

EMERGING CITIES. EMERGING WEALTH. EMERGING OPPORTUNITIES.

UK closed-end investment trust focused on long-term total return

OCTOBER 2019

OBJECTIVE

Utilico Emerging Markets Trust plc ("UEM") seeks to provide long-term total return by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets.

INVESTMENT APPROACH

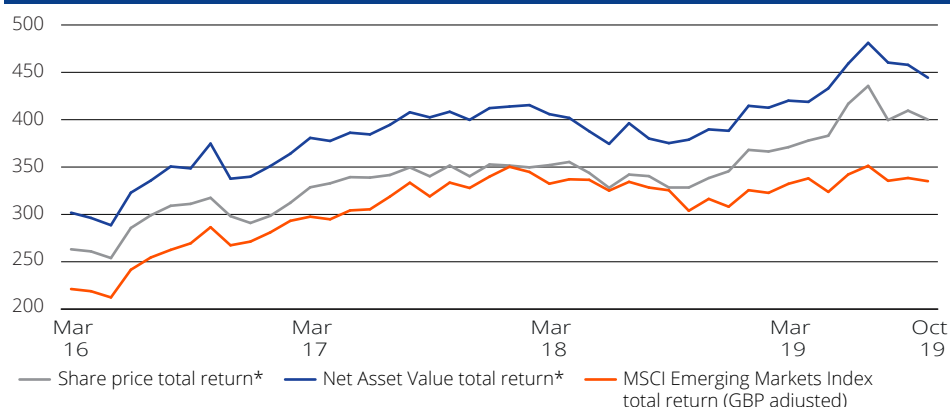
To seek to invest mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

KEY DATES

Launch Date⁺	20 July 2005
Year End	31 March
AGM	September
Ex-Dividend Dates	September, December, March & June
Dividend Paid Dates	September, December, March & June
Continuation Vote	To be proposed at the AGM in 2021

⁺Utilico Emerging Markets Limited - UEM's predecessor

PERFORMANCE



Rebased to 100 as at 20 July 2005

PERFORMANCE (Total return*)

	1 month	3 months	1 year	3 years	Inception
Share Price	(2.3%)	(8.2%)	21.8%	26.0%	300.1%
Net Asset Value	(3.0%)	(7.6%)	17.3%	18.6%	344.3%
MSCI Emerging Markets Index (GBP adjusted)	(1.0%)	(4.6%)	10.3%	17.0%	235.1%

ROLLING 12 MONTH PERFORMANCE (Total return*)

12 Months to	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15
Share Price	21.8%	(6.6%)	10.7%	31.3%	(10.1%)
Net Asset Value	17.3%	(7.2%)	9.0%	41.0%	(7.5%)
MSCI Emerging Markets Index (GBP adjusted)	10.3%	(8.9%)	16.4%	38.0%	(11.5%)

*Total return is calculated based on undiluted NAV/share price plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

FUND DETAILS

ORDINARY SHARES	Ticker: UEM.L
NAV at launch +	98.36p
NAV (cum income)	260.76p
Share Price	231.50p
Discount to diluted NAV	(11.2%)
NAV Total return since launch *	344.3%
Annual average compound return *	11.0%
Historic Dividend paid per share (last 12 months)	7.20p
Historic Dividend Yield (last 12 months)	3.1%
Ongoing charges figure excluding performance fee	1.1%
Shares in issue	228,057,408

⁺Utilico Emerging Markets Limited - UEM's predecessor

*Total return is calculated based on undiluted NAV plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

CAPITAL STRUCTURE

Gross Assets less Current Liabilities	£629.5m
Bank Debt	£(34.8)m
Shareholders' Funds	£594.7m
Gearing (based on AIC definition)	5.9%

Gearing AIC - standardised gearing calculation as recommended by the AIC is based on net assets

INVESTMENT MANAGERS

UEM is managed by ICM Limited and ICM Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority.

www.icm.limited

INVESTMENT MANAGEMENT FEE

0.65% of net assets plus Company Secretarial Fee.

PERFORMANCE FEE

15% of the outperformance of the higher of (i) benchmark plus 2% and (ii) 8%, subject to high watermark, with a cap on the performance fee of 1.85% of average net assets for that financial year.





PERFORMANCE

UEM's NAV total return declined 3.0% during October, this was slightly weaker than the MSCI Emerging Markets Total Return Index which fell by 1.0% in Sterling terms over the month.

Emerging markets were broadly positive in October following the announcement that the US and China made progress in agreeing phase one of a trade deal. This could see some tariffs on Chinese exports rolled back and indicate a possible de-escalation in the trade war. In Asia the Shanghai Composite Index and Hong Kong's Hang Seng Index were up 0.8% and 3.1%, respectively, during the month.

This positive move comes against a wider backdrop of growing unrest and economic weakness in certain regions. After more than five months of protests in Hong Kong violence re-escalated following a face mask ban on protesters. With many businesses forced to close temporarily and a sharp decline in tourist arrivals, the jurisdiction has now entered a recession. Chile, which in recent years has been one of the most stable countries in Latin America, also saw protests after a rise in metro prices led to demonstrations by students over low wages and rising living costs which swiftly became violent. Chile's IPSA Index fell 6.2% in the month.

