# COMGEST GROWTH EMERGING MARKETS FLEX EUR I ACC

**30.09.2018**

## TOP 5 EQUITY HOLDINGS (% weight)

| | |
|---|---|
| Ping An Insurance (Group) Company of.. | 5.2 |
| Taiwan Semiconductor Manufacturing C.. | 5.0 |
| SAIC Motor Corporation Limited Class.. | 3.9 |
| Sanlam Limited | 3.8 |
| Baidu Inc. ADS | 3.6 |

The above equity exposures are provided for information only, are subject to change and are not a recommendation to buy or sell the securities.

## SECTOR BREAKDOWN (%)

| | Long |
|---|---|
| Information Technology | 29.3 |
| Financials | 25.2 |
| Consumer Discretionary | 11.5 |
| Consumer Staples | 9.9 |
| Industrials | 6.5 |
| Telecommunication Services | 6.5 |
| Utilities | 2.9 |
| Energy | 1.7 |
| Health Care | 1.1 |
| Materials | -- |
| Real Estate | -- |

## REGION BREAKDOWN (%)

| | Long | Net |
|---|---|---|
| China / Hong Kong | 33.4 | 21.2 |
| Other Emerging | 20.5 | 10.3 |
| South Africa | 11.2 | 5.9 |
| Korea | 9.2 | 5.4 |
| Other Developed | 8.9 | 8.0 |
| India | 6.4 | 4.7 |
| Taiwan | 5.0 | 3.2 |
| Total Exposure | 94.6 | 58.7 |

Breakdowns based on GICS sector and MSCI country classifications. Long exposure reflects equity exposure while net exposure includes short equity index futures used for hedging purposes.

## INVESTMENT OBJECTIVE

The investment objective of the CGEM Flex Fund is to achieve capital appreciation by creating a portfolio of high quality long-term growth companies based or operating in Emerging Markets.

The Fund will adopt a hedging strategy using exchange-traded equity index futures with the aim of partially offsetting loss that may result from a decline in the price of shares held by the Fund.

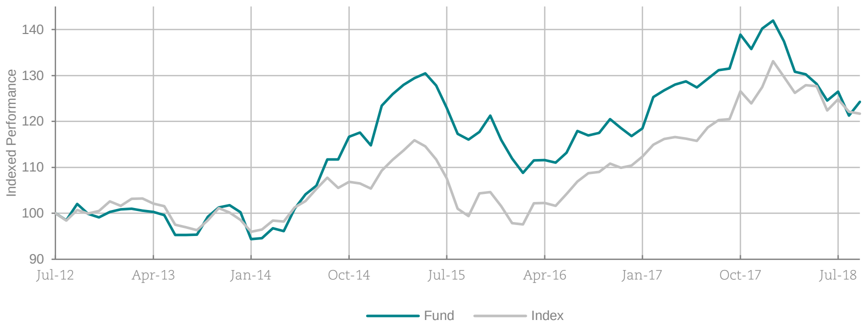
The fund is aimed at investors with a long-term investment horizon.

## RISK AND REWARD PROFILE

| Lower risk<br>Typically lower rewards | | | | | | Higher risk<br>Typically higher rewards |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | **5** | 6 | 7 |

This indicator represents the risk and reward profile presented in the Key Investor Information Document. It is not guaranteed and may change during the month.

## CUMULATIVE PAST PERFORMANCE (INDEXED) AS AT 30.09.2018




## ROLLING PERFORMANCE (%) AS AT 30.09.2018

| | 1 month | QTD | YTD | 1 Year | 3 Years (Annualised) | 5 Years (Annualised) | 10 Years (Annualised) | Since Incep. (Annualised) |
|---|---|---|---|---|---|---|---|---|
| Fund | 2.47 | -0.23 | -11.38 | -5.51 | 2.31 | 4.60 | - | 4.11 |
| Index | -0.36 | -0.58 | -4.55 | 0.96 | 6.96 | 4.31 | - | 3.38 |
| Fund Volatility | | | | 11.79 | 11.68 | 12.41 | - | 12.22 |
| Index Volatility | | | | 13.82 | 12.54 | 11.66 | - | 11.16 |

