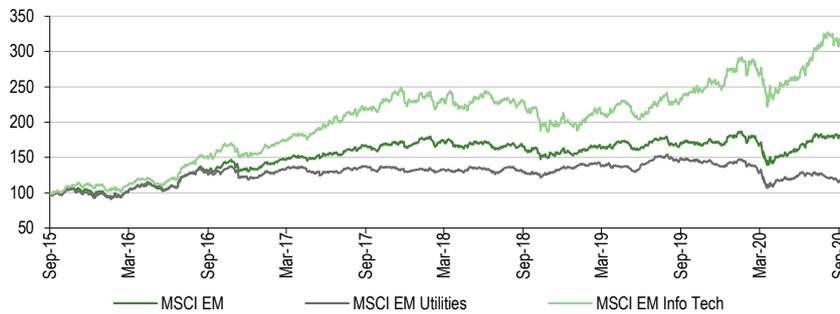


Utilico Emerging Markets Trust

Finding opportunities in technology infrastructure

Utilico Emerging Markets Trust (UEM) is managed by Charles Jillings at ICM Group. While the company has suffered a tough period of absolute and relative performance, Jillings is very encouraged by the prospects for the fund, given attractive valuations and businesses that are 'delivering good results'. He believes he can be patient, waiting for UEM's value to be realised, and in the meantime the trust offers an attractive dividend yield. The manager suggests that over time there is potential for UEM's discount to narrow if sentiment towards emerging markets improves, which could be helped by a weaker US dollar. For these reasons, along with the potential for an uptick in performance, Jillings believes that it is an opportune time to consider an investment in an emerging markets fund.

Significant outperformance of technology stocks over the past five years



Source: Refinitiv, Edison Investment Research

The market opportunity

Growth prospects for emerging markets are higher than those for developed regions; a range of factors underpin this including urbanisation, an expanding middle class and robust infrastructure spending. In aggregate, emerging market shares are more attractively valued than the world market, which may be a relevant consideration for investors seeking to diversify their equity exposure.

Why consider investing in Utilico Emerging Markets?

- Specialist emerging market equity fund with a progressive dividend policy and attractive 4.2% yield.
- Portfolio of high-quality infrastructure and utility investments diversified by geography and subsector, run by a highly experienced manager.
- Since inception, UEM has generated an average NAV total return of 9.0% pa.

Scope for a narrower discount

UEM's current 14.5% share price discount to cum-income NAV compares with a range of 7.0% to 22.5% over the past year. It is wider than the average discounts of 12.8%, 12.6%, 11.8% and 9.7% over the past one, three, five and 10 years, respectively. There is scope for a higher valuation if the manager can build on the trust's long-term record of outperformance, or if there is increased investor demand for emerging market equities.

Investment trusts EM infrastructure and utilities

23 September 2020

Price 179.5p
Market cap £402m
AUM £462m

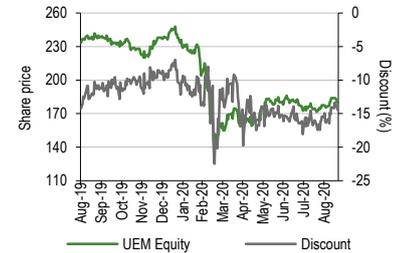
NAV* 206.4p
Discount to NAV 13.0%
NAV** 209.9p

Discount to NAV 14.5%

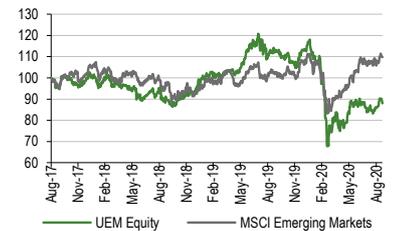
*Excluding income. **Including income. As at 21 September 2020.

Yield 4.2%
Ordinary shares in issue 223.8m
Code UEM
Primary exchange LSE
AIC sector Global Emerging Markets

Share price/discount performance



Three-year performance vs index



52-week high/low 248.0p 141.0p
NAV** high/low 269.8p 177.3p

**Including income.

Gearing

Gross* 4.4%
Net* 4.1%

*As at 31 August 2020.

Analysts

Mel Jenner +44 (0)7967 090567

Sarah Godfrey +44 (0)7976 154191

investmenttrusts@edisongroup.com

[Edison profile page](#)

Utilico Emerging Markets Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

Utilico Emerging Markets Trust's investment objective is to provide long-term total returns by investing predominantly in infrastructure, utility and related equities, mainly in emerging markets.