One bright area has been Brazil, where the Senate passed the final amendments to the long-awaited pension reform bill which is expected to result in savings of BRL800bn (USD195bn) over the next ten years. The Brazil Bovespa Index was up 2.4% in October.

UK politics had a significant impact on FX moves, with Boris Johnson's re-negotiated Brexit deal and the announcement of a general election. This saw Sterling rally materially, with declines in emerging market currencies versus Sterling of 6.4% for the Chilean Peso, 4.8% for the Indian Rupee and 4.7% for the Hong Kong Dollar. The Brazilian Real was relatively resilient, only declining 1.2%.

PORTFOLIO

There was one change to the constituents of the top twenty holdings during October, with Centrais Eletricas Brasileiras ("Eletrobras") replacing Gujarat State Petronet. Eletrobras is the largest electricity utility in Brazil and is controlled by the Brazilian government. It has been undergoing a significant restructuring in recent years to close or sell off loss-making subsidiaries, address significant inefficiencies, and legislation is currently being put forward for privatisation which could unlock further value for minority shareholders.

There were mixed performances in UEM's top twenty investments, with some significant dispersion. The strongest performances were delivered by CR Gas, up 22.0%, boosted by

improved expectations on Dollar margins over the winter period. Huaneng Renewables' share price was up 12.0% after its parent, Huaneng Group, formalised the terms of its intended tender offer to minorities which is at a level almost 50% higher than the pre-deal announcement share price. Other Hong Kong-listed shares were mixed, with a good performance at Yuexiu, up 7.1%, but continuing weakness in CE Greentech and APT Satellite, which were down 3.5% and 6.3% respectively.

Engie Energia Chile ("ECL") posted the weakest performance, with its share price falling 14.0% in October due to the unrest in Chile and preliminary announcements from the government seeking to defer electricity tariff increases. This is particularly disappointing as ECL has continued to deliver excellent operational and financial metrics, recently reporting Q3 energy sales up 16% and EBITDA up 57% year-on-year.

In Brazil, Sanepar was the top performer, up 8.3% as the Parana State Court revoked its decision to partly suspend Sanepar's tariff increase, enabling a tariff increase of 3.76% to be implemented immediately. This is a positive signal that rule of law is taking precedence over political interference. Omega was also up 4.4%, while UEM's other top twenty Brazilian positions saw share price weakness, with Cosan Logistica down 2.7%, Ecorodovias declining 2.8%, Alupar down 3.3%, Energisa declining 4.0%, Ocean Wilsons down 5.6%, and Rumo falling 7.0%.

UEM's remaining top twenty positions posted more modest movements, with Indigrid and Transgaz both up 1.1%, Powergrid down 0.6%, ICT declining 1.4%, and Metro Pacific down 3.2%.

Purchases during the month for the portfolio amounted to £30.5m and realisations totalled £21.0m.

DEBT

UEM reduced its bank debt in October from £40.6m to £34.8m, drawn in US Dollar.

OTHER

UEM's share price ended October at 231.50p, down 2.3% on end-September. The discount narrowed to 11.2%.

On 12 November 2019, UEM declared a second quarterly interim dividend of 1.925p per ordinary share in respect of the year ending 31 March 2020, which will be paid on 20 December 2019 to shareholders on the register on 29 November 2019. This is an increase of 6.9% on the first quarterly dividend.

Charles Jillings
ICM Investment Management Limited
and ICM Limited

PORTFOLIO SUMMARY

TOP TWENTY HOLDINGS		% of total investments
1	International Container Terminal Services Inc.	5.3%
2	Companhia de Saneamento do Paraná (Sanepar)	4.8%
3	Alupar Investimento S.A.	4.2%
4	Energisa S.A.	3.8%
5	China Resources Gas Group Ltd	3.7%
6	Rumo S.A.	3.3%
7	China Everbright Greentech Limited	3.1%
8	Omega Geracao S.A.	3.1%
9	Cosan Logistica S.A.	2.9%
10	Ocean Wilsons Holdings Limited	2.7%
11	Transgaz S.A.	2.4%
12	Ecorodovias Infraestrutura e Logistica S.A.	2.3%
13	Metro Pacific Investments Corporation	2.2%
14	Engie Energia Chile S.A.	2.2%
15	Yuexiu Transport Infrastructure Limited	2.2%
16	India Grid Trust	2.1%
17	Huaneng Renewables	2.0%
18	Power Grid Corporation of India Limited	1.8%
19	APT Satellite Holdings Limited	1.8%
20	Centrais Eletricas Brasileiras S.A. (Eletrobras)	1.8%
Total Top Twenty		57.7%

SECTOR SPLIT OF INVESTMENTS

Electricity	20.3%
Ports	13.6%
Road and Rail	12.3%
Gas	9.7%
Renewables	9.6%
Water and Waste	9.4%
Telecoms and Satellites	7.8%
Other	7.6%
Infrastructure Investment Funds	6.0%
Airports	3.7%

GEOGRAPHICAL SPLIT OF INVESTMENTS

Brazil	31.3%
China including Hong Kong	18.6%
India	10.2%
Philippines	8.4%
Middle East/Africa	6.9%
Other Latin America	6.4%
Romania	6.4%
Other Asia	4.7%
Other Europe	3.2%
Chile	2.2%
Malaysia	1.6%
Argentina	0.1%

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Important Notes

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