## CALENDAR YEAR PAST PERFORMANCE (%)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Fund | -0.10 | 14.58 | 1.01 | 0.75 | 20.03 |
| Index | -3.89 | 6.92 | -3.65 | 8.73 | 15.44 |

## ANNUAL PERFORMANCE (%) AS AT QUARTER END

| | Q3 2013 -Q3 2014 | Q3 2014 -Q3 2015 | Q3 2015 -Q3 2016 | Q3 2016 -Q3 2017 | Q3 2017 -Q3 2018 |
|---|---|---|---|---|---|
| Fund | 12.57 | 3.90 | 1.25 | 11.93 | -5.51 |
| Index | 7.11 | -5.78 | 9.65 | 10.55 | 0.96 |

Performance data expressed in EUR
Index: MSCI Emerging Markets - Net Return (changed from MSCI EM (NET) 60% + CASH (EUR) 40 % - Net Return on 01.04.2017). The index is used for comparative purposes only and the fund does not seek to replicate the index.

**Past performance is not a reliable guide to future performance.**
The calculation of performance data is based on the net asset value (NAV) which does not include any sales charges. If taken into account, sales charges would have a negative impact on performance.

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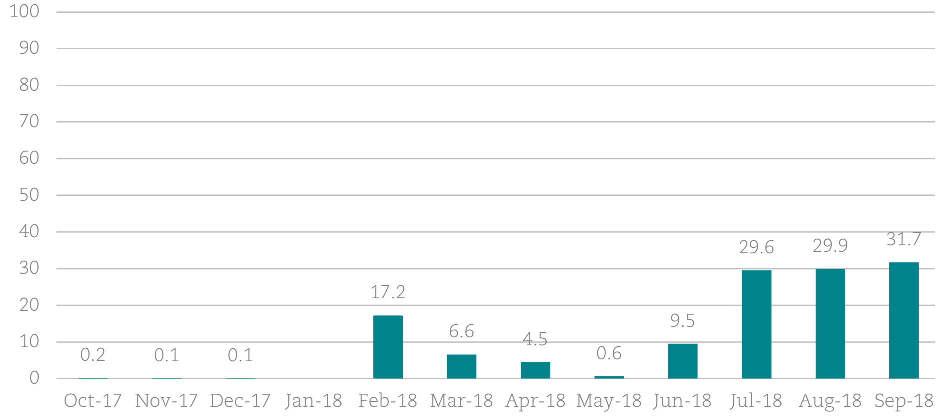
The Average Hedging Level graph displays the average short positions in equity index futures over each of the past 12 months. The fund uses equity index futures which are correlated to the fund's portfolio of equity positions to attempt to hedge against market risk. The hedging level is determined by a number of proprietary quantitative indicators.

## AVERAGE HEDGING LEVEL (%)




## BULL & BEAR MARKET PERFORMANCE (ANNUALISED SINCE INCEPTION)


Number of months of bull markets: 40
104% capture

Number of months of bear markets: 34
101% capture

Performance data expressed in EUR
Index: MSCI Emerging Markets - Net Return (changed from MSCI EM (NET) 60% + CASH (EUR) 40 % - Net Return on 01.04.2017). The index is used for comparative purposes only and the fund does not seek to replicate the index.

**Past performance is not a reliable guide to future performance.**
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# COMGEST GROWTH EMERGING MARKETS FLEX EUR I ACC

**30.09.2018**

| | |
|---|---|
| Net Asset Value (NAV): | €12.85 |
| Total Net Assets (all classes, m): | €112.16 |
| Number of holdings: | 43 |
| Average weighted market cap (m): | €53,181 |
| Weight of top 10 stocks: | 37.7% |
| Active share: | 83.4% |

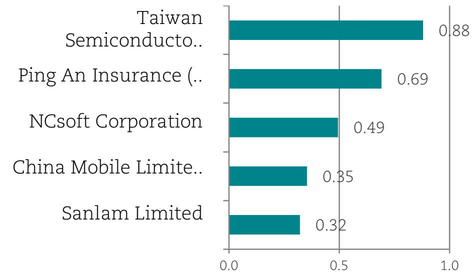
Holdings exclude cash, cash equivalents and derivatives (futures).