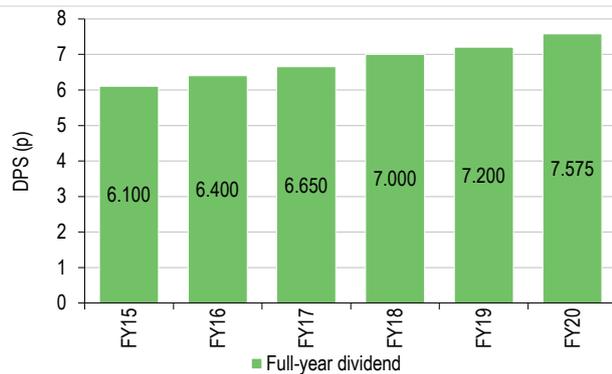
Recent developments

- 24 August 2020: Announcement of first quarterly interim dividend of 1.925p per share (+6.9% year-on-year).
- 19 June 2020: Annual results to 31 March 2020. NAV TR -24.9% vs MSCI Emerging Markets Index TR -13.7%. Share price TR -23.2%.
- 26 May 2020: Announcement of fourth quarterly interim dividend of 1.925p per share (+6.9% year-on-year).
- 20 February 2020: Announcement of third quarterly interim dividend of 1.925p per share (+6.9% year-on-year).

Forthcoming		Capital structure		Fund details	
AGM	September 2020	Ongoing charges	1.1%	Group	ICM Group
Interim results	November 2020	Net gearing	4.1%	Manager	Charles Jillings
Year end	31 March	Annual mgmt fee	0.65%	Address	PO Box 208, Epsom, Surrey KT18 7YF
Dividend paid	September, December, March, June	Performance fee	15% of outperformance (cap: 1.85% of average net assets)	Phone	+44 (0)1372 271486
Launch date	20 July 2005	Trust life	Indefinite (subject to vote)	Website	www.uemtrust.co.uk
Continuation vote	Five yearly, next 2021 AGM	Loan facilities	£50m		

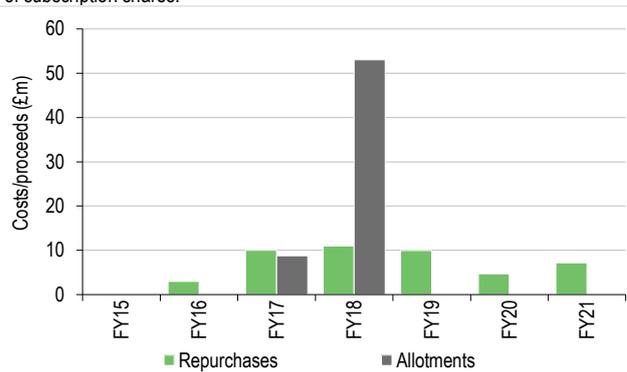
Dividend policy and history (financial years)

The trust is managed for total return, but the board broadly seeks flat or rising dividends.

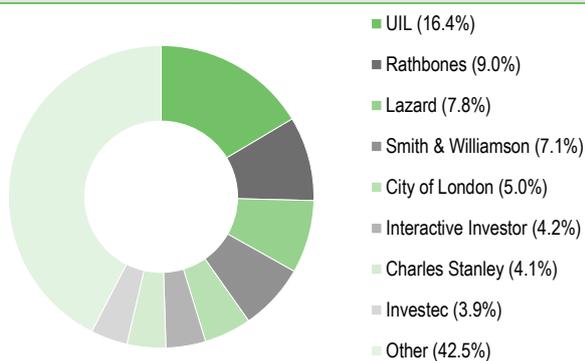


Share buyback policy and history (financial years)

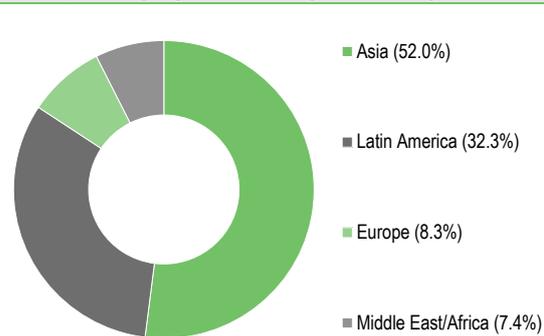
Subject to annual renewal, UEM has authority to repurchase up to 14.99% and allot shares up to 10% of the issued share capital. Allotments include exercise of subscription shares.



Shareholder base (as at 21 September 2020)



Portfolio exposure by region (look through as at 31 August 2020)



Top 10 holdings (as at 31 August 2020)

Company	Country	Sector	Portfolio weight %	
			31 August 2020	31 August 2019*
International Container Terminal Services	Philippines	Ports operator	6.2	6.1
Rumo	Brazil	Rail-based logistics operator	3.5	3.3
Alupar Investimento	Brazil	Electricity generation & transmission	3.5	4.6
China Everbright Greentech	China	Biomass & hazardous waste treatment	3.3	3.5
Engie Energia Chile	Chile	Electricity generation & transmission	3.1	2.6
Gujarat State Petronet	India	Gas distribution	2.8	N/A
India Grid Trust	India	Infrastructure investment trust	2.8	N/A
Ocean Wilsons Holdings	Brazil	Maritime services	2.7	2.7
Korea Internet Neutral Exchange (KINX)	South Korea	Internet exchange	2.6	N/A
Eletrobras	Brazil	Electricity generation & transmission	2.5	N/A
Top 10 (% of portfolio)			33.0	38.0

Source: UEM, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-August 2019 top 10.

