J O Hambro
Capital Management Group

JOHCM Emerging Markets Small Mid Cap Equity

Strategy overview

- The objective of the strategy is to seek long-term capital appreciation by investing in small and medium-sized emerging market companies.
- The strategy employs a disciplined, fundamental bottom-up research approach.
- The flexible investment approach balances classic and recovery growth opportunities.
- The strategy seeks to identify companies that have no significant competition, operate at high margins, are fast-growing, responsive to change and are deemed to be mispriced.
- Benchmark: MSCI Emerging Markets Small Cap. The use of the index does not limit the fund manager's investment decisions and the holdings of the strategy may differ significantly from those of the index.

Performance highlights

Return since launch (%)

Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised
Gross	0.70	6.33	25.04	7.64	12.89	-	161.82	10.76
Net	0.60	6.03	23.67	6.48	11.67	-	137.89	9.64
Benchmark	0.08	1.05	20.56	4.23	8.51	-	61.02	5.19

Past performance is no guarantee of future performance.

The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Investing in companies in emerging markets involves higher risk than investing in established economies or securities markets. Emerging Markets may have less stable legal and political systems, which could affect the safe-keeping or value of assets. Investments may include shares in small-cap companies and these tend to be traded less frequently and in lower volumes than larger companies making them potentially less liquid and more volatile.

Source: JOHCM/MSCI Barra/Bloomberg. Gross and net composite performance is in USD, net income reinvested. 3, 5 and 10 year and since launch performance is annualised. The USD Class for this Strategy was launched on 31 October 2014. Benchmark: MSCI Emerging Markets Small Cap NR. Statistics calculated using weekly returns.

Statistics

Annualised since launch			
Strategy volatility (%)	17.61	Correlation	0.96
Benchmark volatility (%)	17.93	Tracking error (%)	4.80
Alpha	5.62	Information ratio	1.10
R squared	0.93	Sharpe ratio	0.51

USD

Strategy details

Strategy size	USD 289.76m
Launch date	31 October 2014
Benchmark	MSCI Emerging Markets Small Cap NR
Available as	Mutual Fund, Separate Account, Delaware Statutory Trust

Total strategy assets updated quarterly and shown as at 31 March 2024.

Portfolio managers

Emery Brewer
Senior Fund Manager
Emery has managed the strategy since launch. He joined JOHCM in 2010 and has 33 years of industry experience.

Dr Ivo Kovachev
Senior Fund Manager
Ivo has managed the Strategy since launch. He joined JOHCM in 2010 and has 29 years of industry experience.

Stephen Lew
Senior Fund Manager
Stephen has worked on the strategy since he joined JOHCM in 2013 and has 24 years of industry experience.

Contact details

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Strategy analysis (%)

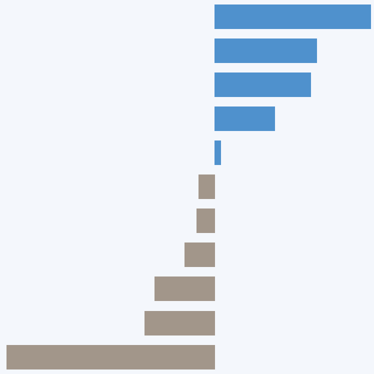
Data as at 31 March 2024

Top 10 holdings

Equities	Absolute	Relative
Phoenix Mills	2.0	1.7
Varun Beverages	1.9	1.9
Shriram Transport Finance	1.5	1.5
Arcadyan	1.4	1.3
PNC Infratech	1.4	1.3
Capstone Mining	1.3	1.3
Santos Brasil	1.3	1.2
Narayana Health	1.3	1.2
Embraer	1.2	0.9
KPIT	1.2	1.0
Total	14.5	

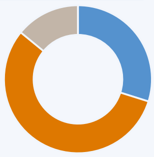
Sector breakdown

	Absolute	Relative
Industrials	23.0	5.2
Information Technology	21.5	3.4
Consumer Discretionary	14.7	3.2
Consumer Staples	8.2	2.0
Financials	10.6	0.0
Real Estate	5.5	-0.5
Energy	1.4	-0.6
Utilities	2.1	-1.0
Communication Services	1.8	-2.0
Health Care	6.9	-2.3
Materials	4.7	-6.9



Market cap breakdown

	Absolute
Large (>USD 5bn)	29.2
Mid (USD 1 - 5bn)	54.9
Small (<USD 1bn)	13.8
Cash	-0.5



Country breakdown

	Absolute	Relative
India	24.2	-0.8
Taiwan	19.5	-3.3
China	7.1	-1.1
Brazil	6.9	2.1
South Korea	6.2	-7.4
Indonesia	6.0	4.3
United States	3.5	3.5
Malaysia	2.9	0.5
Mexico	2.6	0.5
Saudi Arabia	2.4	-1.7
Cash	-0.5	-0.5

Attribution (%)

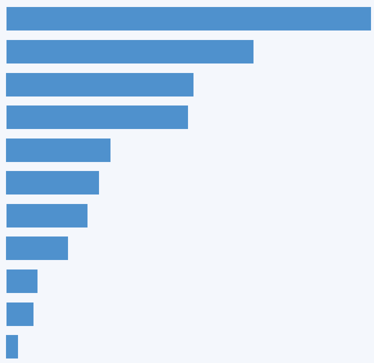
Data from 1 January 2024 to 31 March 2024

