Investment companies | Update | 1 June 2021

Jupiter Emerging & Frontier Income

Out in front

In both total NAV and shareholder return terms, Jupiter Emerging & Frontier Income (JEFI) has been the pacesetter within its peer group since the November 2020 vaccine announcements. Manager Ross Teverson and the team's long-held view that better value is available outside of China appears to have been paying off, led by its Taiwan-based holdings in particular.

JEFI's bottom-up approach, which combines value and growth elements, has arguably matched well with the rotation away from growth stocks. It could be argued that a portfolio comprising predominantly above-average yielding equities, the absence of reliance on China and India, and a mandate that allows investments into both EM and FM markets makes JEFI a unique proposition (see page 13). Despite its smaller size, it is trading at one of the tightest discounts within its peer group. A return to the pre-pandemic premium rating could allow JEFI to grow, thereby broadening its attraction to institutional investors.

Long-term capital and income growth

JEFI aims to generate capital growth and income over the long term, through investment predominantly in companies exposed directly or indirectly to emerging markets and frontier markets worldwide

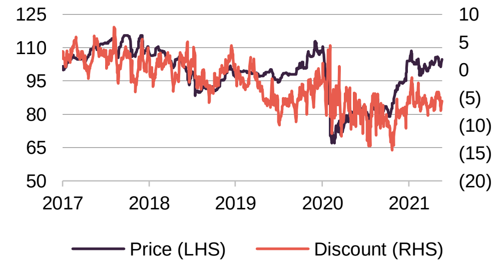
12 months ended	Share price total return (%)	NAV total return (%)	MSCI Emerging Markets TR (%)	MSCI Frontier Markets TR (%)	MSCI World TR (%)
30/04/2018*	6.8*	12.4*	10.3*	11.5*	4.9*
30/04/2019	(3.2)	(1.9)	0.7	(6.9)	13.1
30/04/2020	(23.6)	(15.9)	(8.7)	(10.5)	(0.2)
30/04/2021	56.3	43.4	35.9	27.4	33.0

Source: Morningstar, Marten & Co

Sector	Global emerging
Ticker	JEFI LN
Base currency	GBP
Price	107.0p
NAV*	111.8p
Premium/(discount)	(4.3%)
Yield	3.9%

Share price and discount since launch

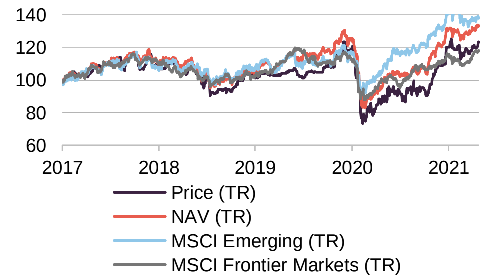
Time period 16/05/2017 to 24/05/2021



Source: Morningstar, Marten & Co

Performance since launch

Time period 16/05/2017 to 30/04/2021



Source: Morningstar, Marten & Co

QuotedData
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Contents

Domicile	UK
Inception date	15 May 2017
Manager	Ross Teverson
Market cap	91.5m
Shares outstanding	85.5m
Daily vol. (1-yr. avg.)	213.9k
Net gearing	10.0%