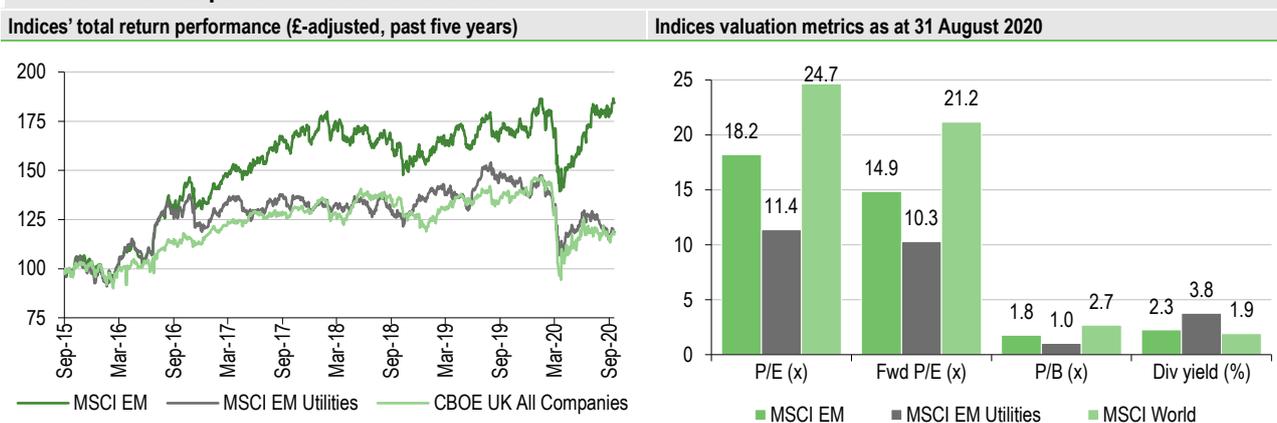
Market outlook: Higher growth opportunities in EM

As shown in Exhibit 2 (LHS), markets have made back much of the performance lost earlier this year due to the coronavirus outbreak. Emerging market stocks have, in keeping with the past five years, outpaced the performance of specialist emerging market infrastructure and UK equities during the recovery over recent months. There are several reasons why GDP growth potential in emerging markets exceeds that for more developed economies, meaning an allocation to these regions may be beneficial for investors seeking a diversified equity portfolio. These include:

- **Urbanisation** – rural populations are migrating to cities, seeking higher incomes and standards of living. This requires significant investment in infrastructure projects such as roads, railways, power networks and sanitation.
- **Rise in the middle class** – this is driving overall consumption and demand for consumer durable goods, including cars and white goods. It is also leading to better public services and a greater focus on an improved quality of life in areas such as education, healthcare and tourism.
- **Environmental policy** – an acceptance of the need to address climate change is becoming a considerably pressing issue. Hence, high-emission industries such as power and transport sectors are seeing radical shifts away from their most polluting technologies. Important areas of developments include renewable energy, battery storage, electric vehicles and waste treatment, and these businesses are increasingly commercial without requiring subsidies.
- **Geopolitics and globalisation** – higher political tensions and populism are leading to a rising level of nationalism and protectionism that is unwinding several decades of supply-chain integration and affecting trade flows. This is leading to significant shifts in transport and logistics value chains, and associated infrastructure.
- **Governance and transparency** – emerging markets typically have poorer institutional frameworks than developed democracies (although they are improving). Hence the regulation of concessions, which is critical in the infrastructure sector, is dependent on a strong rule of law and adherence to contractual obligations.
- **Digitisation** – there are many opportunities in emerging markets for companies to take advantage of technological developments. These include the rollout of mobile and fibre broadband networks, innovative financial solutions to previously unbanked mass populations, cloud storage, data processing and smart transport infrastructure.

Looking at the valuation of emerging market equities in Exhibit 2 (RHS), they remain more attractively valued than the world market and offer a higher dividend yield; this is particularly true for utility and infrastructure shares.

Exhibit 2: Market performance and valuation



Source: Refinitiv, MSCI, Edison Investment Research

Fund profile: Specialist in emerging market equities

Launched in July 2005, UEM was historically a Bermudan investment company, but redomiciled to the UK as an investment trust via a scheme of arrangement on 3 April 2018. It is listed on the Main Market of the London Stock Exchange and managed by the [ICM Group](#) (ICM and ICM Investment Management), which is a specialist fund manager based in Bermuda and the UK, with c \$19bn of assets under management (c \$2bn directly and c \$17bn indirectly).

