

# Aberdeen Emerging Markets

## Access to a wealth of talent

Aberdeen Emerging Markets (AEMC) is designed for investors who want exposure to the compelling investment opportunity that emerging markets provide. Its managers believe that they have built a portfolio of best-of-breed and, often, hard to access managers, and its portfolio is much more diverse than those of competing funds.

AEMC's investment proposition has been improved recently by a reduction in fees; introducing a dividend; securing a borrowing facility; the move of the management team to a well-resourced investment house that has a depth of expertise in both emerging markets and investment companies.

The fund has beaten the average fund in its peer group by more than 7% in NAV total return terms since the current management team took control of the portfolio. The discount has been on a narrowing trend over the past six months.

## Consistent outperformance of MSCI Emerging Markets

AEMC invests in a carefully selected portfolio of both closed and open-ended funds providing a diversified exposure to emerging economies. It aims to achieve consistent returns for its shareholders in excess of the MSCI Emerging Markets Net Total Return Index in sterling terms.

Year ended	Share price total return (%)	NAV total return (%)	MSCI Emerging Markets TR. (%)	MSCI World total return (%)
31/08/13	2.0	2.0	3.2	18.6
31/08/14	10.6	11.5	11.8	12.7
31/08/15	(17.4)	(15.4)	(16.8)	1.2
31/08/16	26.4	33.0	31.3	25.9
31/08/17	29.9	23.4	26.6	19.0

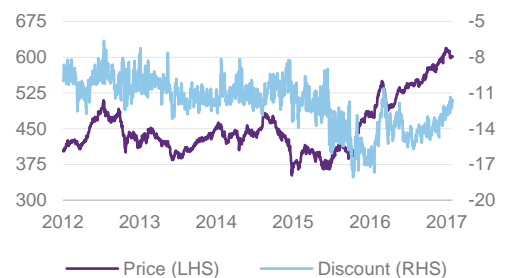
Source: Morningstar, Marten & Co

<b>Sector</b>	Global emerging
<b>Ticker</b>	AEMC LN
<b>Base currency</b>	GBP
<b>Price</b>	602.5p
<b>NAV</b>	681.1p
<b>Premium/(discount)</b>	(11.7%)
<b>Yield</b>	3.3%*

\* based on forecast 20p dividend

## Share price and discount

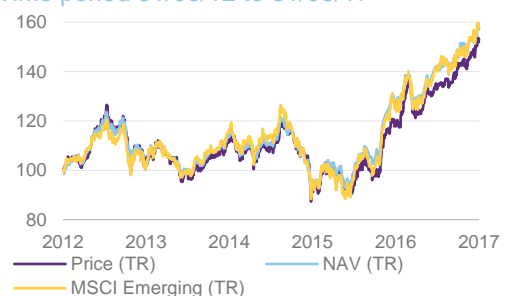
Time period 31/08/12 to 26/09/17



Source: Morningstar, Marten & Co

## Performance over five years

Time period 31/08/12 to 31/08/17



Source: Morningstar, Marten & Co

<b>Domicile</b>	Guernsey
<b>Inception date</b>	21 June 1998
<b>Manager</b>	Andrew Lister and Bernard Moody
<b>Market cap</b>	308m
<b>Shares outstanding</b>	51.197m
<b>Daily vol. (1-yr. avg.)</b>	48,838 shares
<b>Net gearing</b>	7%

## Contents

3	<b>Fund profile</b>
3	<b>Manager's view</b>
6	<b>Investment process</b>
6	Asset allocation
6	Fund selection – looking for best of breed
7	Discount narrowing
7	Diversification
8	<b>Asset allocation</b>
9	Largest holdings
10	Underlying exposures
10	Discount narrowing opportunities
11	<b>Performance</b>
11	Peer-group comparison
13	<b>Dividend</b>
13	<b>Discount</b>
14	<b>Fees and costs</b>
15	<b>Capital structure and life</b>
15	Major shareholders
15	<b>Board</b>

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Best-of-breed managers investing in dynamic and fast-growing countries

Further information on AEMC can be found at:  
<http://www.aberdeeenemergingmarkets.co.uk>

## Fund profile

Aberdeen Emerging Markets (AEMC) offers its shareholders access to a range of best-of-breed managers who are investing in some of the most dynamic and fast-growing countries in the world. Investments are made through both open and closed-ended funds, blending liquidity and access to a wider range of managers with the opportunity to add value through discount contraction. While benchmarked against the MSCI Emerging Markets Index, asset allocation may differ markedly from the benchmark and is used as a source of alpha generation. Manager selection is also key to the success of the fund and AEMC has investments in a number of funds that the average investor might struggle to access. The fund also offers a yield, currently 3.3%.

AEMC listed in 1998 as Advance Developing Markets. On 29 December 2015, Aberdeen Asset Management (Aberdeen) acquired Advance Emerging Capital Limited, the then manager of the fund. Andrew Lister and Bernard Moody (the managers) moved to join Aberdeen at this time. They have been involved with the management of the fund since October 2000 in Andrew Lister's case and since August 2006 in Bernard's case. They became the lead managers of the fund on 30 June 2014. They are assisted by Viktor Broczko and Samir Shah (collectively, the team). All of the team have invested personally in the fund. Aberdeen has considerable depth of investment management and analytical resource in both emerging markets equity and debt which is available to the team.

Marten & Co believes that AEMC is an ideal vehicle for investors who wish to gain access to emerging markets and to a range of talented managers, many of whom might be inaccessible for most UK-based investors.

## Manager's view

After a period where they were out of favour with investors, emerging markets have been outperforming developed markets over the last 18 months, as is evident from Figure 1. The managers are convinced that the outperformance of emerging markets relative to developed markets can continue. This view is supported by the conversations that they have with the underlying managers of the funds in which AEMC invests.