Stock attribution

Top contributors	Relative return
Sobha	0.49
Asia Vital Components	0.42
Phoenix Mills	0.40
Thermax	0.39
M31 Technology	0.37
Top detractors	
Global Unichip Corporation	-0.32
One97 Communications	-0.31
Alteogen	-0.22
Hyundai AutoEver	-0.22
Kingsemi	-0.18

Sector attribution*

	Relative return
Industrials	1.59
Real Estate	1.07
Consumer Staples	0.82
Consumer Discretionary	0.79
Information Technology	0.45
Communication Services	0.41
Materials	0.36
Energy	0.27
Utilities	0.14
Financials	0.13
Health Care	0.06



*Excludes cash

Source: JOHCM/MSCI Barra/Bloomberg. Benchmark: MSCI Emerging Markets Small Cap NR. Please note that due to rounding breakdowns may not add to 100.00%. All Attribution figures are as at end of day and are calculated on a gross basis. Stock holdings are subject to change at any time and are not recommendations to buy or sell any security. A list of all holdings during the period, corresponding performance contributions and attributions, and the calculation methodology is available upon request. Data based on a representative account.

Fund manager's commentary

- Emerging markets rebounded in Q1, with the recovery occurring alongside a US dollar rebound and a still high US interest rates environment
- The current macroeconomic indicators suggest an improving economy, potentially indicating a trend towards 'normalisation' and the start of a global recovery
- Market rotation is evident, with investors taking profits from perceived overvalued positions, exemplified by India's performance and a shift towards 'recovery plays'

Q1 performance	%
Gross	6.33
Net	6.03
MSCI Emerging Markets Small Cap NR	1.05

Emerging markets experienced a robust rebound in Q1, nearing a previous short-term peak. The potential for a significant breakout is noteworthy. This forecast is supported by two key observations: a) the ongoing recovery in emerging markets is occurring alongside a rebound in the US dollar, and b) a persistently-high US interest rates environment. Indeed, with inflation remaining relatively high, the state of the US interest rate environment in Q1 was consistent with our long-standing prediction of 'higher for longer'.

Despite these developments, dismissing the strong Q1 performance as merely a reflexive rebound from a temporary low in emerging markets would be premature. The current macroeconomic indicators suggest an improving economy, potentially indicating that relatively high interest rates is part of a trend towards 'normalisation'. This could signal the start of a recovery and growth spreading from America to the rest of the world, although it may be too early to assert this with certainty.

However, a measured approach is crucial. We're witnessing clear signs of rotation within the market, suggesting that investors are taking profits from positions they perceive as overvalued. This unwinding of pair trades underscores the influence of profit-taking amid perceived overvaluations.

India, a standout performer in Q1, exemplifies this trend. Early gains were followed by a shift towards 'recovery plays' across sectors, countries (including a surprising uptick in China), and individual stocks. This investor behaviour highlights the importance of not getting swept away by euphoria and focusing on long-term outperformance. At the same time, as evidenced by India's rapid recovery in equity performance toward the end of Q1, a measured approach to portfolio adjustments is crucial to performance optimization.

Looking beyond the recent buzz surrounding artificial intelligence (AI), a different story emerges within the broader market, sectors like industrials and real estate defied expectations, surpassing the performance of information technology in Q1. This shift suggests a more balanced market move rather than a singular focus on AI-related subsectors.

Our own investment strategy yielded both successes and areas for improvement. Our overweight position in India proved to be a profitable decision, contributing close to half of total quarterly performance, while our stock selection in India (**Sobha**) and China played a significant role in our positive performance. We also saw positive performance from **Asia Vital Components**, due to positive developments in the company's thermal cooling solutions for AI, and **Phoenix Mills** due to continuing expansion of the company's shopping mall business in India.

However, we readily acknowledge shortcomings. Our investment in **One 97 Communications** in India underperformed due to a regulator crackdown on its banking operations while our investment in **Global Unichip** in Taiwan suffered losses due to concerns over project cancellations. **Hyundai Autoever** underperformed due to concerns over short- to medium-term margins caused by increased investment needs.

The current market environment presents a welcome opportunity. We perceive valuation challenges in certain areas, like India and AI tech, undergoing a healthy correction rather than a catastrophic burst. This, coupled with market rotation, creates fertile ground for our robust investment philosophy that emphasises agility and flexibility. We dynamically adjust our portfolio across sectors, countries, currencies, interest rates, and individual stocks to capitalise on shifting market dynamics.

While we remain optimistic about the future, a note of caution is prudent. While we don't anticipate an immediate cyclical peak, the presence of bubbles cannot be entirely ignored. The coming months might see additional positive performance, but potential summer profit-taking or unforeseen political events could introduce volatility. Overall, the outlook for emerging markets is promising, but a nuanced approach that acknowledges both opportunities and risks is essential for navigating this dynamic landscape.

Important Information

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Sources: JOHCM/MSCI Group (unless otherwise stated).