UEM is managed by qualified chartered accountant Charles Jillings, who has more than 30 years' experience in global financial markets. He aims to generate an attractive long-term total return from a diversified portfolio of emerging market equities, primarily in the infrastructure, utility and related sectors. These tend to be long-term assets with established regulatory frameworks and sustainable income streams, which help to support the trust's dividend payments. Jillings employs a bottom-up stock selection process and is unconstrained by benchmark allocations, although the MSCI Emerging Markets Index is used as a reference. The performance fee benchmark is the UK Gilt five- to 10-year index post-tax yield, plus RPIX inflation, plus 2%, subject to an 8% minimum hurdle, and the fee is capped at 1.85% of average NAV.

In order to mitigate risk, there are a series of investment guidelines in place (as a maximum percentage of gross assets at the time of investment):

- individual investment (10%);
- single country (35%);
- individual sector (25%);
- unquoted investments (5%; 3.3% at end-FY20); and
- top 10 holdings (60%).

Gearing of up to 25% of gross assets is permitted; at end-August 2020, UEM had net gearing of 4.1%. From launch to the end of August 2020, UEM's NAV total return has compounded at 9.0% pa; this is lower than the more normal double-digit historical averages (for example, from launch to 31 December 2019, the compound annual return was 10.9%) as the fund's performance was negatively affected by the coronavirus-induced stock market sell-off earlier this year.

The fund manager: Charles Jillings

The manager's view: Recovering emerging market economies

Jillings comments that China is on a recovery path and is returning to growth following the coronavirus-led lockdown earlier this year: 'Within the economy there are a number of areas where activity is ahead of where it was 12 months ago, which is a positive'. These include infrastructure spending and the rollout of 5G and other technologies. The manager also believes that policies being adopted in the two other largest emerging market economies – India and Brazil – will lead to higher growth over time. He comments that in general, the dips in activity due to lockdowns have been smaller in emerging than developed markets, and recoveries are stronger. Jillings cites a Brazilian toll road operator that is only experiencing a 5% reduction in activity levels year-on-year. While the coronavirus outbreak has meant that Brazil and India have had a tough time at a social level, the impact on an economic level has been more modest. The Brazilian economy has been supported by lower interest rates; the benchmark Selic was reduced by a further 25bp on 5 August to an all-time low of 2.0%, down from 6.5% in July 2019. This monetary approach is not isolated; the manager says that central bank responses, especially in developed markets, have been very aggressive, and together with government fiscal measures have pumped a lot of funding into economies. Jillings believes that this support for populations and businesses, coupled with low interest rates, should lead to a more inflationary environment. He is confident that one of the policy

tools employed will be an acceleration in infrastructure spending, which should lead to higher demand and pricing for commodities, an important growth driver for many emerging economies.

The manager is aware that the upcoming US presidential election is bringing a heightened sensitivity towards the US–China trade negotiations, and understands the negative implications if the relationship deteriorates. However, he believes that both countries recognise a working relationship needs to be maintained to ensure a mutually beneficial outcome. When questioned about his outlook for emerging market equities, Jillings suggests he is 'positive', given the global pandemic has not had such an impact on the GDP of emerging versus developed nations; they have proved to be more resilient and are returning to a stronger economic position. He says that policy decisions are continuing to drive positive changes, while a weakening dollar should lead to a greater propensity for investment in emerging markets. The manager says that a sensible approach is to look past 2020, due to the COVID-19 upheaval, and that based on 2021 consensus earnings estimates, emerging markets are looking attractively valued. He says that many companies are trading on multiples not seen for many years, providing good opportunities across a range of geographic areas.

Asset allocation

Investment process: Diligent, bottom-up stock selection

Jillings seeks to identify and invest in companies predominantly in the infrastructure and utility sectors, that are trading at a discount to their perceived intrinsic value and have the potential to generate total returns of at least 15% pa over a five-year horizon. He focuses on emerging market countries with positive attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment. The manager has a long-term investment horizon and avoids short-term stock market 'noise'.

Stocks are selected on a bottom-up basis following thorough fundamental research (including the construction of a detailed financial model and valuation targets) from an investible universe of more than 900 companies. At end-FY20, there were 88 holdings in the portfolio, towards the high end of the typical 60–90 range. UEM has an active share approaching 100% versus the MSCI Emerging Markets index; this is a measure of how a fund differs from an index, with 0% representing full replication and 100% no commonality. Jillings is supportive of UEM's investee firms in terms of their capital requirements and the trust is often among their largest international shareholders.

The manager explains how environmental, social and governance (ESG) factors are incorporated into UEM's investment process:

- Visit – engaging with investee companies and undertaking site visits to further develop a comprehensive and long-term perspective.
- Investigate – insights gained during these meetings are combined with in-depth internal research, to gauge how ESG issues may affect an investment.
- Recognise – an investee company's ESG profile is integrated into investment decisions.
- Participate – continuous connections with investee companies' management teams via ongoing meetings and influencing best outcomes on key issues.