They see nothing to suggest that emerging market currencies should weaken – emerging market economies are in much better shape than developed market economies and supported by strong fundamentals. GDP growth has been stronger in China than some commentators had anticipated and this has captured the headlines, but growth has been coming through elsewhere too.

Figure 1: MSCI Emerging Markets relative to MSCI World over five years

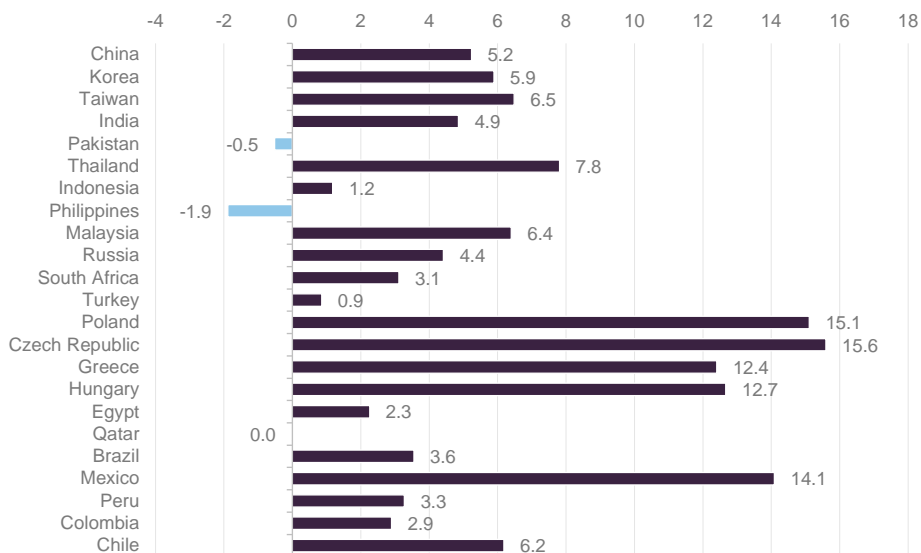


Source: Bloomberg, Marten & Co

Significant inflows into emerging markets as concerns about rising US bond yields ease

As Figure 2 shows, the dollar has been weak, as investors have become less sure that President Trump would introduce measures to stimulate US growth. Correspondingly, emerging market currencies have been strong, helped by strengthening current account balances and high real interest rates. The managers note that there have also been significant inflows to emerging markets, particularly to ETFs focused on the area. GDP growth is feeding through into earnings growth and rising ROEs for companies operating in emerging markets.

Figure 2: Change in emerging market currencies versus USD, year to date



Source: Bloomberg, Marten & Co

Positive outlook for markets and currencies; any weakness is a buying opportunity

Figures 3 and 4 show a 20-year history of the trailing p/e and price/book ratios for the MSCI Emerging Markets Index. Valuations are modestly above long-term averages, which leaves room for expansion. The managers believe that valuations are, in general, still reasonable relative to other asset classes. They would see any pull back in markets as a buying opportunity. One thing they note is that the current period of

outperformance has not been accompanied by a recovery in commodity prices. This has been a mixed blessing. If commodity prices did recover, while this would not be universally welcomed, emerging market outperformance could become even more pronounced.

Figure 3: MSCI EM trailing p/e over 20 years



Source: Bloomberg, Marten & Co

Figure 4: MSCI EM trailing price/book over 20 years



Source: Bloomberg, Marten & Co

Figure 5 shows the gap between the trailing p/e of the MSCI Emerging Market Index and the MSCI World Index. The chart suggests that stocks in emerging markets remain, on average, cheaper than developed market peers. This is despite offering the prospect of much higher earnings growth over the long term. The managers make the point that, since 1987, the MSCI Emerging Market Index has made investors almost 28x their money, as compared to under 13x for the UK market.

Figure 5: MSCI Emerging Markets p/e less MSCI World



Source: Bloomberg, Marten & Co

As ever, some risks remain. One of the concerns that had been overhanging emerging markets was that US bond yields might rise. In the event, these have tightened over the course of 2017 as inflation has remained subdued, but this situation could reverse. There has also been little concrete evidence of increased protectionism from the US to date, although terms of trade frequently turn up in President Trump's pronouncements

and this cannot be ruled out. Lastly, regional tensions, particularly around the actions of North Korea, are affecting sentiment.

## Investment process

Asset allocation is a source of alpha generation

AEMC's managers seek to construct a portfolio of both closed and open-ended funds that give a diversified exposure to emerging markets. Outperformance of the benchmark can come from asset allocation decisions, fund selection and, in the closed-end fund part of the portfolio, value can be added through discount contraction and corporate activity.

The managers believe that value-based, active investing can deliver outperformance of market indices over the long term. They say that closed-end structures have some structural advantages over open-end structures. However, the inclusion of open-ended funds within the portfolio gives access to talented management teams that might not be available via closed-end funds, allows for improved liquidity and offers protection against the possibility of discount widening.

### Asset allocation

Leveraging Aberdeen's depth of expertise in emerging markets

Asset allocation is seen as an important potential source of alpha generation and therefore the distribution of the portfolio may differ markedly from the benchmark.

Asset allocation decisions are based on a detailed assessment of prospects for different regions and the opportunities available. The underlying managers, experts in their fields, are a valuable source of information. The managers can leverage the expertise of Aberdeen's global strategy team as well as the portfolio managers for the various regional and country-specific portfolios. In addition, the managers use a multi-factor quantitative model to help check their assumptions. Essentially, the approach is a contrarian one, favouring markets that are undervalued relative to their peers and cheap relative to history. The board has not imposed any prescriptive limits on the geographic breakdown of the portfolio.

### Fund selection – looking for best-of-breed

400-500 manager meetings a year

The managers conduct extensive due diligence before making an investment. When selecting the underlying funds, their focus is on the four 'Ps' – people, process, portfolio and performance. The team conducts between 400 and 500 meetings with managers each year. They want to identify underlying managers with strong stock-picking skills and relevant experience, that are prepared to engage in an ongoing dialogue with the team, and whose interests are aligned with those of investors.

