

## MI Somerset Emerging Markets Dividend Growth Fund OEIC

Investment Adviser's Monthly Report



**Mark Williams**  
Partner & Co-Manager



**Kumar Pandit**  
Partner & Co-Manager

### Fund Objectives

The Somerset EM Dividend Growth Fund aims to generate total returns over the long-term via a combination of growth and income. Co-managers Mark Williams and Kumar Pandit structure a concentrated portfolio of 30-50 well-managed companies with strong, sustainable earnings growth that either pay dividends or that the team expect to pay dividends within their investment horizon. All companies must adhere to Somerset's independent criteria around environmental, social and governance risk and the team actively engages with companies on material issues. Mark and Kumar are supported by Somerset's team of fund managers and analysts based in London and Singapore.

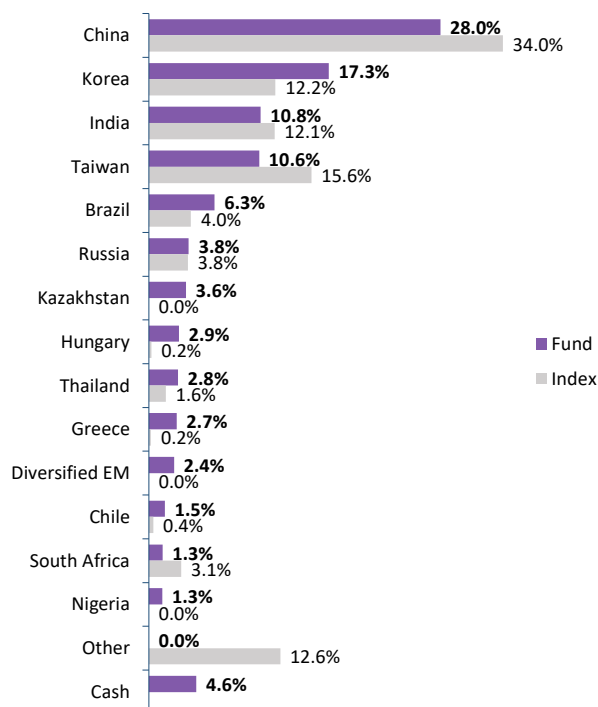
### Assets Under Management

Somerset Capital Management LLP	\$5,975 m
Dividend Growth Strategy	\$200 m
Dividend Growth Fund OEIC	£152 m

### Portfolio Data

	Portfolio
P/E (Historical) ‡	113.7x
Dividend Yield (%)	1.5%
Wgt Ave Mkt Cap (\$m)	101,474
No. of Stocks	34
Price (Accumulation)	194.43
Price (Income)	146.23

### Country Breakdown



‡ The Fund's price to earnings ratio (12 month trailing) is elevated this month due to an outlier - Locaweb has P/E ratio of 2485.9x. The Fund P/E excluding this outlier is 48.4x.

\* Source: Maitland Institutional Services Limited & MSCI. The Fund inception date is 30th March 2010 + The Index is the MSCI Emerging Markets Index with Net Dividends Reinvested.

Acc GBP Performance Net (%)*	Fund	Index*	+/-
1 Month	-1.02%	-0.61%	-0.41%
3 Months	-1.89%	-3.23%	+1.34%
YTD	5.57%	-1.16%	+6.73%
Since Inception*	94.43%	80.82%	+13.61%
2020	0.01%	14.65%	-14.64%
2019	17.23%	13.86%	+3.37%
2018	-15.46%	-9.27%	-6.19%
2017	21.78%	25.40%	-3.62%
2016	26.83%	32.63%	-5.80%
2015	-6.39%	-9.99%	+3.60%
2014	8.41%	3.90%	+4.51%
2013	-3.19%	-4.41%	+1.22%
2012	15.82%	13.03%	+2.79%
2011	-5.98%	-17.82%	+11.84%
2010	12.45%	11.83%	+0.62%