Because of the nature of UEM's investments, in companies providing essential services, the trust has tended to underperform the MSCI Emerging Markets Index during a cyclical upturn led by sectors such as technology and consumer discretionary, while outperforming in a falling market.

Jilling says that due to travel restrictions as a result of the COVID-19 pandemic, there has been a remarkable shift to online meetings, noting that portfolio companies have been very swift to arrange them. He believes the lack of site visits this year has not been detrimental, as over the past decade the manager and members of his team have already visited the most important locations of both

investee and non-portfolio companies. He believes that in time an effective coronavirus vaccine will become a viable option meaning that international travel will be back on the agenda, but in the meantime the manager is very encouraged by the level of company meetings illustrating how engaged these firms are with shareholders. 'Businesses want investors to understand how they are dealing with the impacts of the virus and what opportunities are available,' he adds.

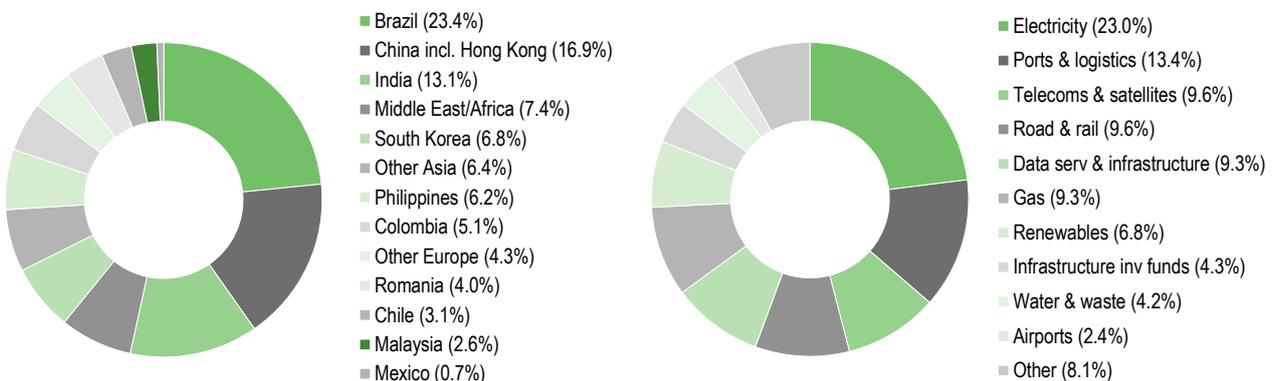
Current portfolio positioning

At end-August 2020, UEM's top 10 positions made up 33.0% of the fund, which was a lower concentration than 38.0% a year earlier; six positions were common to both periods.

The trust's geographic and sector exposures are shown in Exhibit 3. While we would normally show the year-on-year changes, UEM has recently modified some of the classifications so a comparison would not be accurate. For example, it has added a new sector category, data services and infrastructure, following increased investment and stock price outperformance in recent months. Jillings is finding interesting opportunities in technology infrastructure companies, where demand is robust helped by the coronavirus-led lockdowns, a higher number of people working from home and the continuous shift to increased digitisation.

UEM is seeking exposure to higher growth through digital infrastructure, and the subsector now accounts for almost 10% of the portfolio. It now has a new top 10 holding in **Korea Internet Neutral Exchange (KINX)**, which is the only carrier-neutral internet exchange (IX) in South Korea, providing internet data centre, content delivery network, and cloud computing services. In addition, Malaysian **MyEG Services** has returned to UEM's list of top 20 holdings, having previously been sold down by Jillings when the share price reached what he considered to be fair value. The manager explains that the company has undergone a series of setbacks following a change in the Malaysian government, which provided a good entry point. MyEG provides online services on behalf of the government including car tax renewal, driving licences and immigration permits for overseas workers, and has recently introduced new services such as COVID-19 screening. New Malaysian contracts had stalled, but Jillings expects the company to win new concessions. It is also expanding its international operations, which the manager believes enhances MyEG's future prospects.

Exhibit 3: Portfolio geographic and industry exposure (as at 31 August 2020)



Source: Utilico Emerging Markets Trust, Edison Investment Research

The manager highlights a few of UEM's other largest holdings. **Eletrobras** is the largest utility company in Latin America; it is currently state-run but is going through a privatisation process. Jillings explains that the firm has been restructured over the past few years; the CEO has sought to reduce costs, has divested some loss-making distribution assets and non-core businesses, reduced the level of debt and generally made the company more efficient.

Gujarat State Petronet (GSP) is a gas transmission company in Gujarat state, a highly industrialised region in India; the company has a controlling stake in Gujarat Gas (also listed). Jillings

says the state has the greatest adherence to good corporate governance practices in the country and is the birthplace of prime minister Narendra Modi. Pollution is a severe problem in India and has been recognised by the government, which has brought in much stricter environmental rules, especially for industrial companies. A significant decline in liquefied natural gas prices has accelerated the switch from coal and fuel oil to cleaner gas-fired power generation. GSP is enjoying robust volume growth and the manager describes the company as a ‘good core growth story’.

