J O Hambro
Capital Management Group

JOHCM Emerging Markets

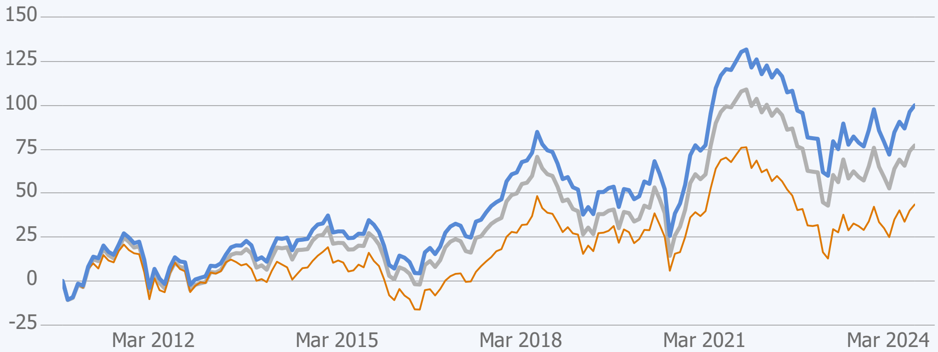
Strategy overview

- Experienced emerging equity market investors Emery Brewer and Ivo Kovachev use a predominantly stock-picking approach in finding opportunities in the fast-growing developing markets. They focus on growth companies that have the potential to develop world-class products or become industry leaders in local markets. They have an explicit top-down overlay.
- Dual growth philosophy of classic and recovery growth, allowing outperformance in up markets and providing downside protection in down markets.
- Robust and repeatable investment process.
- Motivating boutique environment where interests of clients are aligned with those of funds managers and where funds managers have full investment autonomy.

Performance highlights

Return since launch (%)

Gross
Net
Benchmark



Return history

	1m	3m	1yr	3yr	5yr	10yr	SL	Annualised
Gross	1.91	4.92	9.76	-3.14	5.53	4.93	99.84	5.10
Net	1.86	4.76	9.07	-3.88	4.77	4.14	76.58	4.17
Benchmark	2.48	2.37	8.15	-5.05	2.22	2.95	43.42	2.63

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. All information of strategy analysis and attribution is based on a representative portfolio. Gross and net composite performance, net income reinvested. Composite performance is based on the A GBP primary share class converted into USD. 3, 5 and 10 year and since launch performance is annualised. The composite was created on the 01 May 2010. Benchmark: MSCI Emerging Markets NR. Statistics calculated using weekly returns.

Statistics

Annualised since launch			
Strategy volatility (%)	17.54	Correlation	0.98
Benchmark volatility (%)	17.84	Tracking error (%)	3.87
Alpha	2.55	Information ratio	0.62
R squared	0.95	Sharpe ratio	0.22

USD

Strategy details

Strategy size	USD 803.80m
Launch date	1 May 2010
Benchmark	MSCI Emerging Markets NR
Available as	Segregated Account, CIT

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 2010. He joined JOHCM in 2010 and has 33 years of industry experience.

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

Contact details

J O Hambro Capital Management Limited
Level 3
1 St James's Market
London SW1Y 4AH
+44 (0) 207 747 5662
Email clientservices@johcm.co.uk

www.johcm.com

Strategy analysis (%)

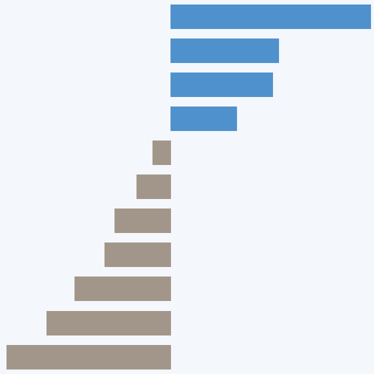
Data as at 31 March 2024

Top 10 holdings

Equities	Absolute	Relative
Taiwan Semiconductor	5.9	-2.5
Samsung	5.1	0.5
Tencent	3.0	-0.6
SK hynix	2.6	1.6
Reliance Industries	2.6	1.1
Alibaba Group	2.2	0.1
ICBC	2.2	1.7
ICICI Bank	2.0	1.1
Bank Rakyat Indonesia	1.7	1.3
MediaTek	1.7	0.9
Total	29.0	