Click here for our most recent annual overview note

Click here for JEFI's peer group analysis

Click here for an updated JEFI factsheet

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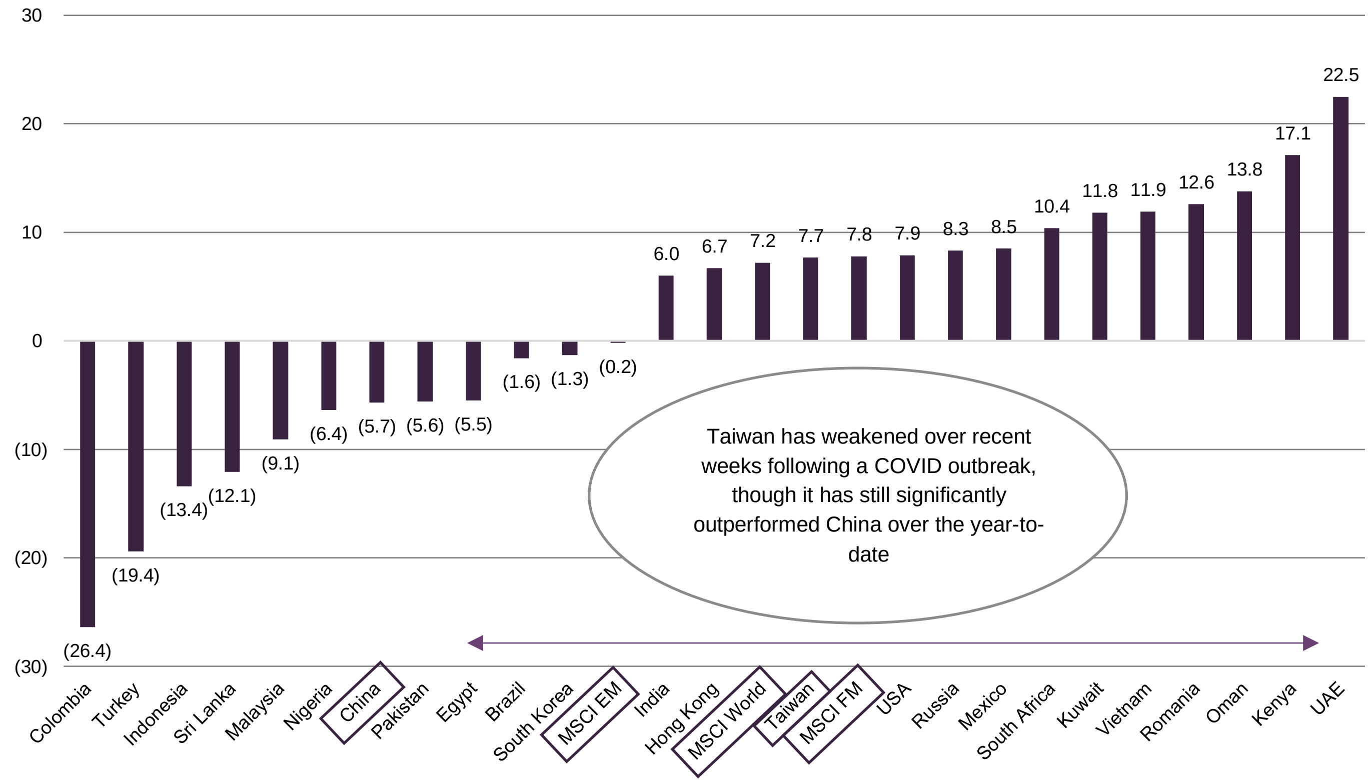
Focus appears to have shifted away from COVID and back to fundamentals

JEFI's operates an active strategy with its portfolio only loosely resembling the benchmark MSCI Emerging Markets Index

At times over 2020, China seemingly carried the baton for global emerging markets (it accounts for over 35% of the MSCI Emerging Markets Index), with its stock market well out in front as it completed a notable turnaround, having been the initial epicentre of the pandemic. As Figure 1 illustrates, it appears to have been a different story so far this year, with China taking more of a backseat.

Ross notes that the November 2020 vaccine developments precipitated a shift towards value and small caps, which seems to have worked to JEFI's advantage. The manager continues to allocate a much lower proportion of JEFI's portfolio to China (and indeed India), compared to many of its peer funds, as discussed in the performance section. JEFI's stock-picking approach has the effect of making country allocation a by-product of the fund's fundamental analysis of companies. This has steered JEFI away from China and towards Taiwan in particular, which Ross considers provides access to technology enablers that are priced at a discount to the those on the mainland.

