

# BMO LGM Global Emerging Markets Growth and Income Fund B USD Acc

LGM Investments

BMO  Global Asset Management

April 2018

For Professional investors only

## Fund details

<b>Portfolio managers</b>	Rishikesh Patel Irina Hunter Damian Bird, CFA
<b>Fund type</b>	UCITS
<b>Domicile</b>	Ireland
<b>Benchmark</b>	MSCI Emerging Markets
<b>Inception date</b>	22 October 2009
<b>Fund size</b>	US\$ 557.9m
<b>Strategy size</b> <sup>1</sup>	US\$ 1925.9m
<b>NAV per share</b>	US\$ 8.5223 (B USD Inc) US\$ 16.7278 (B USD Acc) US\$ 14.6821 (E USD Acc) US\$ 12.2179 (W USD Inc) US\$ 12.2499 (W USD Acc)
<b>Min. initial investment</b>	Class A - US\$50,000 Class B - US\$1,000,000 Class E - US\$10,000,000 Class S - US\$1,000,000 Class W - US\$2,500
<b>Dealing day</b>	every business day
<b>Initial charge</b>	Class B - nil Class E - contact Investment Manager Class S - nil Class W - nil
<b>Investment management fee</b>	Class B - 0.75% Class E - contact Investment Manager Class S - 0.75% Class W - 1.50%

## Fund codes by share classes

ISIN B USD Inc	IE00B3BNMD55
ISIN B USD Acc	IE00B3BNMF79
ISIN E USD Acc	IE00BCDYJP02
ISIN W USD Acc	IE00BZCTLS48
ISIN W USD Inc	IE00BZCTLR31
Bloomberg ticker B USD Inc	LGIEMY1 ID
Bloomberg ticker B USD Acc	LGIEMYA ID
Bloomberg ticker E USD Acc	LGIEMEA ID
Bloomberg ticker W USD Acc	LGIEMWA ID
Bloomberg ticker W USD Inc	LGIEMWI ID

## Administrator

<b>State Street Fund Services (Ireland) Ltd.</b> 78, Sir John Rogerson's Quay Dublin 2, Ireland	
<b>Telephone:</b>	+ 3531 776 8150
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## Contact details

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<b>Website:</b>	www.lgminvestments.com

## Dealing details

Dealing instructions must be received not later than 11am (Irish time) on Dealing Day. Subscription monies must be received in cleared funds no later than two Business Days (Class A, B, E, S & W) or four Business Days (Sterling Denominated shares) after the Dealing Day.

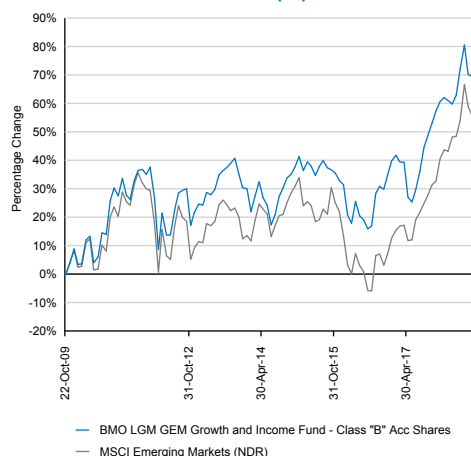
## Investment objective

The Fund aims for long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in emerging markets worldwide, with the potential for capital appreciation and a growing stream of dividends.

## Risk warning

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. Securities in emerging markets may involve a higher degree of risk. These markets are typically less liquid and may experience greater volatility in prices and currencies than more established markets. Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

## Performance since launch (%)



Performance data of BMO LGM Global Emerging Markets Growth and Income Fund (class B USD Acc share) are in US\$ terms and net of investment management fee. Investors should be aware that past performance should not be considered a guide to future performance.