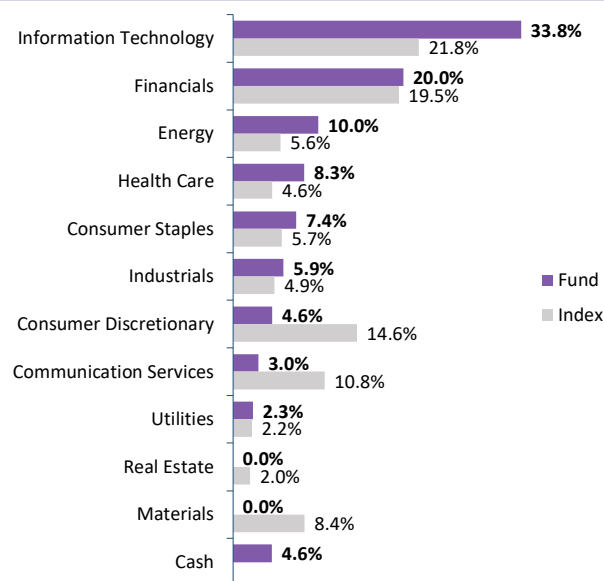
### Top 10 Holdings

	Country	NAV %
eMemory Technology Inc	Taiwan	5.4%
Taiwan Semiconductor Manufacturing Company	Taiwan	5.2%
Samsung Electronics Co.	Korea	5.0%
WuXi AppTec Co Ltd (HK-C)	China	4.3%
Kweichow Moutai Co Ltd	China	4.0%
SK Hynix Inc	Korea	4.0%
Novatek PJSC-GDR	Russia	3.8%
Housing Development Finance Corp	India	3.6%
HCL Technologies LTD	India	3.6%
NAC Kazatomprom GDR	Kazakhstan	3.6%

### Market Cap Breakdown

	Fund
< \$5bn	14.9%
\$5-\$20bn	38.9%
\$20-\$50bn	9.2%
> \$50bn	37.0%

### Sector Breakdown



November saw the arrival of Omicron, the latest variant of Covid-19 which had a significant impact on both global and emerging markets.

South Africa, where the variant was first identified and which saw a sharp rise in infections and possibly reinfections sold off sharply, with the Rand falling by 6% over the month. Other markets where there would be an obvious direct impact from the return to shutdowns of the past couple of years were also hit, with tourism-dependent economies such as Greece and Thailand both selling off by more than the index.

While our current understanding of the new variant remains limited there is a risk that there may be a setback to the recovery in global growth that markets appeared to have hoped for. This led to a fall in global oil prices and a reversal of expectations for interest rate normalisation and uncertainty over inflation's path.

This sell-off following the discovery of Omicron's swift spread more than reversed what had been positive market returns up to that point, and emerging markets had fallen by 4% at the end of November. Outside of Omicron's impact the biggest event in emerging markets was Turkey's ongoing contrarian monetary policy. The President, Erdogan, continues to insist that interest rates should remain low at a time when inflation is running above 20%, which is causing economic havoc. His finance minister resigned at the end of November, only to be replaced by his son-in-law, further compounding investor concerns. So far this year the currency has plummeted by more than 50% and as yet there is no visible solution to events. Currently the Dividend Growth Fund has no exposure to Turkey.

Political tensions also rose in Russia, where massing of troops on the Ukrainian border led to an increase in global concern that an invasion might be imminent. We sold out of our holding in Sberbank in part as this elevated risks of international sanctions against the country, but also because the company had performed well up to that point and had reached our estimate of fair value. When we sold it had risen by 69.5% in GBP terms (since we took over the Fund on 1st Nov 2020) and was trading at a multiple of 1.29x P/B.

We have also seen an ongoing slowdown of China's growth beyond our expectations. The desire to use the current environment as a chance to achieve economic transitions has continued with greater impact on growth than predicted. One such transition might be an ongoing shift away from the speculative investment in property that the country has suffered from for decades. While Evergrande's demise was always a part of this and expected, if the process continues and reduces the levels of property inventories currently in China then it will have wider-reaching consequences. As a result we sold out of Vale, which remains one of the better run mining companies in the world, but which will always remain subject to the pricing of iron ore which is clearly out of its control.

Despite the current slowdown in China, which has been allowed to continue longer and deeper than we originally expected, we still think there is a broad number of attractive companies in China that provide the combination of factors we are looking for: well managed companies, growing faster than the asset class with attractive valuations and expectations that a dividend will be paid in the life of the investment. During recent weakness we added to a number of Chinese companies, Wuxi Aptec and Beijing Kingsoft while investing in a new position, Shenzhen Kedali. The company manufactures battery casings and is a major supplier to the leading battery manufacturers for electric vehicles. With two to three years for product approval Kedali's position is increasingly protected from competition in the high growth environment that is likely to continue for some years. Kedali is significantly increasing capacity in China and Europe, further cementing its scale and technology advantages.

One more positive note, first round presidential election results in Chile were well received by markets, which saw the Santiago Stock Exchange post positive returns for the month. Taiwanese equities also strengthened as semiconductor related names were strong, albeit after a brief recent sell-off.

***Mark Williams and Kumar Pandit***

Fees	
	0.90% AMC

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Share Class Information		
	Accumulation	Income
GBP Sedol	B4Q0711	B4QKMK5
GBP ISIN	GB00B4Q07115	GB00B4QKMK51
EUR Sedol	B3R0FQ4	B56S7H8
EUR ISIN	GB00B3R0FQ48	GB00B56S7H80
USD Sedol	B4PV5H7	B4P9CN6
USD ISIN	GB00B4PV5H71	GB00B4P9CN62

#### Contact Information & Disclaimer

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