The investment process should be understandable, repeatable and be applied consistently. The team is looking for evidence that the underlying managers are carrying out extensive due diligence on their investments. The team will analyse the underlying portfolios and determine their risk and return characteristics. They will interpret the portfolio's performance track record in the light of this analysis.

Driving down underlying fees

Fees charged on the underlying funds must be competitive. The managers are often able to secure terms not available to other investors.

Since the team joined Aberdeen, it has also benefitted from Aberdeen's eight-strong operational due diligence team who 'kick the tyres' on each manager considered for

inclusion within the portfolio. The managers say that this, and other centralised services such as dealing, have freed up more time to devote to managing the portfolio than they had before joining the Aberdeen 'stable'.

### Discount narrowing

#### Catalyst for a rerating

The managers can switch the balance of the fund from open to closed-ended and vice versa depending on the availability of discount narrowing opportunities. The inclusion of listed closed-end funds within the portfolio allows the manager to seek to add value through discount narrowing. In these situations, the preference is for funds where they can identify a catalyst for a rerating. They will engage actively with boards, managers, shareholders and brokers.

### Diversification

#### Diversification without 'hugging' the benchmark

The belief that asset allocation should make a meaningful contribution to returns ensures that the portfolio differs significantly from the make-up of the benchmark. The only formal constraint imposed on portfolio construction is that no holding will exceed more than 15% by value of net assets at the time of investment. The managers believe the portfolio should demonstrate the conviction that they have in their manager selection and are, therefore, reducing gradually the number of positions. The aim is to have around 30 holdings in the fund, in time. The managers take the degree of diversification within investee funds into account when selecting funds, so that AEMC's exposure to any one underlying company should never be excessive. In practice, the look-through portfolio will be much more diversified than that of most other funds in the peer group, which should help reduce the volatility of AEMC's returns.

# Asset allocation

Figure 6: AEMC asset allocation by country

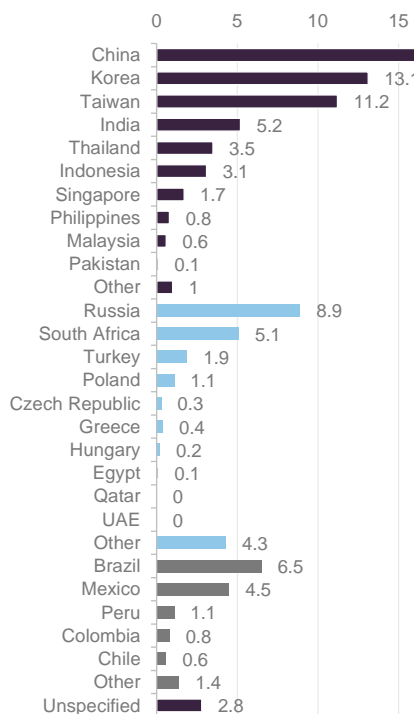
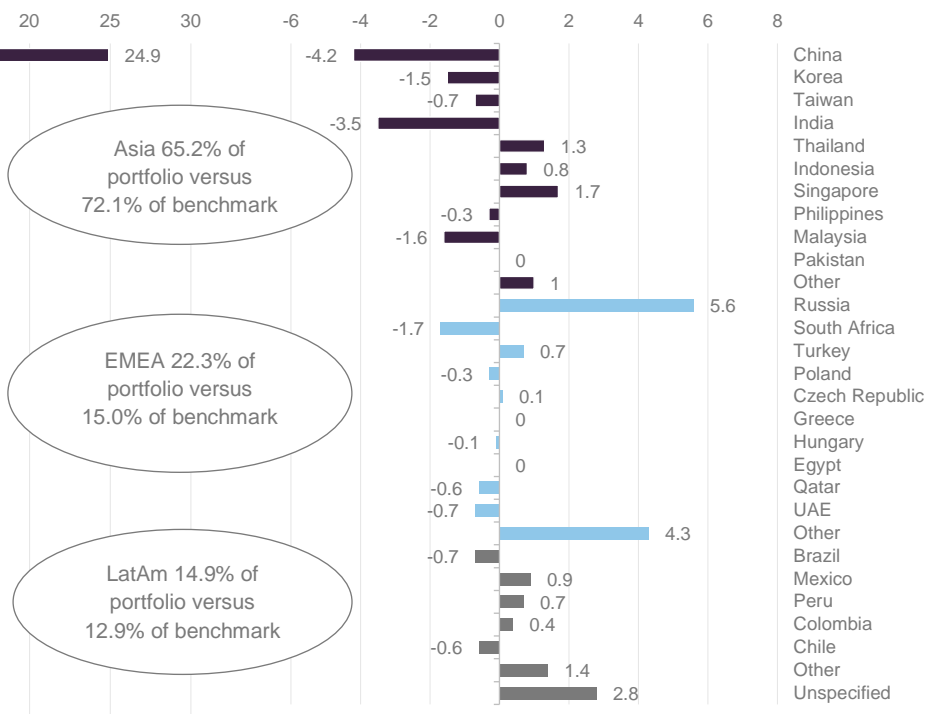


Figure 7: AEMC asset allocation versus benchmark



Source: Aberdeen Emerging Markets, Marten & Co

Source: Aberdeen Emerging Markets, Marten & Co

The portfolio is divided between open-ended funds, listed closed-end funds, ETFs and cash/borrowings (roughly 42%, 56%, 5% and -3% at the end of August 2017). There were 35 holdings in the fund at the end of August 2017.

Securing the new borrowing facility (see page 15), has given the managers the freedom to add to high conviction positions and acquire some lower volatility and higher yielding funds such as a fixed interest ETF and an Asian income fund.

As Figures 6 and 7 show, although China, which is increasingly dominant within the asset class, was the largest country exposure at the end of August 2017, it also represented the largest underweight relative to the benchmark. The managers are concerned about valuations in China. However, looking at the long term, the managers believe the corporate governance concerns, that put off many investors, are overstated and can be overcome by investing with a manager with good, on-the-ground knowledge.