## CURRENCY BREAKDOWN (%)

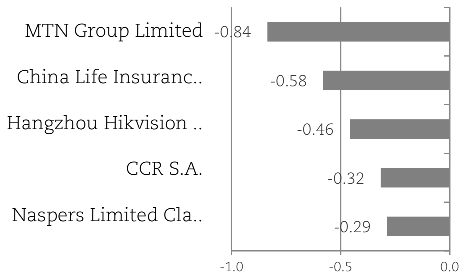
| | Port. | Index |
|---|---|---|
| HKD | 17.3 | 21.8 |
| USD | 16.6 | 8.4 |
| ZAR | 11.3 | 6.1 |
| BRL | 10.5 | 6.2 |
| CNY | 9.4 | 1.8 |
| KRW | 9.1 | 14.9 |
| EUR | 7.8 | 0.3 |
| TWD | 5.0 | 12.3 |
| INR | 4.0 | 8.5 |
| IDR | 2.0 | 1.9 |
| GBP | 1.8 | -- |
| RUB | 1.4 | 3.2 |
| JPY | 1.4 | -- |
| CLP | 1.1 | 1.1 |
| MYR | 1.1 | 2.4 |
| MXN | 0.2 | 3.2 |
| THB | -- | 2.5 |
| PLN | -- | 1.2 |
| PHP | -- | 1.0 |
| QAR | -- | 0.9 |
| TRY | -- | 0.6 |
| AED | -- | 0.6 |
| COP | -- | 0.5 |
| HUF | -- | 0.3 |
| CZK | -- | 0.2 |
| EGP | -- | 0.1 |
| PKR | -- | 0.1 |

Breakdown based on currencies in which holdings are priced.

## TOP 5 QUARTERLY CONTRIBUTORS (%)




## TOP 5 QUARTERLY DETRACTORS (%)

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## FUND COMMENTARY

The third quarter was volatile, with emerging markets affected by both external and domestic events. The MSCI Emerging Markets index posted a return of -0.6% in EUR, underperforming the fund over the quarter. The external problems which have afflicted emerging markets for some time remain: higher treasury yields, the appreciating US Dollar and increases in protectionist trade policies. This is, selectively, pressuring monetary policy in emerging markets, even in those countries where inflation is low and GDP estimates are being reduced, such as Brazil. FX weakness, such as the 5.5% decline in the Indian Rupee and the 3.8% fall in Indonesia's Rupiah over the third quarter, has accompanied, or is stimulating, monetary tightening in many countries. Investors are cautious of countries with deteriorating current account deficits in the context of higher oil prices (for instance, Turkey and India) and countries with significant fiscal deficits, especially if an important element of this comprises USD debt (e.g. Argentina, whose latest crisis has dominated newspaper headlines).

Consequently, more domestic-orientated stocks, including IT, have underperformed, while energy, materials and export companies have outperformed.

We reduced our position in China Life to the benefit of Ping An, both Chinese insurance companies. A change in regulation has benefitted long-term insurance products rather than single premium products. H1'18 results illustrated how Ping An's sales have rebounded faster than China Life's, suggesting greater resilience and adaptability in Ping An's structure.

Share price weakness led us to add to Naspers and initiate a position in Tencent: the latter we have owned previously but sold on valuation grounds. Increased scrutiny from the regulator resulted in a freeze in the approval of new games for the whole industry including Tencent: we believe that this situation will normalise. The stock de-rated from 42x NTM P/E to 28x.

TSMC was a positive contributor. Q2'18 results were in line with revenue and net profit up +11% and +9% year-on-year (yoy) respectively. The company marginally cut its full-year guidance: however, the outlook is increasingly promising with AMD (a client of TSMC) positioned to gain market share over Intel in the next generation of central processing units, with Intel continuing to delay its 10nm product. Competitor Global Foundries, said it was going to stop development of 7nm, thereby strengthening TSMC's competitive position.