## Top ten holdings

Company Name	Country	% NAV
Yum China Holdings	China/HK	5.4
Walmart De Mexico	Mexico	5.3
Bank Mandiri	Indonesia	5.3
Sands China	China/HK	4.8
Yes Bank	India	4.6
ITC	India	4.5
Magnit	Russia	4.0
Universal Robina	Philippines	3.9
ICICI Bank	India	3.8
Mr Price Group	South Africa	3.6
<b>Total</b> <sup>5</sup>		<b>45.0</b>
<b>No. of Holdings</b>		<b>36</b>

## Risk statistics

	Since Inception
Alpha (annual basis)	2.5%
Annualised volatility (fund)	14.9%
Annualised volatility (benchmark)	17.3%
Sharpe ratio <sup>2</sup>	0.4
Tracking error (ex-post)	7.3%
Information ratio	0.2
Up market capture ratio	84.2
Down market capture ratio	74.1

## Performance as at 30 April 2018 (%)

	Fund	Benchmark
<b>Since inception</b>	67.3	47.7
Last month	0.7	-0.3
Last 3 months	-5.4	-6.8
Last 6 months	6.9	4.8
Last 12 months	15.0	21.7
YTD	-0.7	1.0

## Discrete performance as at 30.04.2018 (%)

	2014	2015	2016	2017	2018
<b>Fund</b>	-7.37	4.83	-4.23	13.49	14.96
<b>Benchmark</b>	-1.84	7.80	-17.87	19.13	21.71

## Annualised Performance

1 year	14.9	21.6
3 years	7.7	6.0
5 years	3.9	4.7
Since Inception	6.2	4.7

## Portfolio characteristics\*

	Fund	Benchmark
ROIC (non financials)	24.9%	14.2%
ROE (financials)	17.2%	14.5%
Net debt / Equity (non financials)	3.2%	12.2%
Equity / Assets (financials)	12.3%	11.4%
Dividend Yield (FY1)	2.5	2.8
EV / EBIT (12 months forward)	18.2	21.3
P/E (12 months forward)	21.1	16.1
Turnover rate (12 months) <sup>4</sup>	34.4%	N/A

## Market cap (US\$bn)

	Fund	Benchmark
< 1 bn	1.3%	0.0%
1-5 bn	15.2%	10.1%
> 5 bn	83.5%	89.9%
Weighted Average (US\$bn)	23.1	102.8

Sources: Factset, LGM, MSCI, BMO Global Asset Management

Data historic unless stated otherwise. Please note that dividend yield is based on portfolio holdings and does not reflect the actual yield an investor in the Fund would receive.

<sup>1</sup>Total assets of all portfolios managed by LGM following a similar benchmark to the BMO LGM Global Emerging Markets Growth and Income Fund.

<sup>2</sup>Risk Free Rate: US T-Bill 3 Month

<sup>3</sup>Based on dividends received during the latest full calendar year divided by the dividends received during the previous full calendar year.

<sup>4</sup>Measured as the lesser of purchases or sales divided by the average fund size during the period.

<sup>5</sup>Totals may not be exact due to rounding.

\*ROIC - Return on Invested Capital; ROE - Return on Equity; P/E - Price to Earnings

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## Other details

BMO LGM Global Emerging Markets Growth and Income Fund is a sub-fund of BMO Investments II (Ireland) plc, an umbrella fund with segregated liability between sub-funds authorised by the Central Bank of Ireland as a UCITS (undertaking for collective investment in transferable securities). Key Investor Information Document and Prospectus are available from the Fund's Investment Manager, LGM Investments Limited.

## Portfolio managers

**Rishikesh Patel, Portfolio Manager.** Rishikesh holds a post-graduate degree in Finance and Management from Jammal Bajaj Institute of Management Studies, Mumbai, and graduated in Commerce from Narsee Monjee College of Commerce & Economics, Mumbai. Before joining LGM in 2006, he worked with ICICI Securities and General Electric. During Rishi's two years at ICICI Securities he was an analyst researching the IT, Real Estate and Cement sectors. Rishi was at General Electric for almost three years and worked across five GE businesses. Since joining LGM he has researched Indian stocks and advised on our Indian mandates. Rishi relocated to our London office in October 2014 and became Co-Portfolio Manager and then Lead Portfolio Manager for our Global Emerging Markets mandates in March and July 2016, respectively.

**Irina Hunter, Portfolio Manager.** Irina began her career in financial services in 1992 and from 1994 to 1998 worked as Vice President for The U.S.-Russia Investment Fund, a private equity investment fund in Moscow. After a period working in M&A in Canada and Russia she joined AGF Funds Inc. in 2002, based in Toronto where she was a Global Equity Analyst, and later Associate Portfolio Manager. She supported the award winning AGF Emerging Markets Fund and AGF Global Equity Class. Irina has an MBA from the University of Rochester as well as a Bachelor Degree in Finance and Banking from the Moscow Finance Academy. Irina joined LGM in 2007.