The portfolio is also notably underweight India, where they have been aggressively reducing positions on valuation grounds, and overweight Russia and countries within EMEA that are not represented in the MSCI Emerging Index. The net result of this is that the portfolio is underweight Asia and overweight EMEA. The managers say the economic fundamentals for markets in eastern Europe are strong and this is a region they favour.

The portfolio has a meaningful exposure to countries that are not represented in the emerging markets index. Frontier markets make up about 10% of the portfolio. The managers have been adding to positions in selected frontier markets such as Romania and sub-Saharan Africa.



### Largest holdings

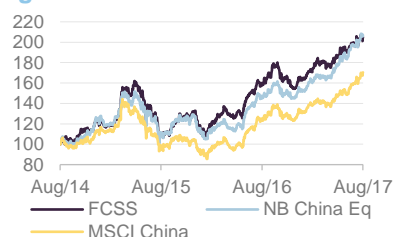
As Figure 8 shows, the make-up of the 10 largest holdings has not changed over the past six months but the weighting in NB China Fund has risen, which is largely the result of strong performance from that fund. The portfolio is becoming more concentrated as the managers work to reduce the number of positions.

Figure 8: 10 largest holdings as at 31 August 2017

Stock	% of total assets 31/08/17	% of total assets 28/02/17	% Change	Open or closed?	Discount as at 26/09/17	Country or region
NB China Equity Fund	7.6	5.2	+2.4	Open	n/a	China
Schroder Taiwan Equity Fund	7.2	7.5	-0.3	Open	n/a	Taiwan
Findlay Park Latin American Fund	6.2	4.9	+1.3	Open	n/a	Latin America
Schroder Asia Pacific Fund	6.1	5.7	+0.4	Closed	10.1	Asia Pacific
Weiss Korea Opportunity Fund	5.8	5.6	+0.2	Closed	6.2	Korea
Fidelity China Special Situations	5.4	5.0	+0.4	Closed	13.3	China
BlackRock Emerging Europe	4.9	4.8	+0.1	Closed	5.4	Europe
Genesis Emerging Markets	4.6	4.7	-0.1	Closed	13.5	Global
Edinburgh Dragon	4.4	4.7	-0.3	Closed	12.8	Asia
SCM South Africa Fund	3.8	4.1	-0.3	Open	n/a	South Africa
<b>Total of top 10</b>	<b>56.0</b>	<b>52.2</b>	<b>+3.8</b>			

Source: Aberdeen Emerging Markets, Marten & Co

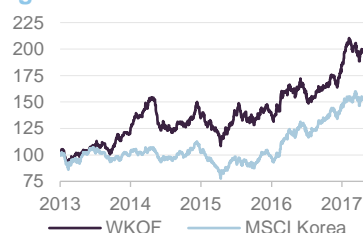
Figure 9: AEMC's Chinese funds



Source: Morningstar, Marten & Co. Three years of NAV TR performance or equivalent

Neuberger Berman China Equity Fund and Fidelity China Special Situations (FCSS) provide the core of AEMC's Chinese exposure. As Figure 9 demonstrates, both funds have beaten the local MSCI index by some margin over the past three years. FCSS has lagged the index over the past year, however. The managers attribute this to an underweight in large cap technology stocks within the FCSS portfolio. The managers like both funds and think that they benefit from locally based management teams and a history of strong selection. FCSS is a large, liquid fund yet trades on a discount around 13%. Its board has been using share buy backs in an effort to reduce the level of the discount.

Figure 10: Weiss Korea



Source: Morningstar, Marten & Co. NAV total return since launch of WKOF in May 2013

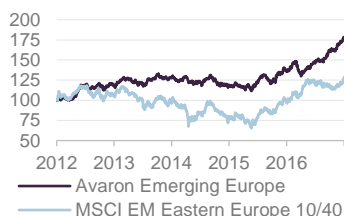
In South Korea, where the market has been overshadowed recently by North Korea's behaviour, the managers have been accessing the country through the preference share market. Weiss Korea Opportunity (WKOF) is one way they are playing this but they also have a basket of preferred shares and a stake in a fund managed by Petra Capital Management. WKOF offered investors the chance to exit the fund at NAV less costs recently but AEMC chose to retain their stake, given the look-through discount on the fund (37.5% at the end of June 2017); AEMC remains the largest investor in that fund.

Findlay Park Latin America Fund is run by a manager with over 20 years' experience. He invests in high-quality companies trading on reasonable valuations. AEMC's managers think that there is the potential for these types of company to prosper if current market conditions persist.

Some of the smaller, less well-known funds that the managers like are Steyn Capital Management's South African fund; Avaron Emerging Europe Fund (emerging Europe ex Russia); and the Ton Poh Fund (Thailand and neighbouring countries).

The South African economy has been depressed and the managers are happy with their underweight position. However, in Steyn Capital Management, the managers

**Figure 11: Avaron Emerging Europe**



Source: Morningstar, Marten & Co, Five-year total return to 31 August 2017

believe they have identified a local manager that can prosper despite this. The \$163m fund is invested in 25-30 companies that the manager believes have high ROIC yet understate their earnings.

Avaron Emerging Europe (2.7% of the fund at the end of June 2017) has outperformed BlackRock Emerging Europe over the past five years. Its locally-based (Tallinn in Estonia) managers invest in high-quality companies and place an emphasis on capital preservation.

Ton Poh (2.7% of the fund at the end of June 2017) is managed by a boutique firm based in Bangkok. It has more than tripled over the past four years by investing in a very concentrated portfolio of undervalued growth small-and-mid-sized companies. The fund now exceeds \$200m of assets and has been soft closed to new investors. One holding, a motorbike leasing company investing in Cambodia, has experienced problems this year, which has held back returns in the short term.