Jillings reduced UEM's airport exposure given challenges to their business models due to the global pandemic; the proceeds were invested in other businesses with strong defensive characteristics and higher yields. However, he believes it may be an interesting time to revisit the sector in anticipation of a business recovery and the fact that the share prices of airport operators remain significantly lower year-to-date.

Performance: Ahead of MSCI EM Utilities index

Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI Emerging Markets (%)	MSCI EM Utilities (%)	Performance fee benchmark (%)
31/08/16	33.4	33.4	31.8	29.1	8.0
31/08/17	12.5	14.8	27.0	6.7	8.0
31/08/18	(7.3)	(7.3)	(1.2)	(5.9)	8.0
31/08/19	17.6	21.0	2.5	14.2	8.0
31/08/20	(21.0)	(20.3)	4.5	(22.6)	8.0

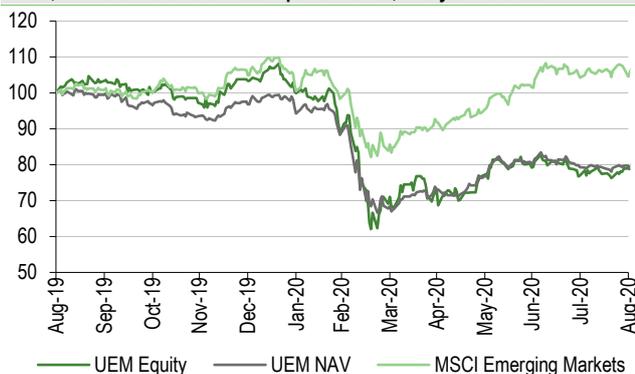
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. Performance fee benchmark subject to an 8% minimum from April 2014. MSCI indices are shown for illustrative purposes.

Looking at UEM's discrete five-year performance in the table above, there was a notable period of outperformance versus the MSCI Emerging Markets index in the 12 months ending 31 August 2019 in both NAV and share price terms. Fast-forward 12 months and the picture is somewhat different; UEM's total returns are meaningfully behind that of this index over the year to end-August 2020 after relative performance took a step down during the stock market sell-off earlier this year.

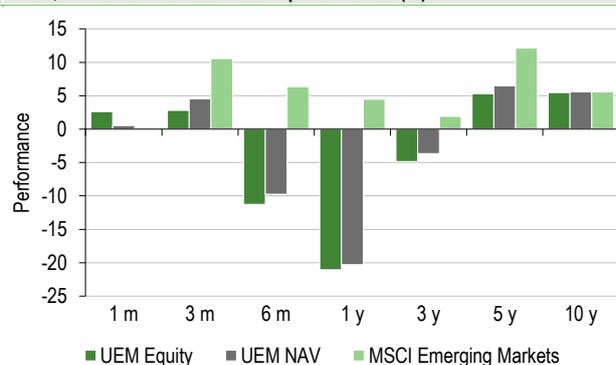
The trust's largest exposure to Brazil was particularly detrimental as share prices in the country declined significantly, while the Brazilian real also depreciated more sharply than other emerging market currencies versus sterling. However, the manager notes that the Brazilian stock market has rallied sharply in recent months; he believes that this move reflects the country's growth potential, despite the current problems associated with the coronavirus outbreak.

Exhibit 5: Investment trust performance to 31 August 2020

Price, NAV and index total return performance, one-year rebased



Price, NAV and index total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

Despite a tough period of absolute and relative performance, UEM's total returns are broadly in line with those of the MSCI Emerging Markets Index over the past decade and are ahead of the MSCI EM Utilities index over the past one, three, five and 10 years in both NAV and share price terms.

Jillings explains that the performance of utility and infrastructure assets has lagged the wider market over the past year. In common with other markets, the MSCI Emerging Markets index is being led by a handful of technology companies. Five of the top 10 names in the index are either directly or indirectly involved with e-commerce and online entertainment and the share prices of these companies have significantly outperformed year-to-date. To illustrate this phenomenon, the top two firms in the MSCI Emerging Markets index are Alibaba (8.4% weighting and share price +34.7% in 2020 to the end of August) and Tencent (6.1% weighting and share price +38.7%).

To provide a longer-term perspective, the chart on the front page shows that the MSCI Emerging Markets Information Technology index has significantly outperformed both the MSCI Emerging Markets index and the MSCI Emerging Markets Utilities index over the past five years.

While UEM's specialist approach means that there is no clear benchmark index against which to compare performance, analysis suggests that the greatest overlap is with the MSCI Emerging Markets Utilities index. Although the active share against this index is still over 90%, it has the highest relevance in terms of investee companies with almost 50% of UEM invested in the gas, water, waste, electricity and renewables utilities space.

