



KLS Corinium Emerging Markets All Weather Fund



Corinium

Powered by Kepler Partners

Objective

The Fund's main objective is to seek to achieve and preserve above average long-term real capital returns. The portfolio manager, Ed Butchart, aims to realise this objective through a policy of investing primarily in a diversified portfolio of securities which meet their definition of emerging market securities and in their derivative instruments, whilst managing overall foreign exchange exposure. Typically, the Fund will hold 25 - 40 equity long positions. The Fund is actively managed and not managed by reference to a benchmark.

Commentary

The fund gained 0.5% in March, with positive returns in stock longs partly offset by options expiring out of the money within the hedging book. China announced that its 2024 real GDP growth target is to be around 5%, but both this objective, and particularly the 3% inflation target, will likely prove hard to meet given ongoing property market headwinds. The Fed left rates unchanged at its March meeting, whilst signaling an expectation of three rate cuts both this year and next. More strikingly, the Bank of Japan scrapped its negative interest rate policy and yield curve control policies, although an initial rally in the yen was swiftly reversed, pressuring some Asian currencies.

The principal stock gainers came in the IT hardware sector: Samsung Electronics and TSMC each contributed 0.5% to NAV whilst Hynix added 0.4%. Performance was buoyed by Nvidia's GTC conference, which saw the launch of the company's Blackwell processor architecture and a reiteration of the bullish AI market opportunity, as well as by consensus-beating results and bullish guidance from Micron. Samsung has hitherto lagged Hynix's performance since the latter has been seen as a more direct AI winner given that it has been the sole supplier of High Bandwidth Memory to Nvidia. Jensen Huang made it clear at GTC that it was only a matter of time before Samsung becomes a qualified supplier, however, and the shares rallied strongly on this news. The market opportunity is large enough, and supply sufficiently constrained, for this not to have had a detrimental effect on Hynix shares. Meanwhile, latest estimates suggest that AI is likely to account for 27% of TSMC's revenues by 2027, through a range of applications, up from just 6% last year. TSMC's dollar contribution to the new Blackwell architecture should certainly be substantially higher than for the technology it is replacing. We think all three of these holdings remain attractive ways to play the AI theme, and still offer reasonable valuations relative to the growth opportunity.

Bank Pekao in Poland also continued to perform well, generating a 0.3% NAV gain. There was no particular news during the month, following solid results announced in February. But investor interest appears to be picking up in the wake of the EU unblocking EUR 137bn of hitherto frozen funding. The focus now shifts to local elections this month, which hopefully will solidify the new government's power base. We have almost 9% invested in Poland, which we consider one of the most interesting market opportunities at present; for context, Poland accounts for barely 1% of the EM benchmark, whilst most active EM funds own even less.

On the other side of the ledger, AIA detracted 0.4% from NAV. 4Q results saw the Value of New Business growing 24% YoY and margins, which had been weaker than expected in the first nine months of the year, rebounded nicely in the final quarter. The shares performed poorly in the aftermath of these results, however. One possible explanation is that 2H 23 operating profit missed expectations owing to elevated medical claims, although this has since been addressed via increased pricing. Investors were also apparently disappointed that a new share buyback programme was not announced, although there is still \$2.8bn of further purchases to effect before the old one has completed and it is obvious, given the company's strong free surplus, that buybacks will continue beyond that. The shares now trade at an extremely discounted 1.1x embedded value, a historical low.

Fund Details

Launch Date:	18 th April 2017
Fund Size:	\$46m
Fund Structure:	UCITS
Domicile:	Ireland
Min Investment:	Class SI: \$20,000,000 Class I: \$100,000 Class R: \$10,000
Currencies:	USD (base); GBP, EUR, CHF (all hedged)
Management Fee:	Class SI: 0.95% Class I: 1.3% Class R: 1.8%
Pricing:	Daily
Liquidity:	Daily
Manager:	Waystone Management Company (IE) Limited
Investment Manager:	Kepler Partners LLP
Portfolio Manager:	Ed Butchart
Inv. Universe:	Emerging Markets
UK Reporting Status:	Yes
Country Registrations:	Ireland UK Germany Spain Switzerland (QI)

Continued overleaf



Commentary Continued

Games developer Netease was also a poor performer (-0.3% NAV), giving back gains made in February. It appears that tweaks made in the PC version of Fantasy Westward Journey, one of the company’s long-lived games franchises, have annoyed some users who had been profiting from the in-game production of virtual goods; the company has apologized and will roll back some of these changes, so this should be a one-off mis-step rather than a structural issue. The initial response to the launch of Condor Heroes, a martial arts role-player game, has also fallen short of expectations.