### Underlying exposures

The managers published a look-through to the underlying portfolio as at the end of June 2017. The largest position in the portfolio then was reckoned to be Samsung Electronics, which accounted for about 3% of the fund. Other large-cap companies such as Taiwan Semiconductor Manufacturing, Tencent, Alibaba and Hyundai Motor also featured in the list. The top 10 exposures were thought to account for 14.6% of the portfolio, suggesting that AEMC is much more diversified than a typical global emerging markets fund. The equivalent figure for Templeton Emerging Markets, for example, was 42.4% at the end of August 2017.

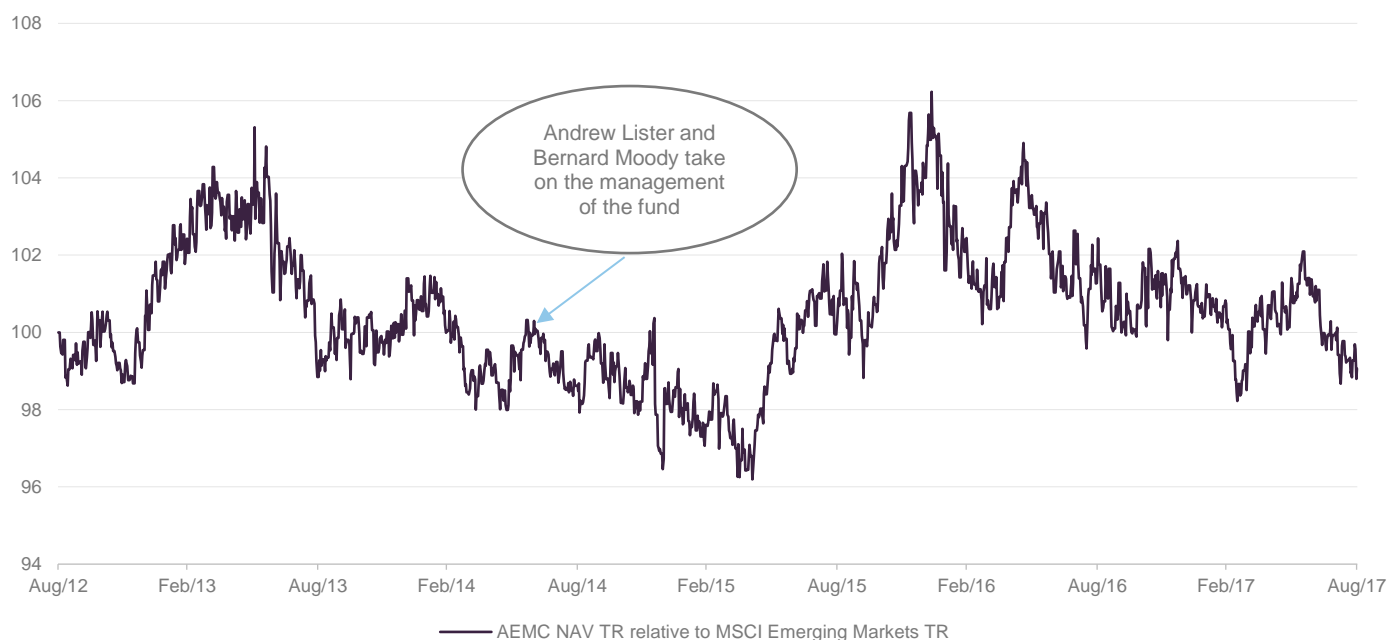
Based on the managers' analysis, the underlying portfolio was thought to have an aggregate p/e ratio of 16.4x, price/book of 1.6x and a yield of 2.5%. The equivalent figures for the benchmark were 14.7x, 1.8x and 2.3%, respectively.

### Discount narrowing opportunities

The managers gave us a couple of examples of funds that they hold, in part, for the possibility of profiting from the discount. BlackRock Emerging Europe stated in June 2013 that, prior to June 2018, it would provide its shareholders with an opportunity to realise the value of their investment at NAV less applicable costs. The fund was trading at a discount of 5.4% immediately prior to the publication of this report. The managers also highlight BlackRock Latin American Fund where the board has promised a tender for 25% of the company, triggered by the trust trading on a discount greater than 5% on average and the fund underperforming its benchmark by more than 1% per year.

## Performance

Figure 12: AEMC NAV total return performance compared to benchmark to end August 2017



Source: Morningstar, Marten & Co

The managers acknowledge that, despite very strong absolute returns (up 47% in NAV total return terms), performance relative to the benchmark has been fairly flat overall since they took on the fund but their outperformance of the peer-group average over this time is evident from Figure 13. In addition, as Figure 15 shows, this has been achieved without taking on additional risk.

Figure 13: Cumulative performance over periods ending 31 August 2017

	3 months	6 months	1 year	3 years	Since 30 June 2014*	5 years
	(%)	(%)	(%)	(%)	(%)	(%)
<b>Aberdeen Emerging NAV (TR)</b>	7.1	12.1	23.4	38.9	47.0	58.1
<b>MSCI Emerging (TR)</b>	9.6	14.0	26.6	38.3	48.4	59.5
<b>MSCI AC World Index (TR)</b>	3.9	5.2	19.0	51.7	57.7	102.7
<b>Peer group avg. NAV (TR)</b>	6.3	9.5	21.0	33.3	39.2	66.9

Source: Morningstar, Marten & Co. \* date that Andrew Lister and Bernard Moody took control of the portfolio

The underweight exposure to China where the market has been strong, driven largely by the technology sector, may have held back AEMC relative to the benchmark this year.

## Peer group comparison

Up-to-date information on AEMC and its peer group is available at [QuotedData](#)

The peer group shown in Figure 14 comprises all the funds in the AIC's global emerging markets sector excluding Africa Opportunity, which as the name suggests is not a global fund, and Ashmore Global Opportunities, which is in the throes of winding itself up.

