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FOR PROFESSIONAL INVESTORS ONLY

Emerging Markets Spotlight

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Our investment process is designed to exploit what we believe is a market inefficiency that results from the structure of the emerging market equity investment community. Specifically, we believe that the dominance of bottom-up, company-focused investors in the space creates an effect where markets alternatively ignore, and then over-react to, top-down developments. That creates shorter-term over- and under-valuations that are powerful opportunities for top-down focused active investors. In this instance, us.

The sell-off and selective recovery in emerging markets in 2018 has created, we believe, multiple instances of this that we are actively rotating capital into. One of those instances is Dubai in the United Arab Emirates (UAE). The UAE is a federation of seven Emirates, with the two largest, Abu Dhabi and Dubai, dominant. The two are very different in nature. Abu Dhabi, backed by its hydrocarbon exports, has a conservatively managed, twin-surplus economy, with an expensive and low-beta equity market; Dubai, lacking hydrocarbons, relies on trade, tourism and investment, which makes the equity market high-beta, with tight links to the local real estate market.

Dubai has had a series of real estate booms and busts in the last 20 years and is undergoing a slowdown at present. Through its currency peg, the UAE effectively imports US monetary policy, which has coincided with oversupply of development properties to push both real estate prices and related stocks down significantly. Even with a more benign US monetary outlook, the residential property market may take some time to recover. However, property companies exposed to the tourist trade through retail, entertainment and hospitality assets have similarly de-rated.

Dubai-listed Emaar Malls is a unique retail property operator, with one of the highest quality portfolios in the world. The company is the owner (not leaseholder) of a variety of retail properties in Dubai, most notably the Dubai Mall. The Dubai Mall is the world's largest and most-visited retail and entertainment destination and is located right in the centre of downtown Dubai; Emaar Malls also operates four other large malls and some other smaller retail properties in the Emirate. In 2018, Emaar Malls' 6.7m square feet of gross leasable area attracted 136 million visitors, a 5% increase on 2017, which in turn drove an 8% increase in EBITDA and a 7% increase in net earnings. Meanwhile, despite the super high-quality nature of its asset portfolio, Emaar Malls is surprisingly under-levered, with a net debt/EBITDA of 1.4x (peers are typically levered anywhere from 3x to 12x).

So, have investors over-reacted to the slowdown in the Dubai economy? In our view, absolutely. At the time of writing, Emaar Malls is on an operating yield of 12.5%, (compared to a typical level for global peers of 5-9%). From another viewpoint, Emaar Malls had, at 31 December 2017, independently-valued investment

properties worth AED 54.0bn, new assets coming into operation in 2018 and net debt at 30 September 2018 of AED4.0bn, but a market capitalisation at the time of writing of only AED 22.8bn. It is our strongly held opinion that there is no sense to these valuations, and we have accordingly been building a portfolio position in Emaar Malls.

Similarly, Emaar Malls' parent, Emaar Properties, has also sold off to an extent that seems irrational. As well as its stake in Emaar Malls, the other key subsidiaries are also listed, allowing a valuation to be calculated for Emaar Properties' core hospitality and entertainment assets. At points in recent weeks, the implied value of the core assets has been negative.

With these two holdings we acquire both a highly defensive and a more cyclical holding, both at valuations that imply company-level distress or national crisis. We feel there is nothing happening in Dubai beyond a downturn in the property market, and have a high degree of confidence that both these investments will, in time, prove to be highly profitable as the emotions of the Dubai-facing investor community inevitably swing from excessively negative to overly positive.

JOHCM Global Emerging Markets Opportunities Fund 5-year discrete performance (%)

Discrete 12-month performance to:

	28.02.2019	28.02.2018	28.02.2017	28.02.2016	28.02.2015
A GBP class	-3.98	14.22	42.89	-14.30	17.35
Benchmark	-6.10	17.29	45.24	-15.02	13.36
Relative return	2.25	-2.61	-1.62	0.85	3.53

Past performance is no guarantee of future performance.

Source: JOHCM/MSCI Barra/Bloomberg, NAV of Share Class A in GBP, net income reinvested, net of fees, as at 28 February 2019. Inception date: 30 June 2011. Note: All fund performance is shown against the MSCI Emerging Markets Index (12pm adjusted). Performance of other share classes may vary and is available upon request.

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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. The Fund's investments 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. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation. Issued and approved in the UK by J O Hambro Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority. JOHCM® is a registered trademark of J O Hambro Capital Management Ltd. J O Hambro® is a registered trademark of Barnham Broom Holdings Ltd. Registered in England and Wales under No: 2176004. Registered address: Level 3, 1 St James's Market, London SW1Y 4AH, United Kingdom.