On the other hand, the stock looks pretty attractively valued, on 13x this year’s earnings, and 2Q 24 should see the launch of the mobile version of Naraka Bladepoint, which has the potential to be a significant revenue generator. There is also speculation of a re-activation of the company’s past association with Blizzard. Further colour on the company’s pipeline should come with its annual gaming conference in May.

We gradually scaled up the long book during 1Q 24, and this currently

stands a little over 80% NAV. It is encouraging to see a number of barometers of the global manufacturing cycle starting to firm up, the most recent example being the global PMI index, which has now broken back above the critical 50 threshold. This is a helpful tailwind for EM assets and warrants increased exposure. Arguably the biggest near-term risk is that a number of sentiment surveys show US investor bullishness is now at quite elevated levels. This matters to the extent that Wall Street continues to set the tone for many global markets. Given that contrarian signal, we’ve been paying up for put protection in more obviously US-sensitive markets such as Korea and Taiwan. This was helpful in January but a drag in the last two months. At the same time, we continue to think that the best way to play China – a very different beast to the US, being oversold, notably cheap, yet still struggling to combat macro headwinds – is via call options. Here, we think that option premium is a worthwhile downpayment in order to secure exposure to the possibility that the nascent market rebound gains momentum. Face value exposure to China via these options currently stands just shy of 20% NAV.

Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD (%)
2024	-1.2	1.3	0.5										0.6
2023	-0.3	-3.9	-0.7	-1.8	-1.3	-0.3	-0.9	-1.4	-0.2	-0.5	5.1	1.8	-4.5
2022	-2.4	0.4	-1.4	-6.5	-0.0	-5.0	-0.4	-1.1	0.9	-1.6	5.7	-1.1	-12.3
2021	0.7	2.1	-2.4	0.9	0.4	0.4	-3.7	7.0	-3.5	2.0	-6.0	0.7	-2.0
2020	0.0	-6.3	-6.9	4.1	2.8	6.2	5.1	6.6	-3.4	2.6	9.6	7.0	28.8
2019	5.4	1.5	3.0	0.2	-4.5	3.8	0.7	-0.6	-0.8	1.6	-1.4	8.5	18.1
2018	7.1	-2.7	-0.5	-0.5	1.4	-1.4	-0.4	-4.3	-6.5	-5.1	1.2	-5.4	-16.5
2017				3.5	3.9	2.1	4.3	1.0	0.3	3.3	1.5	5.1	27.9

*Class SI USD Net Total Return. Performance period is since inception 18th April 2017. Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment. The return of your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation.

Top Ten Long Equity Positions

COMPANY	WEIGHT (%)	COUNTRY	SECTOR
Samsung Electronics	6.6%	South Korea	Information Technology
Bank Pekao	6.5%	Poland	Financials
TSMC	5.9%	Taiwan	Information Technology
NetEase	4.1%	China	Information Technology
Emaar Properties	4.0%	United Arab Emirates	Real Estate
Tencent Holdings	3.8%	China	Communication Services
Bank Mandiri Taspen	3.8%	Indonesia	Financials
Indusind Bank	3.5%	India	Financials
Arcos Dorados Holdings	3.5%	Uruguay	Consumer Discretionary
Sk Hynix	3.3%	South Korea	Information Technology
Total	44.9%		

Country Exposures

COUNTRY	EQUITY LONG	EQUITY SHORT (%)	EQUITY INDEX (%)	NET EXPOSURE (%)	GROSS EXPOSURE (%)	DELTA ADJUSTED NET EXPOSURE(%)
Hungary	2.9			2.9	2.9	2.9
Poland	8.6			8.6	8.6	8.6
United Arab Emirates	4.0			4.0	4.0	4.0
Total EMEA	15.4	0.0	0.0	15.4	15.4	15.4
China	10.9			10.9	10.9	10.9
India	12.4			12.4	12.4	12.4
Indonesia	7.9			7.9	7.9	7.9
Total Emerging Asia	31.2	0.0	0.0	31.2	31.2	31.2
Hong Kong	3.0			3.0	3.0	11.1
South Korea	11.1			11.1	11.1	10.7
Taiwan	7.2			7.2	7.2	6.0
Total Developed Asia	21.3	0.0	0.0	21.3	21.3	27.7
Argentina	2.3			2.3	2.3	2.3
Brazil	2.0			2.0	2.0	2.0
Mexico	6.0			6.0	6.0	6.0
Uruguay	3.5			3.5	3.5	3.5
Total Latin America	13.7	0.0	0.0	13.7	13.7	13.7
Emerging Market	0.0			0.0	0.0	0.0
Total Global	0.0	0.0	0.0	0.0	0.0	0.0
Total	81.7	0.0	0.0	81.7	81.7	88.0

Potential total net and gross figures reported exclude any potential FX overlays. Typically FX overlays are held for hedging local currency exposures, although please note that local currency exposures are not by default automatically hedged.

