance Fee		No	No	No	No	No
Front-end Load		Up to 5%	Up to 5%	Up to 5%	Up to 5%	Up to 5%
WPKN Code		A110R6	A12DGT	A1CZJJ	A1CZMK	A1CZML
ISIN Code	CHF	IE00BKX57Y42	IE00BKX57Z58		IE00BKX58072	IE00BKX58189
	EUR	IE00BBPLSG61	IE00BBPLSJ92	IE00B3MQTC12	IE00B670Y570	IE00B671B485
	GBP	IE00B8260R81	IE00B8QB4001	IE00B53FMY46	IE00B5910H59	IE00B4TFBZ51
	USD	IE00BBPLSH78	IE00BBPLSK08	IE00B53GDK00	IE00B57ML554	IE00B58H2N45
Bloomberg Code		MEMDBAS	MEMDBDS	MAGEMNA	MAGEMRA	MAGEMRD
Valor Number EUR		22127774	22908944	11378786	11378804	11378813

N Class Distribution Shares also available. A full NAV history of all share classes is available on uk.fieracapital.com

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Of the stocks that we do own, China Mobile was the largest negative contributor in September as it fell 10%. There does not seem to be any clear catalyst for this fall, although H1 2020 results released at the end of August did show a slightly reducing EBITDA margin due to the impact of COVID-19. In addition, ARPU's fell in the first half of the year as customers used their phones less in the absence of travel. There have also been some encouraging statements recently on a significant increase in expected 5G customer numbers. ARPU's for 5G are expected to be 6% higher than for 4G but there will be some dilution of margins initially as higher tower utility prices and start-up capex (though lower than feared) will need subscriber scale to show the longer-term margin benefits. The stock trades on 3 times EV/EBITDA with a 5% dividend yield and 40% of its market cap in cash, so we see no reason to change our positive view. Fellow telecom, Telekom Indonesia also suffered on concerns of higher competition. However, their leading market position and product offering to rural areas remain intact, and we are confident they will not allow themselves to be drawn into a price war. Offering a 6% yield in a market with some of the lowest ARPU's in emerging markets which are witnessing rising demand for data leaves us confident of strong fundamentals here.

The MSCI High Dividend Index is now underperforming the regular MSCI EM benchmark by 17.6% YTD as the headwinds have persisted for companies paying dividends. The EM Growth Index is outperforming the regular benchmark by 15% meaning the spread between high growth and high yield is now greater than 30%, the highest performance differential in the last decade.

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