We have also highlighted a 'direct peer group' comprising Fundsmith Emerging Equities, Genesis Emerging Markets, JPMorgan Emerging Markets and Templeton

Emerging Markets. These funds' investment objectives more closely resemble that of AEMC.

Figure 14: Global emerging market subsector comparison table (data as at 26 September 2017 except performance)

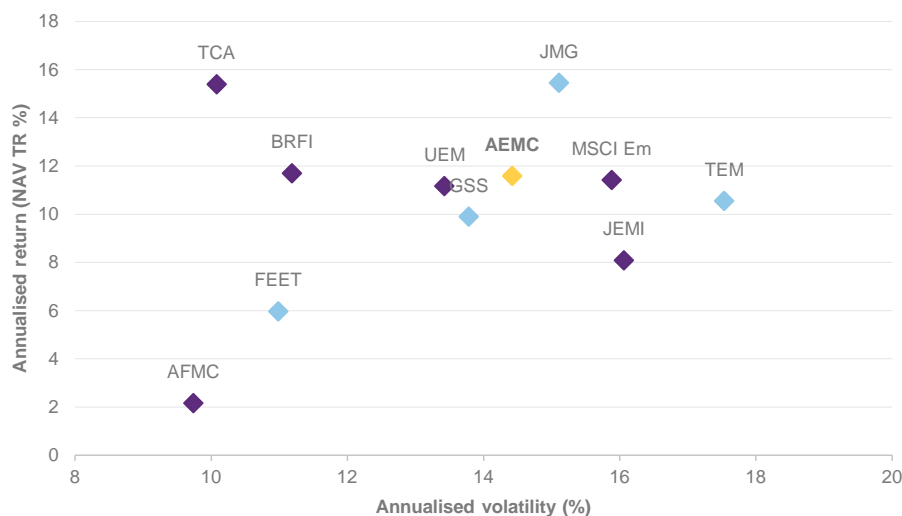
	Market cap GDPs	Discount (%)	Yield (%)	Ongoing charge (%)	NAV total return performance to 31/08/17		
					1 year (%)	3 years (%)	5 years (%)
<b>Aberdeen Emerging Markets</b>	308	(11.7)	3.3*	1.10	23.4	38.9	58.1
Aberdeen Frontier Markets	55	(5.8)	2.4	1.71	11.7	6.6	51.1
BlackRock Frontiers	266	+3.8	3.4	1.37	25.2	39.3	119.5
Fundsmith Emerging Eq	277	(0.4)	0.0	1.85	9.1	19.0	n/a
Genesis Emerging Markets	904	(13.5)	0.0	1.43	21.1	32.7	54.9
JPMorgan Emerging Mkts	1,022	(11.3)	1.1	1.16	25.9	53.9	73.2
JPMorgan Gbl Mg Mkt Inc	365	(3.6)	3.9	1.35	20.3	26.3	53.3
Jupiter Emerging & Frontier	101	+4.7	3.7†	n/a	n/a	n/a	n/a
Templeton Emerging Mkts	2,075	(11.0)	1.1	1.21	36.3	35.1	58.6
Terra Capital	44	(14.1)	3.4	2.02	15.8	53.6	76.9
Utilico Emerging Markets	464	(13.5)	3.2	0.93	14.7	37.4	71.2
<b>Direct peer group average</b>	<b>1,069.5</b>	<b>(9.1)</b>	<b>0.5</b>	<b>1.41</b>	<b>23.1</b>	<b>35.2</b>	<b>46.7</b>
<b>Peer group average</b>	<b>557.3</b>	<b>(6.5)</b>	<b>2.1</b>	<b>1.45</b>	<b>21.0</b>	<b>33.3</b>	<b>66.9</b>

Source: Morningstar, Marten & Co \* based on 20p forecast dividend. † based on forecast in its prospectus

AEMC's discount is wider than both the direct peer group average and the wider peer group average. Based on the 20p dividend that the board has indicated it will pay (see next section), AEMC's yield is 3.3%, which is well-ahead of the averages of both its direct peer group and the wider peer group. AEMC's ongoing charges are the lowest of the peer group bar Utilico Emerging Markets. AEMC's NAV total returns are ahead of the direct peer group average over most time periods and ahead of the wider peer group average over one and three years (i.e. while the managers have been responsible for the portfolio).

Figure 15 shows how AEMC stacks up against the wider peer group on a risk (annualised standard deviation of NAV returns over three years to 31 August 2017) versus return (annualised NAV total returns over three years to 31 August 2017) basis.

Figure 15: Risk versus returns for selected global emerging funds



Source: Morningstar, Marten & Co. Based on monthly returns over three years to 31 August 2017.

## Dividend

### New dividend policy

In July 2017, AEMC's board decided to implement a new dividend policy. It believes that investors are placing an increased emphasis on the income available from investing in emerging markets yet, having built up substantial revenue losses, AEMC had not declared a dividend since 2009.

