Trinetra

Monthly Update: April 2019

Fund Performance[1,2]

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Annual
2019		3.64%	2.88%	3.80%									**10.67%**

Share Class

Class	Currency	ISIN	APIR	Bloomberg	Inception	NAV / Share
Trinetra Emerging Markets Growth Trust	AUD	AU60PIM42328	PIM4232AU	TREMGTR AU	21/1/2019	A$ 1.1209 (April 30, 2019)

Portfolio Characteristics[3]

	Portfolio
Net Return since Inception	6.66%
PE (12m fwd)	24.4x
Sales Growth (12m fwd)	15.9%
EPS Growth (12m fwd)	17.8%
Beta	0.89x
ROE (12m fwd) (%)	18.5%
Dividend Yield (12m fwd)	1.23%
Average Market Capitalisation	US$19.4 bn

Responsible Entity	The Trust Company (Re Services) Limited
Platform	Hub 24 and Praemium
Risk Level	Very High
Fiscal Year-End	June, 30
Minimum / Subsequent Investment	$25,000 / $5,000
Management Cost	125 bps
Buy / Sell Spread (%)	Nil
Unit Pricing Frequency	Daily
Subscription / Redemption	Daily
Portfolio Manager	Tassos Stassopoulos

Contributors and Detractors – April 30, 2019

Top Contributors	
Stock	CTR[4]
Tencent Holdings	48 bps
Fast Retailing	47 bps
NMC Health	33 bps
Naspers	28 bps
Gentera	20 bps

Top Detractors	
Stock	CTR
IDFC First Bank	-22 bps
Azul	-17 bps
MercadoLibre	-10 bps
Parag Milk Foods	-9 bps
Vietnam Dairy	-7 bps

Largest Holdings – April 30, 2019

Holding	Country	Weight
Tencent Holdings	China	6.7%
Alibaba Group	China	6.3%
AIA Group	Hong Kong	3.5%
HDFC Bank	India	3.4%
Kotak Mahindra Bank	India	2.9%
Naspers	South Africa	2.8%
Credicorp	Peru	2.8%
Huazhu Group	China	2.7%
China Mengniu Dairy	China	2.5%
Fast Retailing	Japan	2.4%

Country	Weight
China	30.7%
India	11.0%
Brazil	10.1%
Indonesia	5.9%
Mexico	4.9%
Japan	4.9%
South Africa	4.3%
Peru	4.2%
United Kingdom	4.0%
Hong Kong	3.6%

GICS Sector[5]	Weight
Consumer Discretionary	38.2%
Consumer Staples	19.8%
Financials	18.5%
Communication Services	8.7%
Health Care	7.5%
Real Estate	2.9%
Industrials	2.4%
Cash	2.1%

[1] Fund Performance begins from the first full month of management of the fund. Performance start date is January 31, 2019
[2] Past performance is not a reliable indicator of future results.
[3] Portfolio characteristics, where relevant, are stated in US Dollars.
[4] CTR: Contribution to Return, calculated on a US Dollar basis as per the underlying UCITS fund.
[5] GICS: Global Industry Classification Standard

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Performance Commentary

The fund's performance in April was 3.80%, taking performance for February to April 2019 to 10.67%. While we are benchmark agnostic, in comparison to the MSCI Emerging Markets Index, the fund outperformed 101 bps in the month and 420bps for the year to date, measured in Australian Dollars.

Stock Commentary

Tencent (+48 bps) shares have risen 24% since the beginning of the year, and 7% in April. The difficulties faced by the company in 2018 in its gaming division are easing. The problems were a result of government restrictions seeking to prevent excessive gaming by children. These are beginning to ease as companies implement new customer identification practices. More specifically, Q4 results in late March brought into focus the fact that gaming revenues are now only 29% of revenue (vs. 37% only a year ago). Growth in advertising, and in particular "Others", including payments and other "fintech" financial services, is set to be a major element of Tencent's value. Its ecosystem, built around Weixin/WeChat, China's social networking platform, has become a self-reinforcing one-stop suite of services for Chinese consumers. We believe that convenience, supported by low costs, make Tencent's fintech services more broadly accessible than traditional financial services, and so will encourage financial inclusion.