**Damian Bird, CFA, Portfolio Manager.** Damian joined LGM in 2015 as an Asian equity Portfolio Manager and became Co-Portfolio Manager for our Global Emerging Markets mandates in July 2016. Damian spent more than five years at Arisaig Partners, including two years in Singapore where he focused on Asian and Eastern European consumer equities. In January 2011 he relocated to Cape Town where he spent three and a half years as a key decision maker in the asset allocation process for the US\$1 billion Arisaig Africa Consumer Fund. Prior to LGM, Damian was a Portfolio Manager at Infusive Asset Management, where he launched and managed the Infusive Consumer Alpha Global Leaders Fund, a long-only equity fund that invests globally in the consumer sector. Damian holds a BA Honours in Economics and History from Oxford University and is a CFA Charterholder.

## About LGM Investments

LGM Investments is a specialist Asian, Global Emerging (GEM) and Frontier Markets equity manager. Our investment professionals are based in London and Hong Kong.

We are active bottom up stock pickers with a long-term perspective. Quality underpins all our investment thinking and results in non-index driven, high conviction portfolios with outperformance potential.

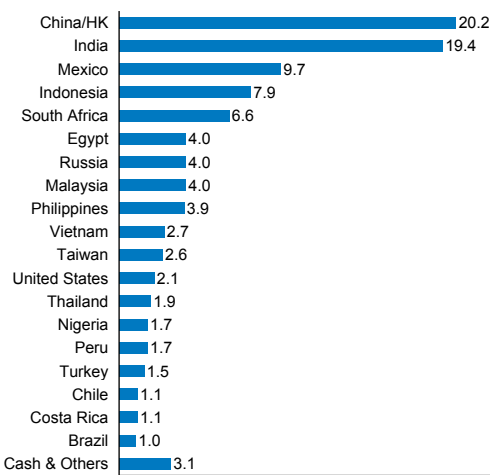
LGM Investments was established in Hong Kong in 1991 and became a wholly owned subsidiary of Bank of Montreal (BMO) in April 2011. It is part of BMO Global Asset Management.

## Investment approach

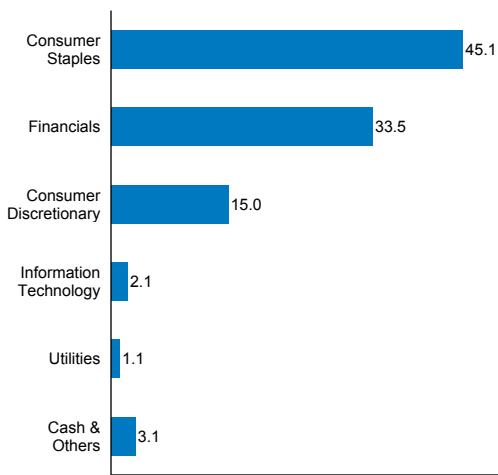
Primary research is the cornerstone of our investment process. We research companies with a long-term view and wait for the opportunity to buy high quality companies without overpaying for their inherent quality.

Our focus on quality companies with sustainable business models generating substantial excess returns over their cost of capital through the cycle leads us towards asset light business models with modest capital needs; robust balance sheets; and proven management teams with disciplined capital management. We seek clear and fair alignment between majority and minority shareholders.

## Geographic breakdown (%)<sup>5</sup>



## Sector breakdown (%)<sup>5</sup>



## Fund manager's commentary

Markets were a little softer in April as profit-taking appeared to subside, although Sino-US trade friction remained a concern.

Yes Bank (India) was one of the portfolio's best performers. 2018 has been a roller-coaster year for Yes Bank. The share price slumped over 20% between January and March as the bank became a victim of collateral damage in the wake of change in non-performing loans (NPL) recognitions norms by the Reserve bank of India (RBI), sparking fears of a deterioration in asset quality and a rise in provisioning requirements. The share price has rallied 26% since then. Yes Bank has no shortage of gainsayers, but the bank's strong fourth-quarter results should help, yet again, silence these critics. Not only did new lending grow 54%, but NPLs actually declined, notwithstanding the implementation of the RBI's more rigorous asset quality framework, which has forced many other banks to report a sharp deterioration in their non-performing asset numbers. Stringent cost controls also saw Yes Bank's cost/income ratio drop 160 basis points (bps) – itself a remarkable achievement given the bank's rapid growth – while the proportion of loan assets that are rated 'A' or above increased to 80%. The bank is guiding for 30% growth both this year and next. Yes Bank is by no means undervalued, but their strong growth potential and improving confidence in the bank's asset quality provides comfort.

