



MARCH 2018 QUARTERLY INVESTMENT UPDATE

The Emerging Markets Masters Fund (EMF) is a leading ASX-listed investment trust that seeks to achieve an attractive total return for investors through exposure to a diversified portfolio of emerging market equities. This March 2018 Quarterly Investment Update provides investors with an analysis of the key characteristics and drivers of EMF's performance over the first quarter (Q1).

PORTFOLIO COMMENTARY

All data is as at 31 March 2018 and in Australian dollar (AUD) terms, unless otherwise indicated.

Continuing its strong performance into 2018, EMF achieved a net tangible asset (NTA) return of 4.0% in Q1 (including distributions) despite the volatility in equity markets. All the funds in the portfolio except for Steadview Capital achieved positive returns during the quarter.

EMF's exposure to frontier markets made a significant contribution to its performance in Q1, and the diversification benefits from investing in frontier markets appear to have proved themselves. Frontier markets have a low correlation to other equity markets since they are generally less impacted by global political and economic events. BMO LGM Frontier Markets Fund was the best performing fund in the portfolio, returning 9.6% in Q1 and outperforming the MSCI Frontier Markets Index, which gained 6.8%. Meanwhile, Polunin Discovery Frontier Markets Fund, the other frontier markets manager in the portfolio, rose 0.9% and lagged the benchmark.

The Russian Prosperity Fund (up 10.4%) performed in line with the Russian market and made a significant contribution to EMF's performance in Q1. Brasil Capital (up 9.0%) also performed well, but lagged behind the MSCI Brazil Index (up 14.3%), while GBM (up 8.7%) significantly outperformed the Mexican equities benchmark (up 2.9%).

EMF's exposure to the Chinese markets also made a positive contribution to its performance. Manager selection in China has continued to be positive as all Chinese equities managers outperformed their respective benchmarks. While China A-share managers Cephei and NCC were up 4.8% and 5.3% respectively, Wells Fargo and Green Court (which invest in A-shares, H-shares and ADRs) each gained 5.8% and 4.9% over the quarter.

Meanwhile, EMF's exposure to the Indian market detracted from its performance in Q1. Indian equities declined 3.2% over the quarter, while Steadview (down 4.8%), the Fund's Indian equities specialist, underperformed its benchmark.

PERFORMANCE AS AT 31 MARCH 2018

	3 MONTHS	6 MONTHS	1 YEAR	2 YEARS PA	3 YEARS PA	SINCE INCEPTION PA
Unit price total return*	2.4%	9.2%	18.1%	13.0%	6.5%	8.9%
NTA total return**	4.0%	9.3%	20.0%	15.0%	5.6%	9.6%

*Unit price performance numbers are total returns, with distributions reinvested and do not account for the impact of trading costs. All returns beyond one year are annualised. ** NTA performance numbers are total returns, with distributions reinvested and net of fees and costs. All returns beyond one year are annualised.

FUND FACTS

ASX ticker	EMF
Asset class	Emerging markets equities
Structure	Listed investment trust
Inception	October 2012
Currency	AUD (unhedged)
NTA	\$2.10
Market capitalisation	\$203 million
Units outstanding	95.6 million

Ongoing fees

Responsible Entity Fee	0.088% p.a.*
Investment Management Fee	1.10% p.a.*

*Inclusive of GST, does not include underlying fund manager fees. For more information on ongoing fees and costs associated with the product, please refer to Section 7 of the PDS dated 29 August 2012.

DISTRIBUTIONS ANNOUNCED (LAST 12 MONTHS)

June 2017	3 cents per unit
December 2017	3 cents per unit

UNDERLYING MANAGERS

Manager	Weight**
BMO LGM Frontier Markets Fund	12.4%
Wells Fargo China Equity Fund	12.2%
Steadview Capital Fund	10.8%
Polunin Discovery Frontier Markets Fund	10.7%
Green Court Greater China Long-Only Equity Fund	8.0%
Somerset Emerging Markets Dividend Growth Fund	6.9%
TT Emerging Markets Equity Fund	6.9%
CEPHEI QFII China Absolute Return Fund	6.1%
Schroder Emerging Europe Fund	5.4%
Brasil Capital Equity Fund	5.2%
NCC China A-Share Fund	4.3%
Russian Prosperity Fund	3.0%
Arisaig Latin America Consumer Fund	2.8%
GBM Crecimiento Fund	0.5%
Cash*	4.9%

* Excludes any cash held by underlying investment managers.

** Figures may not reconcile due to rounding.

MARKET REVIEW

Emerging market equities started the year on a strong note, rising 5.1% in January. A global sell-off began in February, led by concerns over rising inflation in the United States (US) and the possibility of the US Federal Reserve raising interest rates faster than anticipated. Markets subsequently rebounded until Donald Trump announced the imposition of tariffs, sparking fears of a trade war between the US and China. The MSCI Emerging Markets Index rose 3.1% in Q1, while the MSCI Frontier Markets Index gained 6.8%.

Led by Brazil (up 14.3%), Latin America was the best performing region during the quarter. The Brazilian market was supported by positive economic data and an improved political outlook, with former President Lula likely to be prevented from participating in the October presidential elections due to corruption charges. Meanwhile, Mexican equities gained 2.9% in Q1 due to a significant currency appreciation. The peso strength can be attributed to an improved tone concerning the North American Free Trade Agreement (NAFTA) renegotiations. Colombia (up 8.0%), Peru (up 5.3%) and Chile (up 3.1%) also made gains over the quarter.

