PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY

R3 SHARE CLASS | EUR

FACTSHEET | 31 Dec 2024

KEY FACTS

Pricing information

Nav price (31 Dec 24)	12.884
Pricing frequency:	Any Business Day
Yield:	3.40%

Portfolio managers

Manager names:	Matthew Linsey, Kamil Dimmich

Fund facts

Fund size (USD m):	2192.3
Strategy size (USD m):	3,211.8
Investment manager:	Pacific Asset Management
Sub-investment manager:	North of South
Launch date of fund:	22 Nov 17
Launch date of class:	12 Sep 22
Fund structure:	Irish UCITS
Fund type:	Single Manager
Share class type:	Accumulating
Base currency:	USD
Currencies available:	CAD, EUR GBP, USD
Benchmark:	MSCI Emerging Market Total Return Index
Dealing frequency:	Any Business Day
Subscription cut off (GMT):	Noon the prior day
Auditors:	Deloitte
Depositary:	Citi Depositary Services Ireland
Administrators:	Citibank Europe Plc
ManCo:	Waystone Management Company (IE) Ltd

Identifiers

ISIN:	IE000K2JTEV0
Bloomberg:	PNSER3A ID
SEDOL:	BP6VTC6

Charges

Initial Charge:	None
AMC:*	0.75%
Ongoing Charges Figure:	1.4%

IMPORTANT INFORMATION

The Ongoing Charges Figure (OCF) is an estimate based on projected expenses and may vary from year to year. An estimate is used in order to provide the figure that will most likely be charged. For more information about charges please see the Key Investor Information Document (KIID) and "Fees and Expenses" of the Funds Prospectus and Supplement. *Included in the OCF.

Investment objective

Long-term capital appreciation through investing in a diversified portfolio of emerging market equities. Combines top-down macroeconomic themes and bottom-up company analysis to identify undervalued stocks across the full market capitalisation spectrum. Aims to outperform MSCI EM Total Return index by 3-5% annually.

Fund manager commentary

During 2024 the Pacific North of South EM All Cap Equity Fund outperformed the MSCI Emerging Markets total return index by over +1.9%, helped by strong relative performance of +6.5% during the final quarter. This marks the ninth consecutive year of the North of South EM All Cap Equity Strategy outperforming the index.

We went into last year excited about the Value-Up programme in Korea and the likely support for rate sensitive Latin American markets from continuing monetary easing. While these themes seemed to be playing out during the initial months of 2024, Brazil, Mexico, and Korea ended up among the worst performing markets in the world in dollar terms last year and provided a major headwind for our portfolio. Fortunately, we were able to more than offset these through our local stock picking (especially in Korea) and diversification. In this respect, our positions in the UAE and Taiwan, as well as smaller markets like Argentina and Greece, made significant contributions. At a total portfolio level, stock selection was the primary driver of outperformance, while country allocation created a drag.

During the year the rising cost of capital in Brazil and Mexico led us to reduce exposure to those markets and shift towards export-oriented businesses with dollarised funding costs. On the flipside, we have been adding to domestic consumer stocks in China, where the cost of capital is declining, and the government is showing signs of support for domestic demand. We have also become more positive on South Africa, where declining rates make valuations more attractive. While we remain positive on Taiwanese technology, we have taken some profits and reduced our overweight position in the market. India remains the most significant underweight in the portfolio, as valuations remain stretched in the face of a slowing economy.

Looking ahead into 2025, politics will likely continue to be impactful with seismic shifts taking place. The world waits with bated breath to see what policies a Trump/Musk team will implement – ranging from tariffs and budget decisions to immigration and geopolitical repositioning of the US. Many other developed countries are also seeing dramatic changes in the establishment with an upsurge in populism. Most of our markets, aside from the Korean presidential soap opera, appear more politically predictable. Notably, Greece, South Africa, Poland and dare we say Argentina and Turkey seem to be moving in the right direction on economic policy. China remains a significant question mark on both the domestic and international front, but we remain (very cautiously) optimistic that authorities will be compelled to adopt a more proactive fiscal stance to stimulate consumer demand.

Outside of, or perhaps alongside, politics, we remain mindful of the interest rate environment and its impact on equity and currency markets. US 10-year yields are at the highest levels since before the 2008 financial crisis. Remarkably, the S&P500 is trading at a 50% higher forward P/E multiple (22x) than at its pre-crisis peak in 2007 (15x). The MSCI Emerging Markets index on the other hand is trading at a discount (12x) compared to its 2007 highs (15x). This reflects the relative de-rating of Emerging Markets over the past decade and a half. However, we are now entering a different macro and political environment where anything can happen. Betting on a continuation of the status quo can be risky during times of change.