Our Macau gaming company, Sands China, also reported strong results for the first quarter of 2018. Revenues grew 17% year on year and a decent pick-up in margins allowed EBITDA (earnings before interest, taxes, depreciation, and amortization) to expand by a healthy 26%. Rolling chip volumes in the mass market segment rose 21%, supported by an increased allocation of tables, as well as higher volumes per table. The non-gaming side was also strong, with hotel occupancy topping 94% during the quarter. The customer mix is also changing, with more arrivals from outside the Guangdong province. These customers tend to be younger and more lifestyle-driven, attracted as much by the entertainment options as the gaming facilities. This means they tend to stay longer, which naturally plays to Sands' key strength as the owner of almost half the available hotel rooms in Macau. Sands is almost a pure cash business, and 100% of net profits come back to shareholders via the dividend. In our view, the valuation is still relatively undemanding for such a quality business that we believe will continue to compound strong returns for shareholders over the long term.

Bank Mandiri (Indonesia) was weak in the month, despite strong first-quarter results, with decent (if unspectacular) top-line growth and a significant improvement in asset quality. However, despite these good numbers, Mandiri has been a poor performer in recent months. We believe this weakness has nothing at all to do with Mandiri's fundamentals, but is connected with the trend in US interest rates. With the yield on 10-year Treasuries moving above 3% intra-month, we saw significant weakness in both the Indonesian currency and bond markets. In what looked like a mini re-run of 2013's 'taper tantrums', the Indonesian 10-year bond yield spiked a chunky 60bps to 7.2%. This spooked investors and we saw weakness across the entire market. Given this was a clear disconnect with fundamentals, we took advantage of this share price weakness to increase the fund's exposure.

Members of the team have been traveling extensively in recent weeks, meeting a variety of current holdings and potential investment candidates. Somewhat contrary to our expectations, our meeting with Kasikornbank in Bangkok proved to be one of the most interesting. Our discussion focused on digital disruption and the growing importance of the one thing that costs the bank absolutely nothing but which could soon transform how the entire sector conducts its business – namely data. Credit underwriting is currently mechanistic, based on solely income data and credit scoring. Bank customers earning less than THB 15,000 per month in Thailand do not qualify for credit. Some estimates suggest that as many as 18–20m people in Thailand are effectively excluded from access to bank credit because they fall below this income threshold. By using 'Big Data', the bank can build a picture of financial behaviour that might provide a better insight into the credit worthiness of any particular customer than traditional credit scoring and income threshold criteria. This would have the benefit of opening up the addressable market ('mass acquisition') and allow the bank to adopt customer-specific, risk-based pricing strategies. This approach draws some inspiration from Tencent's WeBank, which underwrites based on financial behaviour and then prices risk accordingly. WeBank's NPL ratio is apparently less than 1%. Kasikornbank calls this the new S-curve for banking growth and has already set up a data centre staffed with more than 1200 people. We do not expect these initiatives to immediately translate into profits, but they nevertheless demonstrate a willingness to embrace the challenges presented by digital disruption. In our view, this puts Kasikornbank far ahead of many emerging market peers.

As at 30 April 2018

Investment in LGM Funds may be unlawful in some jurisdictions.

Source throughout the document: LGM Investments ('LGM'), BMO Global Asset Management, Lipper. All data is as at the last business day of the month, if it is not a Dealing Day for the Fund, an indicative NAV has been used. This factsheet is for information purposes only and is based on sources believed to be reliable. It should not be construed as an invitation to purchase or sell shares of the Fund. This document is for sole use of intended recipients and must not be copied or disseminated in whole or part to third parties without the written consent of LGM. LGM and BMO Global Asset Management accept no liability for any loss or damage caused by reliance on or use of the information in this factsheet. Benchmark data source: MSCI. All MSCI index data is copyright and proprietary to MSCI.

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