Equity Exposure*

	WEIGHT (%)
Longs	91.1%
Shorts	-3.1%
Total Net Exposure	88.0%

*Including Equity Overlay Positions (delta adjusted)

Individual Equity Exposures

	LONG (%)	SHORT (%)
Positions >4%	23.1%	0.0%
Positions 2-4%	48.5%	0.0%
Positions <2%	10.1%	0.0%
Total	81.7%	0.0%

Individual Equity Holdings

No. of long positions	28
No. of short positions	0

Net Sector Exposure*

SECTOR	WEIGHT (%)
Communication Services	4.8%
Consumer Discretionary	12.3%
Consumer Staples	7.2%
Financials	33.5%
Index	6.4%
Information Technology	19.9%
Real Estate	4.0%
Total Net Exposure*	88.0%

*Including Equity Overlay Positions (delta adjusted)

Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
Class I USD	119.81	IE00BYPZZN52	06/07/2017
Class I EUR	97.93	IE00BYPZZP76	23/08/2017
Class I GBP	95.74	IE00BYQ00673	24/11/2017
Class I CHF	72.58	IE000VBFA36	03/11/2021
Class SI USD	133.96	IE00BYQ00780	18/04/2017
Class SI GBP	121.34	IE00BYQ00905	18/04/2017

All data as at 28th March 2024 unless otherwise stated.

Source: Kepler Partners LLP unless otherwise stated

Disclaimer

This factsheet is produced by the Investment Manager for marketing purposes only and does not constitute an offer or solicitation to subscribe for shares in the KLS Corinium Emerging Markets All Weather Fund (the "Fund"), a sub-fund of Kepler Liquid Strategies ICAV, registered as an Irish collective asset-management vehicle on 22 December 2015 with variable capital constituted as an umbrella fund with segregated liability between sub-funds in Ireland and authorised by the Central Bank pursuant to the Act and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended). For more information on the risks associated with the Fund, please refer to the sections entitled Risk Factors in the Prospectus. Full details regarding the Fund are set out in the Key Investor Information Document (the "KIID"), the Key Information Document (the "KID"), the Prospectus including the Supplement, the Instrument of Incorporation and the latest Audited Financial Statements published for the Fund (the "Fund Documents"). Before any subscription, you should read the Fund Documents. The information provided in the Fund Documents should not be considered a recommendation to purchase or sell any particular security. Any securities or sectors referred to in this factsheet must not be taken as an investment recommendation or indication that investments in the same will be profitable. The price and value of investments can go down as well as up. Income may fluctuate reflecting changes in market conditions, currency movement and taxation liabilities. Investment in the Fund described in this factsheet carries a substantial degree of risk. You may not get back the original amount invested. An investment in the Fund should only be made by persons who can sustain a loss on their investment. Any such investment should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.

The Fund Documents may be obtained by contacting Kepler Partners LLP. If you are uncertain as to the suitability of an investment in this Fund you should obtain further information and request professional advice before making an investment. The distribution of this factsheet may be restricted by law. This factsheet may not be issued or used in any jurisdiction except in full compliance with any applicable laws and regulations. Persons to whom this factsheet is communicated should inform themselves about and observe any such restrictions.

The Fund is not offered or sold to "U.S. Persons" as defined in Regulation S of the U.S. Securities Act of 1933. This factsheet is reserved for professional clients as defined by the European Directive 2004/39/EC and is not for retail distribution. Any entity responsible for forwarding this material to other entities takes responsibility for ensuring compliance with applicable financial promotion rules. This factsheet is a confidential communication solely for the use of the persons to whom it is distributed to by Kepler Partners LLP.

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Swiss Disclosure: The distribution of Shares in Switzerland in relation to the Fund will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended ("CISA") and its implementing ordinance (the "Swiss Distribution Rules"). Accordingly, the Funds have not been and will not be registered with the Swiss Financial Market Supervisory Authority (FINMA). The representative in Switzerland is FundRock Switzerland SA (formerly ARM Swiss Representatives SA), Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, Quai de l'Île 17, 1204 Geneva, Switzerland. The Prospectus (and any supplement thereto), the Instruments of Incorporation, KIIDs and Annual Financial Statements can be obtained free of charge from the representative in Switzerland. The place of performance and jurisdiction is the registered office of the representative in Switzerland with regards to the Shares distributed in and from Switzerland.