MTN suffered considerable weakness. In addition to the more uncertain situation in Iran following the re-imposition of US sanctions, the Nigerian Central Bank accused MTN and various Nigerian banks of flouting foreign exchange regulations between 2007 and 2015 by not adhering to the process for FX repatriation. The Central Bank has demanded the repatriation of US$8.1bn to Nigeria. This compares to our valuation of MTN'S stake in MTN Nigeria of US$4.8bn. The situation and circumstances remain extremely undefined although more recently the Central Bank appears to be easing its stance.

Kroton, the leading post-graduate education company in Brazil, having been a significant performance detractor in H1'18, was a contributor. The firm's valuation had become too cheap, at 8X NTM P/E, for a company that is a key beneficiary of the high demand for education. Its acquisition of Somos, a provider of K-12 (kindergarten to 12th grade) education, was approved, providing a further avenue for growth in an unpenetrated and unconsolidated market. We added to our position.

CCR, the toll road concession company in Brazil, yet again declined significantly. Concern over, as yet unsubstantiated, corruption allegations continues to increase. In addition, 36% of EBITDA needs to be renewed in 2021/22 as various toll road concessions expire. It seems very likely that some or all of this will be renewed or replaced by other concessions, albeit at lower rates of return. The share price has discounted the worst possible outcomes and offers considerable value based off the future cashflow.

After a period of weakness, we increased our exposure to Chinese A-share companies, such as Hikvision and Inner Mongolia Yili. Our position in MTN, the South African domiciled telco, was cut. We added to Naver, the largest search engine in Korea and majority owner of LINE, one of the largest social networks in Asia, growing EPS CAGR at 20%.

Coca-Cola Femsa, the Latin American soft drinks bottling franchise, was significantly reduced on increasing concerns over its ability to generate the originally expected growth, and the limitations on its franchise acquisition model suggested by its exit from the Philippines market. LG Household and Health Care was sold: it is a high-quality company but the NTM P/E of 22.9x was too expensive for EPS growth of 13%.

The hedging overlay had a slightly negative effect on performance in the third quarter of the year while global emerging markets (MSCI Emerging Markets) ended almost flat in local currency. The average hedging level across the different emerging equity indices was less volatile compared to the first half of the year and ended September at 43%. Among the equity indices used for the portfolio hedging, the best performer was the MSCI Taiwan index with a decreasing hedging rate over the period and an average hedging rate of 36%. The worst performer was the FTSE Top 40 with an increasing hedging rate and an average of 29%. The hedging overlay has been managed internally since mid-June, with a quantitative model that uses a mix of long- and short-term indicators to ensure the stability of the hedging rate, responsiveness in volatile market conditions and also to address multiple market configurations.

The outlook for emerging markets is uncertain, with the possibility of ongoing volatility. The global backdrop remains challenging. The stimulus of cheap capital is being gradually withdrawn as interest rates rise and quantitative easing is tapered. This provides a headwind for many emerging markets in terms of funding and the need to raise their own domestic interest rates, with consequent growth implications. The ongoing escalation in trade wars/tariffs is overall bad for the global economy, although it should be noted that only 3% of sales of the MSCI China come from the US (whereas 32% of the MSCI US sales are made abroad) so fears in the market concern mostly the indirect impact.

## KEY INFORMATION

**ISIN:** IE00B8J4DR61
**SEDOL:** B8J4DR6
**Bloomberg:** COMGEFI ID
**Domicile:** Ireland
**Dividend Policy:** Capitalisation
**Fund Base Currency:** EUR
**Share Class Currency:** EUR
**Share Class Launch Date:** 11/07/2012
**Index (used for comparative purposes only):**
MSCI Emerging Markets - Net Return

**Legal Structure:**
Comgest Growth Emerging Markets Flex, a sub-fund of Comgest Growth plc, is an Undertaking for Collective Investment in Transferable Securities (UCITS) compliant with European Directive 2014/91/EU
**Investment Manager:**
Comgest Asset Management International Limited (CAMIL)
Regulated by the Central Bank of Ireland
**Investment Advisor:**
Comgest S.A.
(CSA)
Regulated by the Autorité des Marchés Financiers - GP 90023
Investment Team listed below may include sub-advisors from other Comgest group entities.