Sector breakdown

	Absolute	Relative
Consumer Discretionary	18.3	5.9
Real Estate	4.7	3.2
Financials	25.4	3.0
Industrials	8.9	2.0
Energy	4.8	-0.5
Information Technology	22.7	-1.0
Materials	5.6	-1.6
Utilities	0.9	-1.9
Health Care	0.7	-2.8
Communication Services	5.0	-3.6
Consumer Staples	0.9	-4.8
Cash	2.2	2.2



Active bets

Top 5	Relative
ICBC	1.7
Embraer	1.6
SK hynix	1.6
Erste Group	1.4
CTBC Financial Holding	1.4

Bottom 5	Relative
Taiwan Semiconductor	-2.5
Pinduoduo	-1.0
Petrobras	-0.9
Meituan Dianping	-0.9
China Construction Bank	-0.8

Country breakdown

	Absolute	Relative
China	19.9	-5.3
India	14.8	-2.9
Taiwan	13.2	-4.4
South Korea	12.8	0.0
Brazil	5.8	0.5
Saudi Arabia	4.7	0.5
Mexico	3.3	0.6
Indonesia	3.2	1.4
United Arab Emirates	3.1	1.9
Other	17.0	5.5
Cash	2.2	2.2

Market cap breakdown

	Absolute	Relative
Large (>USD 10bn)	70.8	-7.6
Mid (USD 1 - 10bn)	25.5	3.8
Small (<USD 1bn)	1.6	1.6
Cash	2.2	2.2

Attribution (%)

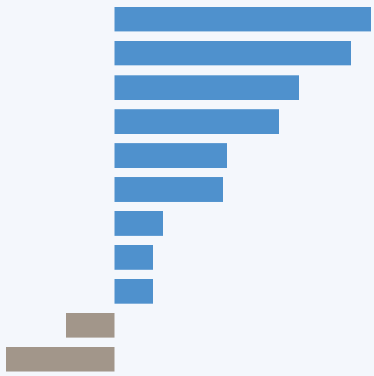
Data from 1 January 2024 to 31 March 2024

Stock attribution

Top contributors	Relative return
Embraer	0.45
Sobha	0.35
Zomato	0.34
Canara Bank	0.29
SK hynix	0.25
Top detractors	
Hon Hai Precision Industry	-0.23
Parade Technologies	-0.22
CITIC Securities	-0.19
YDUQS	-0.18
Arcos Dorados	-0.18

Sector attribution*

	Relative return
Materials	0.78
Consumer Discretionary	0.72
Industrials	0.57
Financials	0.51
Communication Services	0.34
Real Estate	0.33
Health Care	0.15
Consumer Staples	0.12
Utilities	0.12
Energy	-0.15
Information Technology	-0.33



*Excludes cash

Source: JOHCM/MSCI Barra/Bloomberg. All information of strategy analysis and attribution is based on a representative portfolio. Benchmark: MSCI Emerging Markets 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. Other includes: South Africa, Philippines, Greece, Poland, Thailand, Malaysia, Peru, Argentina, Hungary, Colombia, Chile, Czech Republic, Egypt, Kuwait, Qatar, Turkey and non-benchmark countries. 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.

Fund manager's commentary

- Emerging markets rebounded in Q1, with the recovery occurring alongside a US dollar rebound and still high US interest rates due to relatively high inflation
- 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	4.92
Net	4.76
MSCI Emerging Markets NR	2.37

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) the latter is due to another rebound – this time in US yields – as inflation remains relatively high, aligning 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 the rise in yields 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 and stretched valuations.

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.

Looking beyond the recent buzz surrounding artificial intelligence (AI), a different story emerges within the broader market. Sectors like materials and consumer discretionary defied expectations, surpassing the performance of IT 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 underweight position in China proved to be a wise decision, while our stock selection in Mexico (**Alsea**) and South Korea (**Hynix**) played a significant role in our positive performance. However, we readily acknowledge shortcomings. We missed the boat on **Hon Hai**, a server OEM, due to its limited exposure to AI. Similarly, our investment in **Citic Securities** in China underperformed due to a weak market and a lack of robust capital market activity.

The current market environment presents a welcome opportunity. We see bubbles 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