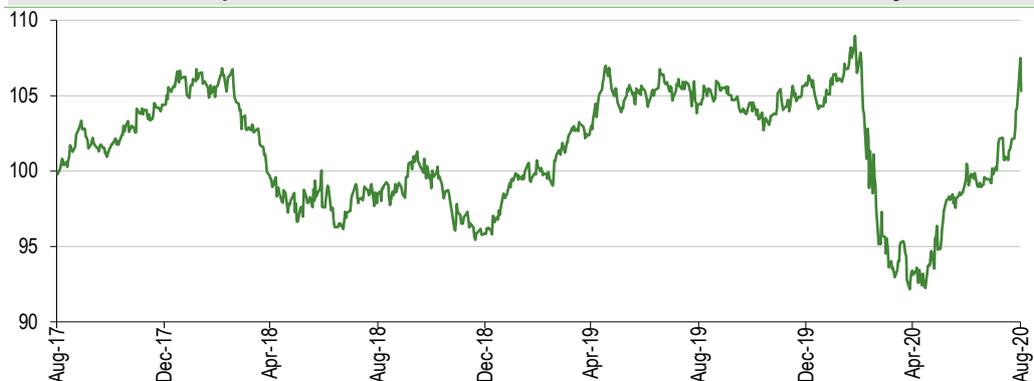
Data from UEM also highlights the relative value in its portfolio. Its top 20 holdings are trading at a weighted-average trailing P/E multiple of 13.4x and offer a weighted-average 4.2% dividend yield. This compares with an 18.2x trailing P/E multiple and a 2.3% dividend yield for the MSCI Emerging Markets index.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI Emerging Markets	2.4	(7.0)	(16.5)	(24.4)	(18.6)	(27.0)	(0.7)
NAV relative to MSCI Emerging Markets	0.3	(5.4)	(15.1)	(23.7)	(15.5)	(22.7)	(0.1)
Price relative to MSCI EM Utilities	9.9	11.6	(1.0)	2.0	3.6	12.9	81.1
NAV relative to MSCI EM Utilities	7.7	13.4	0.7	3.0	7.5	19.5	82.2
Price relative to CBOE UK All Cos	0.7	2.8	(3.3)	(8.7)	(4.8)	10.9	(3.4)
NAV relative to CBOE UK All Cos	(1.3)	4.5	(1.6)	(7.9)	(1.2)	17.4	(2.8)
Price relative to performance fee benchmark*	2.0	0.8	(14.6)	(26.9)	(31.6)	(12.0)	(19.4)
NAV relative to performance fee benchmark*	(0.1)	2.5	(13.1)	(26.2)	(29.0)	(6.8)	(18.9)

Source: Refinitiv, Edison Investment Research. Note: Data to end-August 2020. Geometric calculation. *Benchmark for performance fee is UK Gilt five- to 10-year post-tax yield, plus RPIX, plus 2%, subject to an 8% minimum from 1 April 2014.

Exhibit 7: NAV TR performance relative to MSCI EM Utilities Index over three years



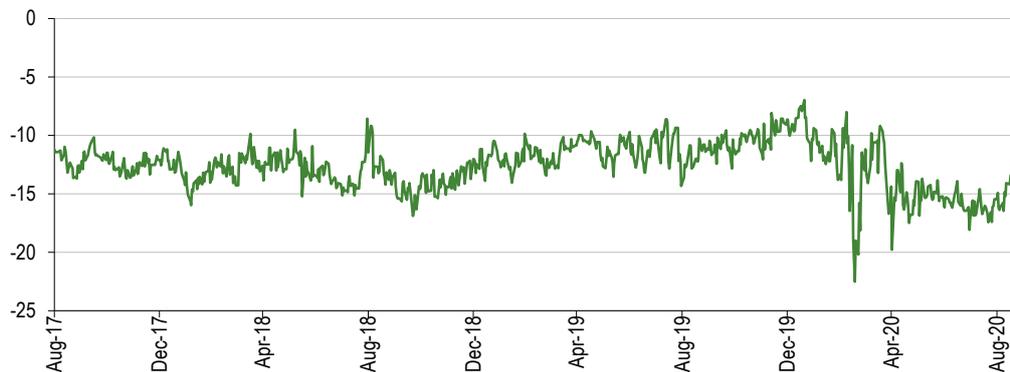
Source: Refinitiv, Edison Investment Research

Discount: In a widening trend

Having been in a narrowing trend since Q418, UEM's discount, in keeping with many other investment trusts, experienced a significant period of volatility during the coronavirus-led market sell-off earlier in 2020. The trust's discount ranged from a three-year low of 7.0% on 20 January to a decade-wide 22.5% on 19 March. UEM's discount has been in a widening trend in recent months; the current 14.5% share price discount to cum-income NAV compares with average discounts of 12.8%, 12.6%, 11.8% and 9.7% over the past one, three, five and 10 years.