**Investment Team:**
Charles Biderman
Alexandre Narboni
Wojciech Stanislawski
Schlomy Botbol

**Investment Manager's fees:** 1.10% p.a of the NAV
**Maximum sales charge:** None
**Redemption fee:** None
**Minimum initial investment:** EUR 750,000
**Minimum holding:** None

**Contact for subscriptions and redemptions:**
RBC Investor Services Ireland Limited
Dublin_TA_Customer_Support@rbc.com
Tel: +353 1 440 6555
Fax: +353 1 613 0401
**Dealing Frequency:** Any business day (D) when banks in Dublin and Luxembourg are open for business
**Cut off:** 5:00 pm Irish time on day D-1
An earlier deadline for receipt of application or redemption requests may apply if your request is sent through a third party. Please enquire with your local representative, distributor or other third party
**NAV:** Calculated using closing prices of D
**NAV known:** D+1
**Settlement:** D+3

## FUND COMMENTARY (continued)

In China, after a year of monetary tightening and slowing credit growth, more recently it appears that the authorities are easing in various ways, such as through personal tax cuts, a slight RMB depreciation and reserve requirement cuts. This could herald a broader easing stance and stabilisation in growth.

Brazil's forthcoming elections have dominated the market. Regardless of which candidate gets elected by January 2019, there will be little option but to address the country's fiscal constraints. To a degree asset prices, including the equity, fixed income and currency markets, have adjusted in anticipation of a poor outcome, on the assumption that neither candidate will fully succeed in passing the necessary reforms. There are parallels here with the 2002 elections when worry over the incoming PT administration caused a sharp sell-off, which was followed by a series of orthodox polices from the new government and a sharp recovery in markets.

To some extent emerging markets have adjusted to this less certain outlook. The companies held in the portfolio generally have a high degree of resilience to global trade and weak domestic economies. Finally, heightened volatility is offering us increased opportunities and we have been adding several new names to the fund improving its overall long-term risk-reward profile.

**The views expressed in this document are valid at the time of publication only, do not constitute independent investment research and should not be interpreted as investment advice. Remember that past performance is not a reliable guide to future performance.**

## RISKS

- There is no assurance that the investment objective of the Fund will be achieved.
- There is no assurance that hedging transactions will be effective or beneficial or that a hedge will be in place at any given time.
- The value of shares and the income from them can go down as well as up and you may get back less than the initial amount invested.
- Changes in exchange rates can negatively impact both the value of your investment and the level of income received.
- The fund invests in emerging markets which tend to be more volatile than mature markets and the value of investments can therefore move sharply up or down.
- A more detailed description of the risk factors that apply to the Fund is set out in the Prospectus.

## IMPORTANT INFORMATION

You should not subscribe into this fund without having first read the Prospectus and the Key Investor Information Document ("KIID"). Tax applicable to an investment depends on individual circumstances. Depending on where you live, the Fund may not be available to you for subscription. Consult your financial or professional adviser for more information on investing and taxation.

The Prospectus, the KIID, the latest annual and interim reports and any country specific addendums can be obtained free of charge from the Investment Manager (at www.comgest.com) or the Administrator and from local representatives/paying agents including:

- United Kingdom: BNP Paribas Securities Services SCA, London Branch, Facilities Agency Services, c/o Company Secretarial Department, 10 Harewood Avenue, London, NW1 6AA. Investors in the United Kingdom WILL NOT have any protection under the UK Financial Services Compensation Scheme.
- Sweden: SEB Merchant Banking, Custody Services, Global Funds, RB6, Rissneleden 110, SE-106 40 Stockholm.
- Spain: Allfunds Bank S.A., c/Estafeta no. 6 (La Moraleja), Complejo Plaza de la Fuente, Edificip 3, 28109, Alcobendas, Madrid, Spain. The CNMV registration number of Comgest Growth plc is 1294.
- Switzerland: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zürich.
- Portugal: Best Bank, Praça Marquês de Pombal, 3-3.º, 1250-161 Lisboa.

Further information or reporting may be available from the Investment Manager upon request.
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