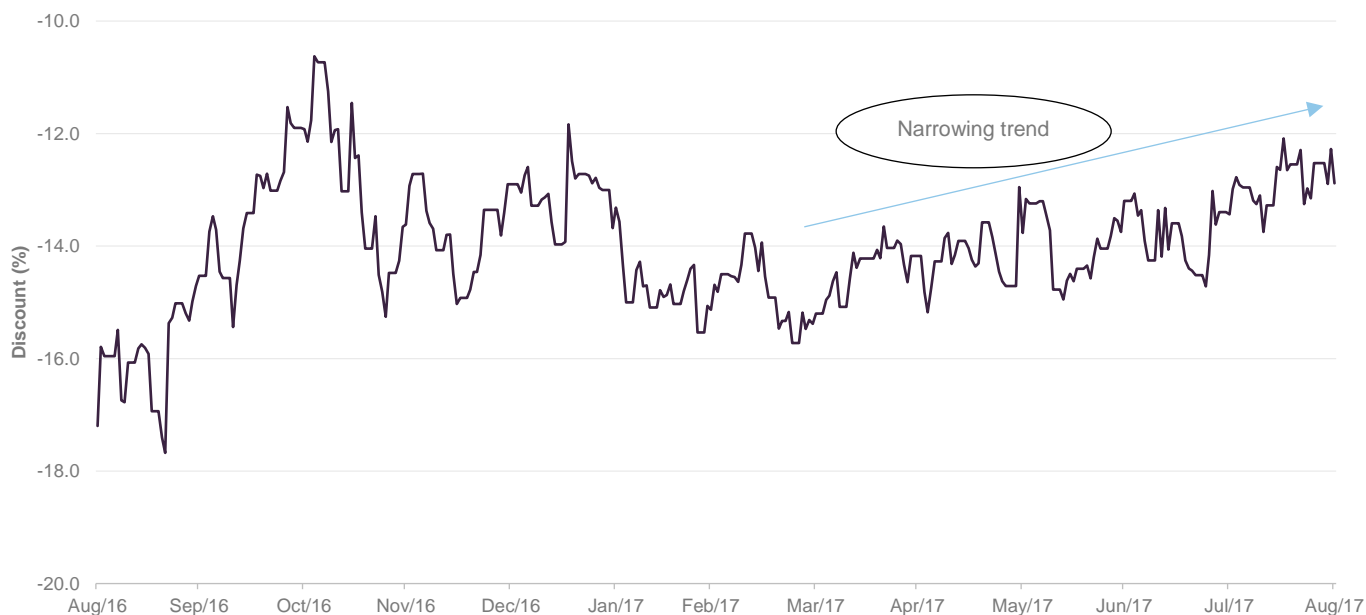
The board has decided to pay quarterly dividends totalling at least 20p for the year ended 31 October 2018, topping up any revenue available for dividends with payments from capital, if necessary. In this accounting year, AEMC has already declared one dividend of 5p (this went ex-dividend on 31 August 2017). A second dividend will be declared after the October 31, financial year end.

The introduction of a dividend serves to further differentiate AEMC from its direct peers which pay little or no dividend.

The board says that it is mindful that investors would like to see growth in the absolute level of the dividend over time.

## Discount

Figure 16: AEMC discount over the year to 31 August 2017



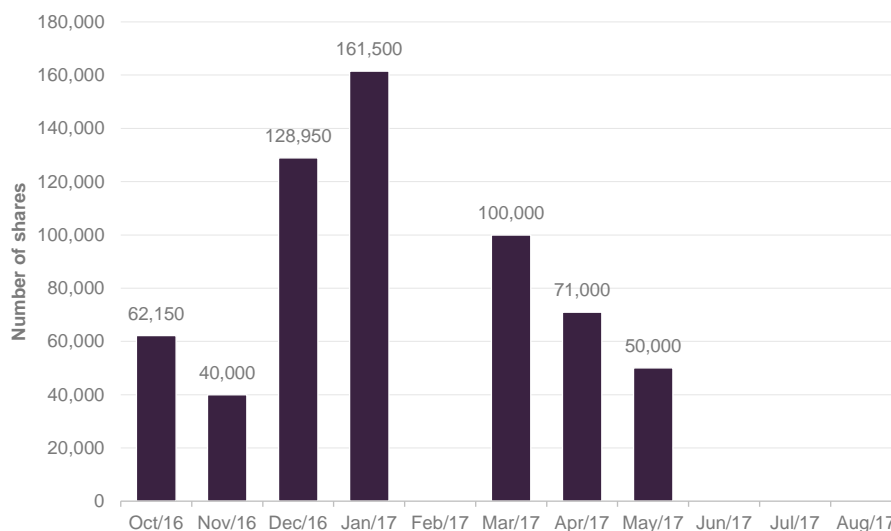
Source: Morningstar, Marten & Co

As you can see from Figure 16, AEMC's discount has been on a narrowing trend over the past six months. Over the year to the end of August 2017, it has moved within a range of 17.7% to 10.6%.

AEMC's board has said that it considers it desirable that AEMC's shares do not trade at a significant discount to NAV and believes that, in normal market conditions, the shares should trade at a price which on average represents a discount of less than 10% to the diluted NAV. However, the discount has been wider than this target since August 2015.

Figure 17 shows the buybacks that AEMC has undertaken so far, this financial year.

**Figure 17: AEMC share repurchases over year to 31 August 2017**



Source: Marten & Co

The board regularly seeks authority from shareholders to buy back shares. The board is of the view that the principal purpose of share repurchases is to enhance NAV for remaining shareholders, although it may also assist in addressing the imbalance between the supply of and demand for AEMC's shares and thereby reduce the scale and volatility of the discount.

## Fees and costs

### Cut in management fees

AEMC's board has had a strong focus on keeping costs under control. For the year ended 31 October 2016, ongoing charges were 1.1%, down from 1.2% for the previous year. The board announced recently that the management fee would be cut. With effect from 1 November 2017, the management fee will decrease to an annualised rate of 0.8% of net assets. For the purposes of the calculation, any investments in funds managed by Aberdeen are excluded from net assets. At the end of June 2017, 7.3% of net assets were invested in Aberdeen funds. The board says that the revised fee structure, had it been in place in June 2017, would have resulted in an effective annualised management fee of 0.74% of net assets.

The investment management agreement can be terminated on six months' written notice by either party.

There is also a performance fee, calculated annually for periods ending 31 October, of 10% of the outperformance of the benchmark. This is subject to a high watermark (currently 559.24p, set in October 2015) and performance fees in a year are capped at 2% of net assets.

Vistra Fund Services (Guernsey) Limited is the administrator and secretary to the company. It receives a fee of £40,000 per annum plus certain additional fees. PraxisIFM Fund Services (UK) Limited acts as administration agent in the UK. It receives a monthly fee equal to one twelfth of 0.1% of NAV but this was capped at £135,591 for the year ended 31 October 2016 and the cap is increased annually in line with the UK Retail Price Index.

