

Think Different. Think Small.

JOHCM Emerging Markets Small Cap Fund

5G: Anything Becomes Possible



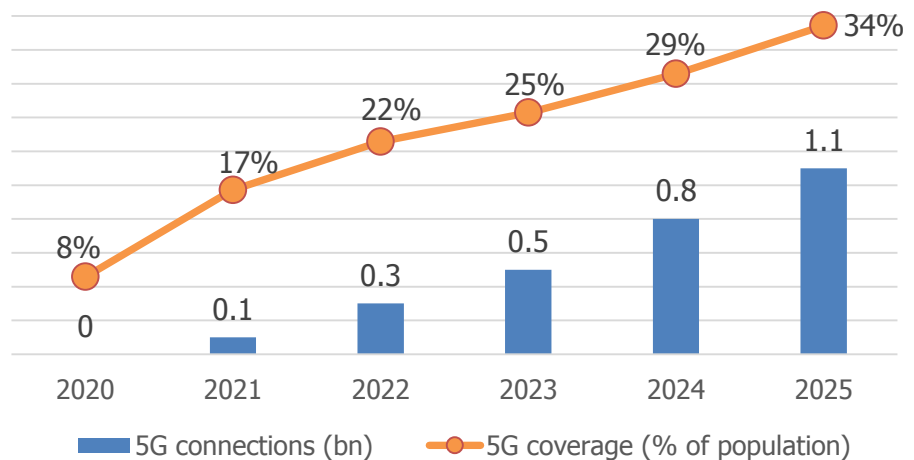
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The world of telecommunication has changed dramatically since the days of Alexander Graham Bell and the invention of the first practical telephone in 1876. No longer is telecommunication fixed and voice-based. Today’s telecommunication is mobile, data-centric, and fast. However, everything we have come to know about this industry is about to undergo another transformation with the introduction of fifth-generation (5G) wireless services. Compared to fourth-generation (4G) wireless services, 5G is expected to deliver speed at upwards of 20x the speed of 4G with 10x lower latency and 3x better spectral efficiency¹. Imagine the following possibilities:

- Performing medical surgeries remotely with the surgeon and patient in different locations
- Enabling fully autonomous driving as each vehicle “talks” to each other on the road in real time
- Enjoying a fully-immersed walk under the Eiffel Tower in virtual reality while staying home and enjoying dinner with family in New York

Emerging market countries, in particular Asian emerging market countries, are expected to assume leadership in the rollout of 5G equipment and services. As of 2018, Asia Pacific had 2.8 billion mobile subscribers, representing a penetration rate of 67%. By 2025, 18% of that subscriber base is expected to migrate to 5G services², driving significant demand for 5G handsets. That number is greater than the total population of the United States. Estimates show that 5G coverage could reach 34% of the global population by 2025.

5G Adoption Forecast (2020-2025)



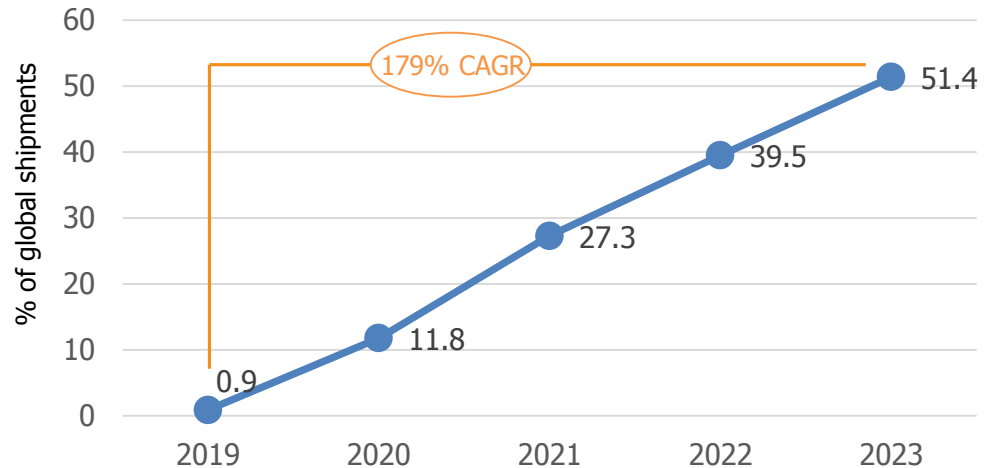
Source: GSMA Intelligence

¹UBS Q-Series: Global Telecom and Technology, September 27, 2019

²The Mobile Economy Asia Pacific 2019

On the equipment front, equipment manufacturers based in Asia have the largest market share in 5G equipment. As of 2018, Huawei alone had a 5G equipment market share of 29%³. Globally, Huawei has already signed 50 commercial 5G contracts⁴, more than any other manufacturer. As the chart below highlights, global 5G smartphone shipments are expected to increase at a staggering rate over the next 5 years.

Accumulated 5G Smartphone Shipments (2019-2023)



Source: Canalys forecasts, Smartphone Analysis, June 2019

We believe the best way to take advantage of the move to 5G is through small cap companies in the supply chain. While frontline equipment companies like Huawei, Nokia, or Ericsson capture most of the headlines in mainstream press, it is the small cap component suppliers in the chain that are creating equity value in the present and providing critical components in the early part of the build out. For example, a Taiwanese printed circuit board maker, is ramping up its ABF substrate production for the manufacturing of 5G base stations. Another Taiwan-based company, an integrated circuit testing services provider, is boosting its testing services for 5G radio frequency components. Indeed, emerging market small cap companies are expected to be the early and primary beneficiaries of the megatrend in the coming 12 to 24 months.

³Financial Times, May 25, 2019

⁴CNBC.com, September 3, 2019

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Past performance is no guarantee of future results.

RISK CONSIDERATIONS:

The strategy invests in International and Emerging Markets. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in Emerging Markets. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and liquidity. The small and mid cap companies the strategy may invest in may be more vulnerable to adverse business or economic events than larger companies and may be more volatile; the price movements of the strategy may reflect that volatility. The strategy may invest in American Depositary Receipts ("ADRs") of foreign companies. Investing in ADRs poses additional market risks since political and economic events unique in a country or region will affect those markets and their issuers and may not affect the U.S. economy or U.S. issuers.

The views expressed are those of the portfolio manager as of October 2019, are subject to change, and may differ from the views of other portfolio managers or the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice.

Huawei, Nokia, and Ericsson are not currently held in the JOHCM Emerging Markets Small Cap Fund. Holdings are subject to change at any time and are not recommendations to buy or sell any security.