

CORE SELECTION SPOTLIGHT

RWC GLOBAL EMERGING MARKETS

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I have been portfolio manager of the RWC Global Emerging Markets Fund since its launch in December 2015. I have 25 years of investment experience, having previously worked for both Everest Capital and Barings.

We use macro-economic views and detailed individual company research to identify countries, themes and businesses with high return potential. We target growth opportunities trading at reasonable prices and we pursue an idea-focused rather than index-driven approach. Our approach to idea generation is a dynamic one in which the whole investment team participate, scouring our universe of some 7,000 companies in more than 60 countries and analysing information on a sectoral, country-specific and thematic level. We conduct more than 1,700 company meetings a year and participate in regular meetings with RWC's other portfolio managers, analysts and our macroeconomist.

Country example – South Korea

Korea's economy is maintaining momentum on exports and we believe that it will continue to see stronger domestic demand, with

THE CHELSEA VIEW

We think this funds macro-economic overview makes a lot of sense in emerging markets which are often more vulnerable to shocks than their developed market counterparts. The team is well resourced and has an excellent long-term track record.

consumption accelerating and continued growth in capital expenditures. Inflation remains low, monetary policy will be tightened very gradually and credit growth is accelerating. We feel that the country's on-going unification with the North is also encouraging.

South Korea's workforce is expected to decline over the next 20 years by 10 million from today's 26 million workers, while the labour force in the North stands at close to 20 million today with little future decline forecast. While differences in language and culture represent an obvious short-term hurdle, a full integration of the workforces of the North and South may significantly boost the region's economic growth over the long term.

Thematic example – Technology Disruption

We are looking for technology companies that are disrupting the way an industry works, creating a new business model or where the technology is changing so dramatically that the number of companies able to compete in this area shrinks to an effective oligopoly.

E-commerce (business conducted online) is part of this theme, but in emerging markets much of that experience is actually leap-frogging the desktop computer and moving straight to smartphones. Internet

media, advertising and classifieds represents another avenue.

Rapid changes in technology can lead to a significant reduction in the number of competing companies. One such example is Samsung Electronics, which is one of the world's largest technology companies and is the global leader in memory production with roughly half of global market share. We believe that the company will continue to benefit from the increasing penetration of smartphones, data-centres and artificially intelligent devices. The company's semiconductor division continues to thrive, and we believe margins will stay at peak levels given ongoing discipline with only three other players in the industry.

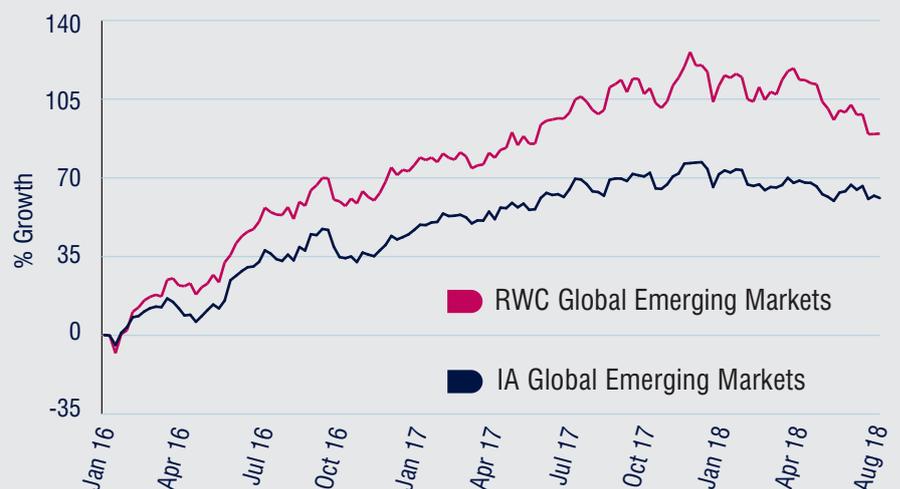
Sector positioning

Currently, we are substantially overweight in the industrials and materials sectors, and slightly overweight energy, as we believe that the business cycle is currently in an expansionary phase. Our industrial exposure is diversified across Asia, as we see significant infrastructure growth potential in India, China and Vietnam amongst other economies.

The fund's materials exposure includes holdings principally relating to steel, copper and cement. We feel that an increase in long term structural demand, led by the rise of electric vehicles in addition to supply constraints such as decreasing ore grades, should benefit the copper price.

The thesis in relation to some of our energy investments surrounds growth in production, balance sheet deleveraging and stable to rising oil prices. Asset sales and cost control programs have been implemented and the subsequent reduction in capital expenditures shows significant growth in free cash flow yields.

RWC Global Emerging Markets - since January 2016



Source: FEAnalytics 29/01/2016-31/08/2018