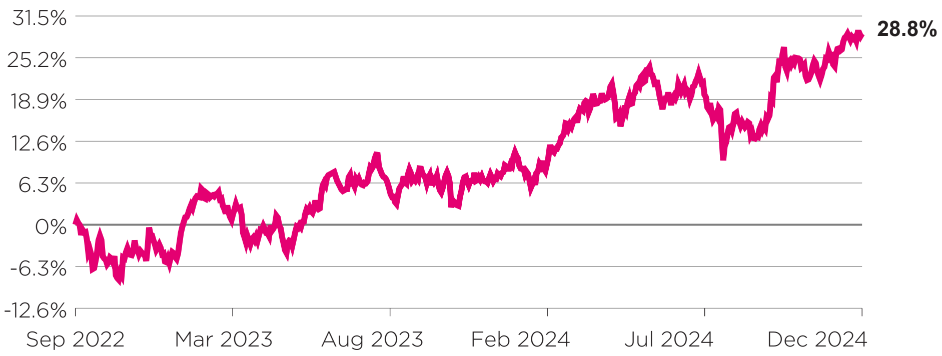
For now, rising US rates are putting pressure on Emerging Market (and other) currencies, most visibly the Brazilian Real, which has been caught in a vicious cycle of imported inflation leading to higher rates and debt servicing costs. This, in turn, exacerbates the government deficit and increases government debt levels, further pressuring the currency. The Central Bank is forced to step in, but fiscal concerns dominate. Brazil remains uniquely vulnerable with its combination of high government debt levels and high real rates driven by its governments inability or unwillingness to accept fiscal consolidation. It is the canary in the coal mine with other EM markets further from a tipping point thanks to higher real growth (e.g. India) or lower levels of debt/GDP (e.g. Indonesia, Mexico, Poland, and Korea). Unlike during the 1990s Asian debt crises, Emerging Markets government debt is now largely domestic, and the likelihood of sovereign default, even for Brazil is minimal. High real rates are, in fact, a reflection of concerns about future monetisation of debt via currency debasement.

On the flipside, Argentina has been a standout performer since President Milei wielded his proverbial chainsaw. In stark contrast to Brazil, the government has dramatically reduced expenditure. Inflation has been high, but market confidence has allowed for a much slower depreciation of the currency, leading to strong appreciation in real terms. Middle-class Argentines who can travel and access dollars are suddenly finding their inflated wages go a long way, especially when in neighbouring Brazil. Milei has so far pulled off an incredible balancing act, pleasing both markets and the electorate despite high inflation and a recession. Inflation is now falling, and growth has resumed. The overvaluation of the currency is a concern, but if this can be managed without major upheaval Argentine shock therapy could become a model for its larger neighbour at some point. While the country was dropped from the Emerging Markets Index years ago, we have benefitted from exposure to its burgeoning energy sector, which has helped underpin the reforms.

As always, we do not claim to have a crystal ball and aim to prepare for the unexpected in the coming year. 2025 is likely to be eventful and full of surprises. Our cost of capital approach, disciplined focus around valuations, and diversification should provide a measure of safety and continue to deliver a favourable risk/reward skew, as they have over the past nine years.

R3 share class | EUR

From 12 Sep 2022 (inception) to 31 Dec 2024 (%)



R3 share class | EUR Period returns

From 12 Sep 2022 (inception) to 31 Dec 2024 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022									-6.55	-1.14	7.79	-4.75	-5.15
2023	9.55	-3.07	-0.91	-2.18	4.82	2.99	4.92	-3.95	0.57	-3.70	4.02	3.67	16.94
2024	-2.52	6.80	2.78	-0.39	0.16	1.63	-2.26	-1.83	5.22	0.27	1.72	3.96	16.16

Past performance is not necessarily a guide to future performance.
Performance is shown net of fees.
Source: Pacific Asset Management as at 31 Dec 2024.

PACIFIC ASSET MANAGEMENT

PORTFOLIO BREAKDOWN

Fund characteristics

Total no. securities held	**81**
Top ten position concentration	**32.7%**

Market cap breakdown (% of nav)

$5bn plus	67.0
$500m to $5bn	26.2
Up to $500m	2.3

Top 15 holdings (%)

Name	Geographic	Industry	% of fund
Taiwan Semiconductor	Taiwan	Technology	8.1
Alibaba Group	China	Consumer Discretionary	4.3
Mediatek Inc	Taiwan	Technology	3.7
Emaar Properties	United Arab Emirates	Real Estate	3.3
Samsung Electronics	Korea, Republic of	Technology	2.8
Jd.com	China	Consumer Discretionary	2.5
Midea Group Co Ltd-a	China	Consumer Discretionary	2.5
Lotes Co Ltd	Taiwan	Technology	1.9
Ping An Insurance	China	Financials	1.9
Powszechny Zaklad Ubezpiecze	Poland	Financials	1.6
Samsung Fire & Marine Ins	Korea, Republic of	Financials	1.6
Kt Corp-sp Adr	Korea, Republic of	Communications	1.6
Autohome Inc-adr	China	Communications	1.5
Eurobank Ergasias Services	Greece	Financials	1.5
Elite Material	Taiwan	Industrials	1.5

Fund geographical weightings (%)

China	26.2
Taiwan	22.6
Korea, Republic of	11.5
United Arab Emirates	8.0
Brazil	5.8
Mexico	3.6
Indonesia	3.1
Greece	2.3
Canada	2.3
Poland	2.2
South Africa	2.1
Other	5.8
Cash	4.5

Fund industry weightings (%)

Technology	22.7
Consumer Discretionary	21.7
Financials	17.8
Industrials	10.7
Materials	6.4
Communications	5.0
Energy	4.8
Real Estate	3.8
Consumer Staples	1.8
Health Care	0.8
Cash	4.5

Holdings and allocations are subject to change. Totals may not sum to 100% due to rounding.

PLEASE GET IN TOUCH

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