

Q4 2014 GBP Emerging Markets Equity Strategy

Summary Details	
Assets under Mgmt.	£796.0m
Inception Date	30 Apr 2010
Benchmark	MSCI Emerging Markets Net Return Index
Number of Stocks	138

Risk Characteristics	
Beta (3 Yrs)	0.89
Information Ratio (3 Yrs)	0.48
Volatility	11.64

Portfolio Statistics	Strategy	Index
Dividend Yield	4.6%	2.8%
Dividend Payout	53.0%	35.6%
Dividend Growth	15.1%	13.2%
Total Payout Yield	4.2%	0.1%
Price to Earnings (trailing)	11.4x	13.2x
Price to Book	1.6x	1.8x
Weighted Avg Mkt Cap.	\$16.1bn	\$21.9bn

Source: Kleinwort Benson Investors as of 31/12/14. The risk characteristics are calculated using monthly gross returns over a 3 year period relative to the MSCI Emerging Markets Index. The AUM listed above is Global Equity Emerging Markets AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

Strategy Overview

Objective	Consistency. Downside protection. Lower risk.
Style	Relative value. High quality. Multi cap. Diversified.
Products	Global, EAFE, Emerging Markets, North America, ACWI, Eurozone

Investment Philosophy

We are "total return" investors.

Our conviction is that companies with the financial strength and discipline to maintain and grow their dividend commitments outperform.

Uniquely, we find such companies across all capitalisations, and in every sector and every region, even ones where dividends are low and not typically used as a method of analysis. By "looking where others don't look" we consistently find and exploit mispriced stocks.

The main reasons for outperformance are:

- Quality of information
- Better governance
- Plentiful positive earnings surprises
- Capital efficiency and financial discipline
- Lower volatility
- Better valuations

Annualised Performance (£)

	3Mths	YTD	1Yr	3Yrs	Since Incep
Fund (Gross)	1.0	7.2	7.2	5.2	2.9
Benchmark	-0.7	3.9	3.9	3.9	0.7

Source: Kleinwort Benson Investors, Datastream, MSCI Emerging Markets Index as of 31/12/14
Returns are gross of fees in sterling. Returns from 01/05/10 to 31/07/10 are based on the Emerging Markets component of a segregated account managed by KBI to an identical process applied to all KBI Global Equity Strategies. Returns from 01/08/10 are live from the KBI Emerging Markets Equity Strategy. MSCI benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes.

Portfolio Positioning Sector Breakdown

Sector	%
Financials	33.4
Information Technology	17.7
Energy	9.0
Consumer Discretionary	8.3
Materials	7.8
Telecommunication Services	7.2
Industrials	6.5
Consumer Staples	6.0
Utilities	2.7
Health Care	1.4

Geographical Breakdown

Region	%
Emerging Asia	67.4
Emerging Latin America	16.6
Emerging EMEA	16.0

Top 10 Holdings

Stock	Country	%
China Construction Bank	China	3.2
Taiwan Semiconductor Manufacturing	Taiwan	3.2
Bank of China Ltd	China	3.0
Industrial & Commercial Bank of China	China	2.7
Ambev SA	Brazil	1.9
China Mobile Limited	China	1.9
Vale SA	Brazil	1.6
Banco de Chile	Chile	1.5
Delta Electronics Inc	Taiwan	1.4
MTN Group Limited	South Africa	1.4

Source of all data: Kleinwort Benson Investors. Data as of 31/12/14

Mkt. Cap \$bn	Strategy	MSCI EM Index	+/- %
<3 (small)	31.6	21.5	10.1
3-5 (mid-small)	16.9	14.2	2.7
5-10 (mid)	15.7	18.7	-3.0
10-25 (mid-large)	15.1	20.5	-5.4
>25 (large)	20.7	25.2	-4.5

Source: Kleinwort Benson Investors as of 31/12/14. Market Cap figures are in US Dollars.

Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	27yrs
Portfolio Management Team		
Gareth Maher	Head of Portfolio Management	27yrs
David Hogarty	Head of Strategy Development	23yrs
Ian Madden	Portfolio Manager	14yrs
James Collery	Portfolio Manager	14yrs
John Looby	Portfolio Manager	24yrs
Massimiliano Tondi	Portfolio Manager	11yrs
Trading		
Ultan O'Kane	Trader	9yrs

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We summarise our process into three steps

STEP 1

Create regional industry group segments from MSCI Index.
Eliminate stocks below segment average yield.
Lower yield stocks, countries, industries will qualify.

STEP 2

Eliminate stocks and segments that fail sustainability, quality and growth criteria.
Rank remaining stocks.

STEP 3

Create portfolio targeting preferred financial criteria and highest ranked stocks.

Q4 Overview

In the years up to, and after the global financial crisis the relative uniformity of economic and financial market behaviour across the developed world was striking. The most obvious expression of this uniformity was the prolonged relative stability between the major global currencies. This all changed in 2014, and that change showed an accelerated tendency in Q4.

In addition to increasing volatility at a currency, regional and style level was added the extra dynamic of an accelerated collapse in the oil price. There was also a deepening concern about the outlook for economic activity, growing recessionary and Greek-related fears in Europe, and oil and Russian-related fears in the rest of the world, combined to drive the Emerging Markets index down over the quarter.

This performance at an index level marked some striking divergences across countries and industry groups. For example, energy-impacted Russia underperformed the Turkish market by over 40%, while among industry groups insurance outperformed Energy by almost 40%.

The risks of running concentrated portfolios are clearly heightened in such an environment. The broad diversification of our approach is likely a better provider of downside comfort and consistency than more concentrated portfolios in such times.

Indeed, the benefits of our broad diversification were more than sufficient to out-weight the performance drag from our value and dividend orientation in Q4. Our strategy beat the benchmark by almost 2% over the quarter.

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