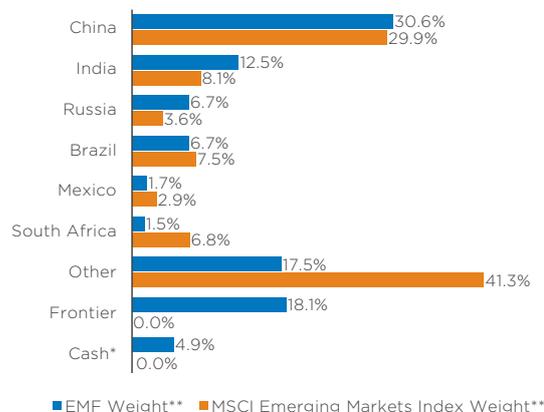
In Asia, there was a wide dispersion of returns among different markets, with gains led by Malaysia (up 11.6%) and Thailand (up 8.4%) – both aided by currency strength, higher trade surplus and lower inflation. Chinese markets were also up despite escalating trade tensions with the US. The MSCI China Index gained 3.4%, while H-shares were up 3.8% and A-shares rose 1.7%. China's National People's Congress was held in March, with several important reforms put in place. These reforms included the removal of presidential term limits and the appointment of pro-market technocrats to key decision-making positions. The Indian market (down 3.2%) was unsettled by allegations of fraud involving Punjab National Bank and negative political developments, indicating Prime Minister Narendra Modi's BJP Party is losing support. The Philippines (down 8.7%) was the worst performing emerging market in Q1, due largely to inflation concerns.

In the Europe, Middle East and Africa (EMEA) region, Egypt (up 16.5%) was the best performing emerging market during the quarter, as the economic outlook improved on expectations of lower interest rates. Meanwhile, Russian equities (up 10.4%) were strong in Q1 on the back of an economic recovery and higher oil prices. As expected, President Vladimir Putin was re-elected for a second consecutive six-year term in March. South African equities were flat over the quarter despite a significant appreciation of the rand, which rallied following the resignation and subsequent replacement of President Jacob Zuma. In addition, the South African central bank reduced interest rates by 25 basis points in March, after the country averted a credit rating downgrade.

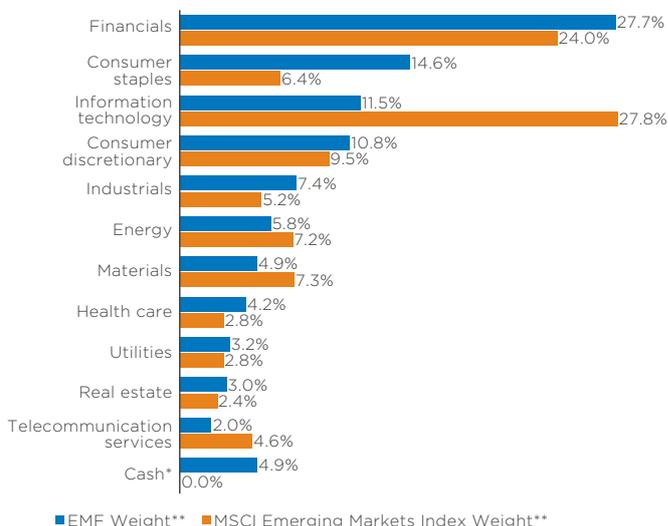
There was widespread dispersion across sectors in Q1, with energy (up 9.3%), health care (up 8.8%) and financials (up 5.9%) leading the gains. Meanwhile, real estate (down 0.5%), telecommunications services (down 2.1%) and consumer discretionary (down 4.6%) finished at the bottom.

PORTFOLIO PROFILE

Country allocation



Sector allocation



* Excludes any cash held by underlying investment managers.
** Figures may not reconcile due to rounding.

TOP 10 HOLDINGS

Indicative look-through stock exposure derived from portfolio of underlying funds:

	COMPANY	COUNTRY	WEIGHT
1	Tencent Holdings Ltd	China	2.0%
2	Alibaba Group Holding Ltd	China	1.7%
3	Ping An Insurance Group Co Ltd	China	1.4%
4	Page Industries Ltd	India	1.4%
5	Eastern Company SAE	Egypt	1.3%
6	IndusInd Bank Ltd	India	1.3%
7	China Construction Bank Corp	China	1.2%
8	Bajaj Finance Ltd	India	0.9%
9	Eicher Motors Ltd	India	0.9%
10	Indiabulls Housing Finance Ltd	India	0.8%

INVESTMENT OBJECTIVE

EMF seeks to achieve an attractive total return for investors through a combination of long-term capital appreciation and a consistent distribution stream.

INVESTMENT STRATEGY

EMF aims to invest in a diversified portfolio of underlying funds managed by highly experienced emerging market equity fund managers with strong investment track records in both bull and bear markets. The Fund invests in global, regional and single country funds.

RISKS

Like all investments, an investment in the Fund carries risks that may result in the loss of the invested income or principal. In addition to the general risks of investing, specific risks associated with investing in the Fund include, but are not limited to, the emerging and frontier markets' equity risk, sovereign risk and currency risk. For further information about the risks of investing in the product see Section 5 in the Product Disclosure Statement.

ABOUT WALSH & COMPANY

The Walsh & Company Group is a Sydney-based specialist global fund manager established in 2007. The Company has over \$5 billion in investor assets under management across global equities, residential and commercial property, private equity, fixed income and sustainable and social investments. We provide investors access to unique investment strategies and focus on building high quality, diversified portfolios.

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IMPORTANT INFORMATION

This document has been prepared by Walsh & Company Asset Management Pty Limited (ABN 89 159 902 708, AFSL 450 257), as Investment Manager of Emerging Markets Masters Fund (ARSN 158 717 072) (**Fund**).

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