Northern Trust (Guernsey) Limited, receives fees for depositary services calculated at the rate of 2.95 basis points per annum subject to a minimum annual fee of £60,000 plus fees for custody services.

## Capital structure and life

There are 51,196,729 ordinary shares in issue as at the date of the publication of this note and no other classes of shares. There are also 3,421,778 shares held in treasury. These may be reissued but the board has said that this will be done at a premium to NAV.

### New borrowing facility

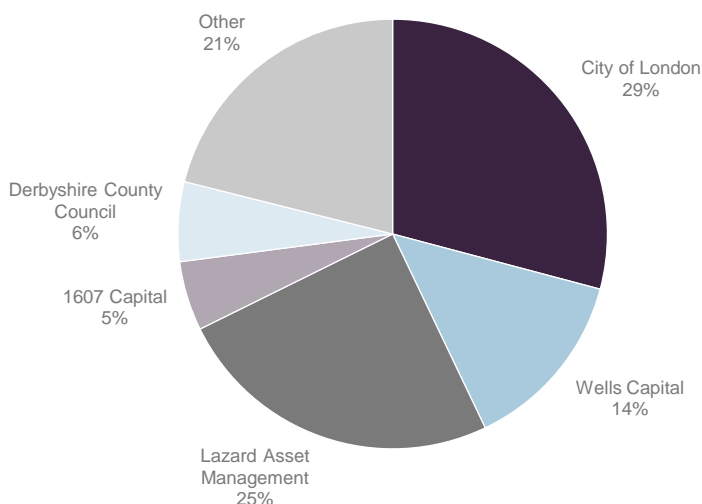
The company is permitted to borrow, at the point of drawdown, up to 15% of its net assets. In April 2017, the company announced that it had entered into a one-year unsecured multi-currency revolving loan facility, for an amount of £25m at a rate of LIBOR plus 55 basis points, with The Royal Bank of Scotland. This can be used to buy investments in accordance with the investment policy. Gearing is currently 7%.

### Regular continuation votes

The company's year-end is 31 October and, typically, AGMs are held in April. AEMC does not have a fixed life but does hold regular continuation votes. At the 2013 AGM, shareholders approved the continuation of the company. Another vote will be put to shareholders at the AGM to be held in 2018 and every fifth annual general meeting thereafter.

## Major shareholders

Figure 18: Largest shareholders



Source: Aberdeen Emerging Markets, Marten & Co

## Board

The board is comprised of four directors, three of whom are considered to be independent of the manager. Mark Hadsley-Chaplin held one other public company directorship in Aberdeen Asian Smaller Companies Investment Trust Plc during the

year and retired from this board on 29 November 2016 making him an independent director from that date.

John Hawkins is a director of Aberdeen Greater China Fund Inc which is also managed by Aberdeen. He is therefore considered to be non-independent.

Figure 19: The Board

Director	Position	Appointed	Length of service (years)	Annual fee (GBP)	Shareholding*
<b>M Hadsley-Chaplin</b>	Chairman	26/04/12	4	33,000	25,000
<b>J Hawkins</b>	Deputy chairman	16/09/09	8	25,000	10,000
<b>W Collins</b>	Director	14/06/12	4	25,000	0
<b>H Green</b>	Chair of the audit committee	01/07/16	1	28,000	0
<b>Mark Barker</b>	Director	21/07/17	0	25,000	0

Source: Aberdeen Emerging Markets, Marten & Co. \* as at 31 October 2016

Mark Hadsley-Chaplin (aged 55) has over a decade of experience in the asset management industry. He founded RWC Partners Ltd (formerly known as MPC Investors), a London-based fund management firm specialising in hedge funds, long only funds and a SICAV UCITS III Strategy, in 2000, was CEO until 2006 and chairman until 2010. Prior to this he was vice chairman of UBS Securities (East Asia) Ltd, based in Singapore and responsible for the management and development of the bank's Asian equity business worldwide.

Deputy chairman, John Hawkins (aged 73) is a Fellow of the Institute of Chartered Accountants of England and Wales. He was formerly executive vice president and a member of the Corporate Office of The Bank of Bermuda Limited. He was with The Bank of Bermuda for 25 years, of which approximately 15 years were based in Hong Kong. Mr Hawkins holds other public company directorships in Aberdeen Greater China Fund Inc and The Prospect Japan Fund Limited.

William Collins (aged 67), Guernsey resident, has over 40 years' experience in banking and investment. From September 2007, he was employed by Bank J Safra Sarasin (formerly Bank Sarasin) in Guernsey as director – private clients, retiring at the end of 2014. Prior to that he worked for Barings in Guernsey for over 18 years. In 1995, he was appointed a director and from 2003 until August 2007 was managing director of Baring Asset Management (CI) Ltd. Mr Collins holds one other public company directorship being Crystal Amber Fund Limited.

Helen Green (aged 54), Guernsey resident, is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1987 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Mrs Green serves as a non-executive director on the boards of a number of companies in various jurisdictions. Mrs Green holds other public company directorships in UK Mortgages Limited, Landore Resources Limited, John Laing Infrastructure Fund Limited, City Natural Resources High Yield Trust Plc and Acorn Income Fund Limited, of which she is chairman.

Mark Barker is managing partner of Strategic Capital Investors, a boutique investment company focused on providing acceleration capital to early stage asset management businesses. Mark was previously founder and chief investment officer at Hermes BPK Partners, a fund of funds manager formed in partnership with Hermes Investment Management Limited. Prior to founding Hermes BPK, Mark was co-chief investment officer of the US\$8bn Fund of Funds manager at Pioneer Alternative Investments. In 2003 Pioneer Alternative Investments acquired Momentum Asset Management where



Mark had worked since 1986. At Momentum/Pioneer, Mark was responsible for portfolio management, asset allocation and risk management.

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