Historically, UEM's shares have been repurchased when the discount has widened to more than 10% in normal market conditions (there is also the potential for periodic discretionary tender offers, although none have yet been undertaken). In FY20, 2.0m shares were repurchased (c 1% of the share base) at a cost of £4.8m and so far in FY21, more than 4.0m shares have been repurchased at a cost of £7.2m. The board believes that the most effective way to manage the discount over the long term is to generate good performance and increase awareness of the trust's philosophy and process.

Exhibit 8: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

UEM has a single class of share; there are currently 223.8m ordinary shares in issue. It has a three-year unsecured £50m revolving credit facility with Scotiabank Europe, which expires on 3 April 2021. At end-August 2020, net gearing was 4.1%, which is lower than historical averages due to geopolitical uncertainties including the tensions between the US and China; Jillings will continue to utilise UEM's gearing facility tactically.

ICM is paid an annual management fee of 0.65% of NAV. Subject to an 8% minimum hurdle, a 15% performance fee on returns above the UK Gilt five- to 10-year index post-tax yield plus RPIX inflation plus 2% is payable. The NAV must exceed the high watermark NAV from when the performance fee was last paid, adjusted for capital events and dividends. The performance fee is capped at 1.85% of average net assets and is paid 50% in shares and 50% in cash.

UEM's ongoing charges ratio in FY20 was 1.1%, modestly higher than 1.0% in FY19; no performance fee was payable. The trust has a five-yearly continuation vote, next due at the September 2021 AGM.

Dividend policy and record

UEM pays quarterly dividends in September, December, March and June, which can be made from income or capital. The board employs a progressive dividend policy; investors have enjoyed flat or growing annual dividends every year since the fund was launched. In FY20, UEM's revenue per share was 7.88p (+5.5% year-on-year), helped by its Indian holdings and a lower number of shares in issue. The annual, fully covered dividend of 7.575p per share was 5.2% higher year-on-year.

UEM's board has assured shareholders that if there is a short-term weakness in portfolio income, it will maintain CY20 quarterly dividends at 1.925p per share, using revenue and capital reserves if required. This implies an annual increase of 1.7% (total payment of 7.70p per share).

Based on its current share price, UEM offers an attractive 4.2% dividend yield.

Peer group comparison

UEM is a member of the AIC Global Emerging Markets sector. While a direct comparison with its peers is not possible due to UEM's unique strategy, the data below in Exhibit 9 (which excludes funds with a market cap below £100m) does provide some perspective. Its NAV total return is below average over the periods shown, ranking seventh out of eight funds over one, three and five years, and third out of six funds over the past decade. (These numbers do not take the dilutive effect of UEM's historic subscription shares up until February 2018 into account.) The trust's discount is wider than average and its ongoing charge is below the mean, although it is one of two funds eligible for a performance fee. UEM's level of gearing is modestly above average, while its dividend yield is the third-highest in the selected peer group, 1.7pp above the mean.

Exhibit 9: Selected peer group as at 21 September 2020*

% unless stated	Market cap (£m)	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Utilico Emerging Markets	401.8	(19.0)	(7.1)	38.1	70.1	(14.7)	1.1	Yes	104	4.2
Aberdeen Emerging Markets	264.3	7.1	12.7	79.7	58.5	(18.0)	1.1	No	101	0.0
BlackRock Frontiers	230.6	(19.2)	(18.2)	19.7		(6.5)	1.4	Yes	113	5.4
Fundsmith Emerging Equities Trust	302.4	1.9	15.3	45.1		(13.1)	1.4	No	100	0.3
Genesis Emerging Markets Fund	901.3	2.0	11.9	73.5	62.2	(14.7)	1.1	No	100	2.0
JPMorgan Emerging Markets	1,243.9	13.6	34.3	116.2	113.0	(12.8)	1.0	No	100	1.3
JPMorgan Global EM Income	340.3	(0.1)	13.3	72.4	88.1	(11.0)	1.3	No	108	4.5
Templeton Emerging Markets IT	1,948.8	9.6	17.0	120.6	68.5	(13.0)	1.0	No	100	2.3
Average	704.2	(0.5)	9.9	70.7	76.7	(13.0)	1.2		103	2.5
UEM rank (out of eight funds)	4	7	7	7	3	7	5		3	3

Source: Morningstar, Edison Investment Research. Note: *Performance data as at 18 September 2020 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

There are five non-executive directors on UEM's board, four of whom are independent of the manager. Chairman John Rennocks was appointed as a director in November 2015 and assumed his current role in September 2016. The other four directors and their dates of appointment are: Anthony Muh (October 2010); Susan Hansen (September 2013); Garth Milne (November 2014); and Eric Stobart (October 2019).

Hansen is considered non-independent as she is also on the board of Resimac Group, which is associated with ICM. Charles Jillings, UEM's manager, stood down from the board in March 2012 to increase its independence and improve corporate governance. The directors' fees are paid in UEM shares, ensuring all shareholders' interests are aligned.

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia