FUND LAUNCHED

2005

FUNDS UNDER MANAGEMENT

£519.4
MILLION

NET ASSET VALUE PER SHARE

435.7%
SINCE INCEPTION*

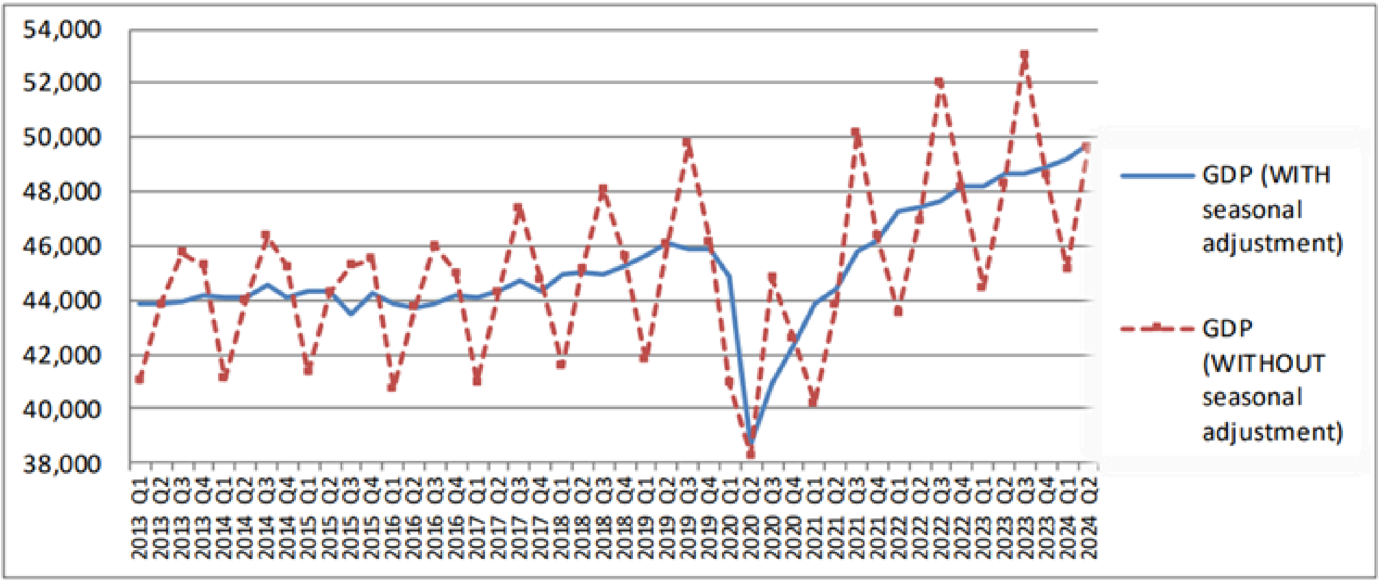
UTILICO Emerging Markets Trust plc

The Greek economy – a quiet boom in the making

October 2024

The Greek economy is currently one of the fastest growing in the Eurozone, experiencing some of its best performance since the crisis years (2009-2018), boosted by increased local consumption, tourism receipts and a surge in investments in both the public and private sector. In the second quarter of this year (2024), Greek Gross Domestic Product (GDP) was up +2.3% year-on-year (YoY). The growth continues to be driven by a solid recovery in gross fixed capital formation of +3.9% YoY, as well as strong tourism numbers boosting exports +2.1% YoY. Consumption recovery was at a lower pace of +0.9% and imports continue to surge ahead with +9.6%, expanding the current account. Over the next 2 years, the IMF projects Greek GDP to continue this trajectory with growth of 1.9% in 2025 and 1.7% in 2026 in real terms.[1]

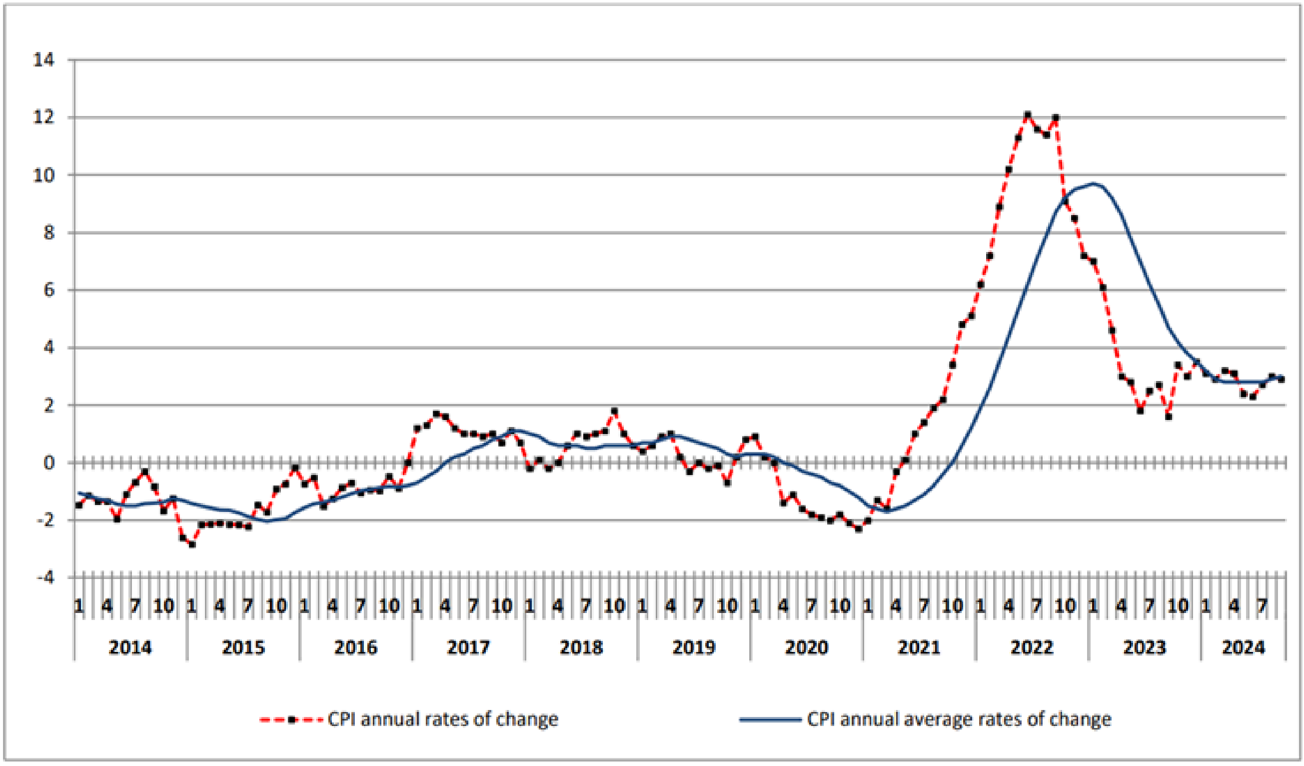
GDP in Volume Terms (Reference Year: 2015) With and Without Seasonal Adjustment 2013-2024



Source: Hellenic Statistical Authority, 2024

At the same time, Greek inflation is under control as the Consumer Price Index (CPI) reached +1.6% in September – slightly below the Eurozone average. Upward pressure remains strong from housing +5.9%, clothing +5.9% and the retail sector, however lower transport costs, helped by lower fuel prices, were -1.1% lower[2] mitigating this pressure. This will be supportive for the consumer outlook in the near term and aligns well with the European Central Bank's (ECB) easing cycle of lower rates.

Annual rates and annual average rates of change % of CPI



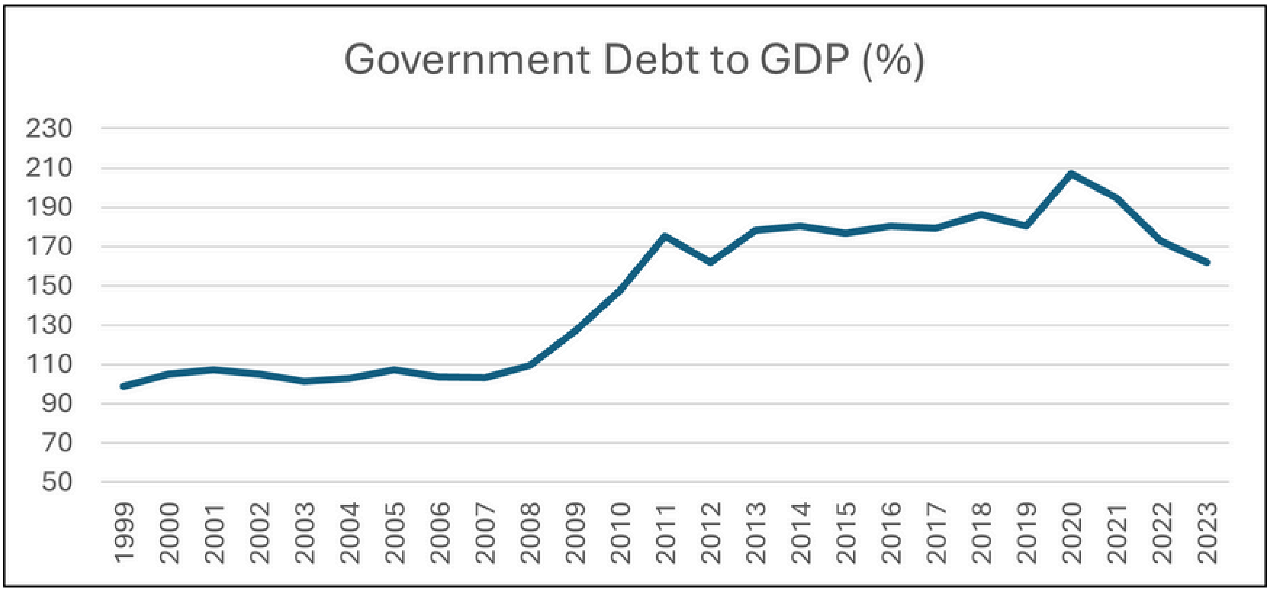
Source: Hellenic Statistical Authority, 2024