Fast Retailing (+47 bps) reported Q2 2019/20 results early in April. Uniqlo Japan is no longer the biggest division. Q1 was weak, largely on account of the warm start to winter, but Q2 saw a resurgence in footfall and sales when temperatures dropped in December and January. Lower gross margin and higher costs have led to a decline in operating profit. But this is more than outweighed now by China, which is the key driver of sales and profit growth. With operating profit up 20%, it continues to outstrip the company's own expectations. Our immersions visits in China confirmed. Uniqlo's modern yet enduring style combined with innovative materials and high quality at reasonable price points resonate with Chinese consumers, meaning that clothing will look good for longer. These factors are important to both value-for-money and sustainability considerations. Online sales are now 20% of total in China (vs 10% for Uniqlo Japan), indicating strong brand resilience as retail habits shift online.

NMC Health (+33 bps) stock performance was negative over the 6 months prior to the period, despite relatively marginal earnings downgrades. We highlighted this discrepancy in last month's update, so this month's 24% increase in the share price was a welcome reassertion of fundamentals, in the face of management reiteration of strong growth expectations.

IDFC First Bank (-22 bps) gave up some of its recent strong performance. Having increased by 28% in the year's first three months, following the merger between IDFC Bank and Capital First, the stock retraced by 10% in April. The merged entity's focus on consumer lending, augmented by low funding costs due to IDFC's deposit base. Consumer lending is a key enabler of female empowerment. When women in India are in a position to buy efficiency devices such as fridges and washing machines, they are often released from hours spent performing household chores. This lets them spend time bringing additional income into their households, shifting the balance of power, and upgrading the family's lifestyle.

Azul (-17 bps) ADRs fell 11% in April. After increasing by 64% over the previous 6 months, in parallel with improving fundamentals and increasing expectations for the Brazilian economy, especially with the election of Brazil's supposedly market-friendly new president. The subsequent decline has been triggered across the Brazilian market, but with strong performers and more economically-sensitive stocks bearing the brunt. Bolsonaro's attempts to reform Brazils' fraught pension system are not going smoothly, dampening expectations for much-needed economic recovery more broadly. Azul cannot escape its economic sensitivity, but its efforts to grow and renew it fleet are bringing about a rapid change in cost efficiency that has surprised us. Q4 unit cost reduction (excluding fuel) was more than 8%, despite a 17% devaluation of the

Brazilian Real. Importantly, thus far, with the company 30% through its fleet replacement program, Azul has been able to demonstrate that the routes it flies are able to profitably sustain capacity increases from larger, more efficient aircraft, while still deterring competition.

MercadoLibre (-10bps) fell 5% in April, having risen 74% during the first three months of 2019. We are impressed by MercadoLibre's approach to payments and other fintech initiatives. While still nascent, the opportunity to open up banking and financial services in Latin America to much greater levels of financial inclusion is one that management understands well. The ability for this to positively impact economic activity among those on lower incomes will, we believe, fuel demand from consumers across MercadoLibre's business.

Proxy Votes Where We Voted Against Management or Exceptions from Policy

1) **ANTA**
   - We voted against management on the reissuance of repurchased shares due to management's failure to disclose the limit on the amount of issuance or on any discount.
2) **Raia Drogasil**
   - We voted against management on the election of a director (Jairo Eduardo Loureiro) whom we do not consider to be independent, having been on the board for over 20 years.
3) **L'Oréal**
   - We voted against management because the high limit/cap on Long Term Incentive Plan (LTIP) leaves too much discretion to be applied by the Board. We are believe it is inappropriate that in the event of departure, unvested long term incentive may not be pro-rated for time.
4) **Vietnam Dairy**
   - We voted against management's proposal to discuss "other business" at the meeting, We think that there is potential for the discussion and subsequent approval of items to be detrimental to the interests of minority shareholders.
5) **PT Matahari Department Store**
   - We voted against management in the approval to changes to the Board and remuneration for the directors and commissioners based on the lack of sufficient disclosure to make an informed voting decision.
   - We voted against management in the amendment of the Articles of Association (article 3) in relation to the company's main business activity; the management provided insufficient information, in our opinion, to enable shareholders to make informed an informed voting decision.
6) **CVC Brasil**
   - We voted against management on the approval of remuneration of the company's management because of the lack of transparency around key numbers.
   - We voted against management on the amendment of the share-based incentive and retention plan due to what we perceive as a lack of alignment between shareholders and the plan's beneficiaries. In particular, the granting of full-value shares in the absence of clearly-stated performance criteria does not appear to adequately align interests.
7) **Grupo Ser Educacional**
   - We voted against the company in the approval of the remuneration of the company's Management and Fiscal Council because the figure reported by the company for the total compensation of its highest-paid executive appears to exclude certain elements of the executive's pay.

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