Stable government with a pro-market agenda

Greece currently has one of the most stable centralist governments in Europe. Last year's general election in June resulted in a comprehensive win for New Democracy, led by Prime Minister, Kyriakos Mitsotakis. This has ensured another 4 year majority mandate for the centre-right party and a continuation of a business friendly, Europe oriented policy agenda. The government's focus continues to be on prudent fiscal management with consistent primary budget surpluses and passing reforms that will help it secure the full EU budget allocated for this spending cycle.

This has resulted in Greece's upgrade to investment grade by Fitch last October[3] and treasury bond spreads narrowing to now be similar to that of France.[4] Moreover, we have seen a steady stream of high profile IPOs on the Athens Stock Exchange, such as the National Bank of Greece and Athens International Airport, which are boosting the equity market's liquidity and total market capitalisation size. This can help Greece's promotion to a Developed Market Status by the MSCI within the next couple of years, and potentially lead to a re-rating of Greek publicly traded companies.

Greek Government Debt to GDP



Source: Trading Economics, 2024

EU spending of €51 billion is about to enter the economy

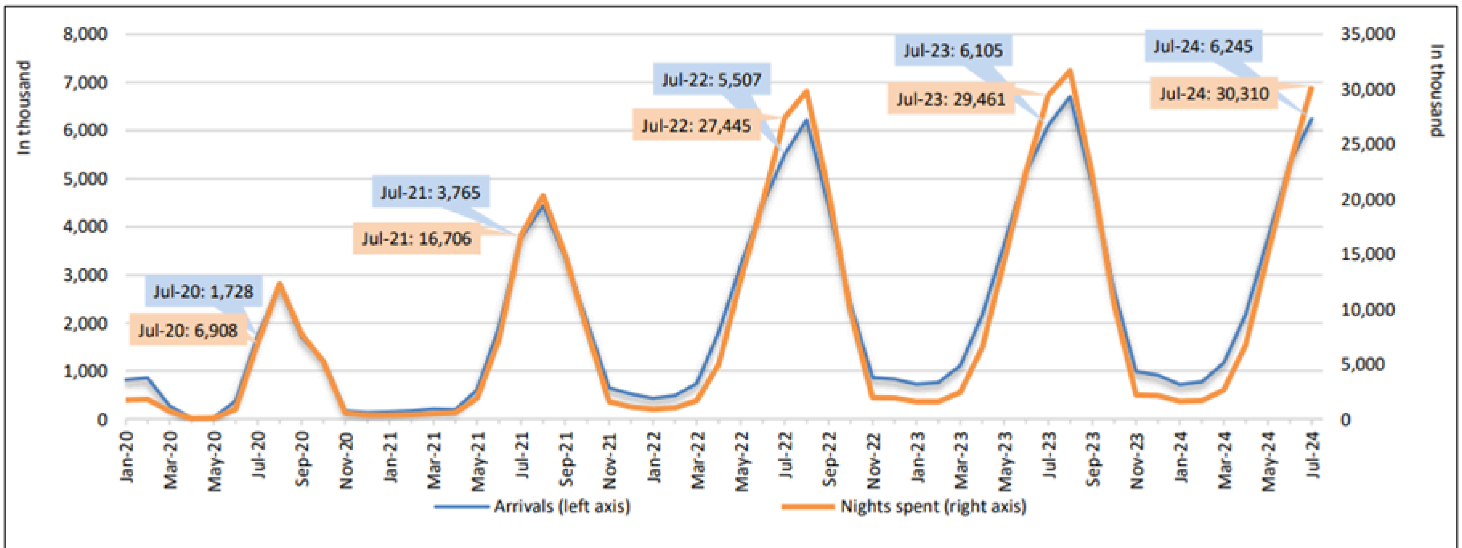
Greece is set to receive a large boost from the EU's budget program and the "Recovery and Resilience Plan". The so called "Next Generation EU" (or Recovery and Resilience Funds; RRF) plan has approved €30.5bn for Greece by 2027, consisting of €17.8bn in pure grants and a further €12.7bn in very low cost loans. The money, which is the EU's response to the Covid-19 economic damage, is primarily earmarked for the green energy transition (37.5% of the total), 23.3% for digital transition and the rest will support various infrastructure and human capital projects across the country.

Moreover, Greece is also a net beneficiary of the EU's regular budget framework and a further €21 billion has been allocated to Greece under the EU Cohesion Policy. Altogether, the cumulative size of EU money entering Greece's economy in the next 3 years is equivalent to 22% of its current annual GDP![5]

Greek tourism is at record levels

Greece is the 9th most visited country in the world with around 33 million tourist arrivals,[6] and according to a study by the Institute of the Hellenic Tourism Business Association, tourism contributes 28.5% - 34.3% of Greece's GDP.[7] Since the pandemic, European tourism and air passenger levels have been recovering well and this year surpassed their 2019 levels. Our conversations with local companies suggest that next year should also deliver positive growth in passengers and international tourists, boosting the outlook for companies in the transport and leisure sectors. However, the broad based recovery is boosting volumes of transported goods and also the demand for energy, pushing the need for more power generation and transmission capacity.

Arrivals and Nights Spent in Hotels, Similar Establishments, Tourist Campsites and Short-Stay Accommodation Establishments



(*) January 2020 - December 2023 final data, January 2024- July 2024 provisional data.

Source: Hellenic Statistical Authority, 2024

UEM investments in Greece continue to outperform

Utilico Emerging Markets has an overweight position in Greece, relative to the MSCI Emerging Markets Index. Our total exposure amounts to c.3.3% of the portfolio and is split among three listed companies, two of which are major transport infrastructure companies and one leading renewable energy operator. These companies have performed strongly in recent months and have a positive outlook for the near future. On the whole, the Greek market remains one of the cheapest in Europe as well in the Emerging Markets universe with a PE ratio of only 7x vs 15.6x for the MSCI Emerging Markets index and 15.4x for the Stoxx 600.[8] This provides us with an attractive entry point for further investments in the country in sectors which we believe offer the best growth potential.

George Velikov

22 October, 2024

Source Data: ICM Limited

[1] European Stability Mechanism. (2023, 10 20). Greece is investment grade again – why it matters to keep it. Retrieved from www.esm.europa.eu: https://www.esm.europa.eu/blog/greece-investment-grade-again-why-it-matters-keep-it
[2] Factset. (2024, 10 22).
[3] Hellenic Statistical Authority. (2024, 10 21). Consumer Price Index (CPI) - National Index / September 2024. Retrieved from www.statistics.gr: https://www.statistics.gr/en/statistics/-/publication/DKT87/-
[4] Hellenic Statistical Authority. (2024, 10 21). Gross domestic product/ 2nd Quarter 2024. Retrieved from www.statistics.gr: https://www.statistics.gr/en/statistics/-/publication/SEL84/-
[5] Hellenic Statistical Authority. (2024, 10 21). Hotels, rooms for rent and tourist campsites / July 2024. Retrieved from www.statistics.gr: https://www.statistics.gr/en/statistics/-/publication/STO12/-
[6] IMF. (2024, 10 22). IMF Datamapper. Retrieved from www.imf.org: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/GRC
[7] IMF. (2024, 10 22). IMF Datamapper. Retrieved from www.imf.org.: https://www.imf.org/external/datamapper/NGDPD@WEO/GRC?zoom=GRC&highlight=GRC
[8] Institute of the Hellenic Tourism Business Association (INSETE). (2024, 04 12). Tourism provides third of Greek GDP, most jobs. Retrieved from www.ekathimerini.com: https://www.ekathimerini.com/economy/1236326/tourism-provides-third-of-greek-gdp-most-jobs/
[9] Market Screener. (2024, September 26). Yields: French 5-years fall behind Greek 5-years! Retrieved from www.uk.marketscreener.com: https://uk.marketscreener.com/quote/interest/FRANCE-10Y-CASH-146043504/news/Yields-French-5-years-fall-behind-Greek-5-years-47947888/
[10] Statista. (2024, 10 04). Countries with the highest number of international tourist arrivals worldwide from 2019 to 2023. Retrieved from www.statista.com: https://www.statista.com/statistics/261726/countries-ranked-by-number-of-international-tourist-arrivals/
[11] Trading Economics. (2024, 10 22). Greece Government Debt to GDP. Retrieved from www.tradingeconomics.com: https://tradingeconomics.com/greece/government-debt-to-gdp

Utilico Emerging Markets Trust plc | Registered Office
The Cottage, Ridge Court, The Ridge, Epsom Surrey, KT18 7EP, United Kingdom
Company registration number: 11102129
www.uemtrust.co.uk