Figure 1: Year-to-date performance (%) of various MSCI Indices (in sterling), as at 24 May 2021



Source: Morningstar, Marten & Co

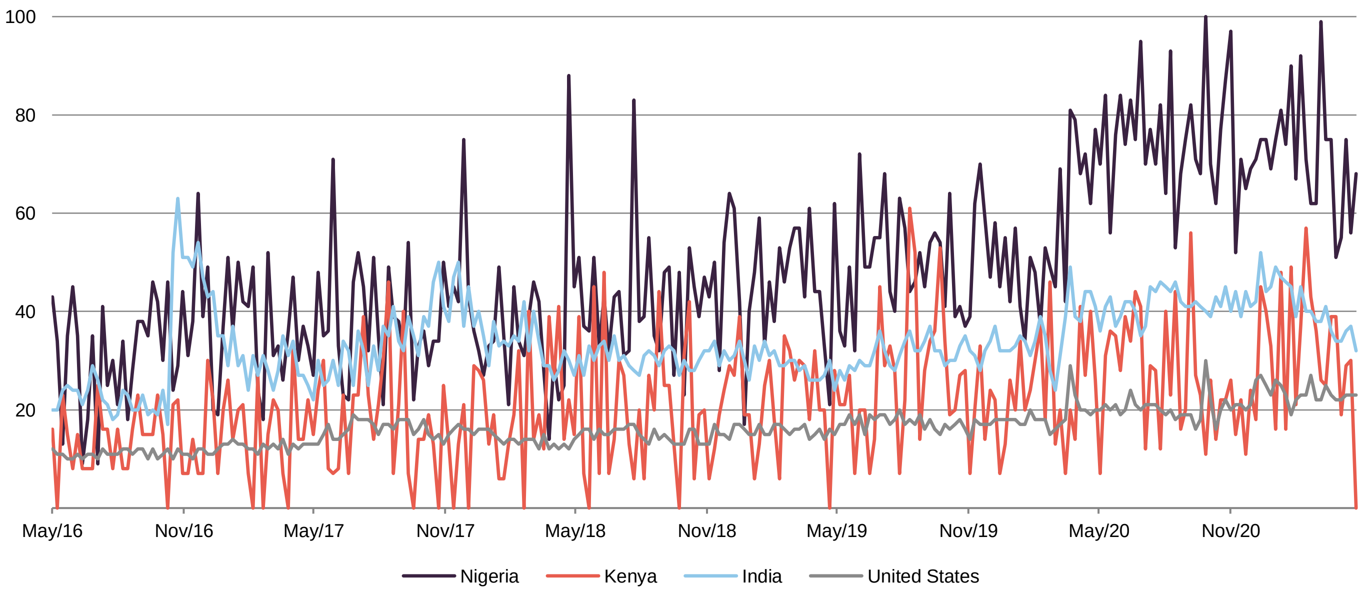
More broadly, at the country level, Ross believes the market has been shifting its focus away from COVID-19 and back towards emphasising longer-term fundamentals. Given that many frontier markets have still yet to see their equity markets recover, despite quietly returning to normal levels of economic activity, there may be scope for a degree of catch-up on a valuation basis especially. Sadly, some of the largest countries, notably India, continue to be severely impacted by the pandemic.

Financial inclusion theme remains undervalued

So many emerging and frontier market banks continue to trade at significant discounts despite much greater long-term growth outlooks than their developed-market peers

The financial inclusion structural change theme, described by Ross as the process of bringing the previously unbanked into the financial system and ultimately gaining access to basic financial products and services, is second only in its portfolio importance to the predominantly South Korea- and Taiwan-based holdings in tech-enabling companies like Mediatek and Chroma Ate (see the asset allocation and performance sections). Ross believes that opportunities in financial inclusion continue to be under-appreciated. He observes that JEFI holds several well-capitalised (the balance sheets are in good shape), high-profit-margin-generating and domestically dominant banking positions that continue to trade at significant discounts, and in cases below book value (accounting as opposed to market value) per share. Whilst fintech companies are typically described as 'disrupters,' Ross says that for the likes of Kenya and Nigeria, the incumbent financial companies are using fintech technologies to enhance their propositions.

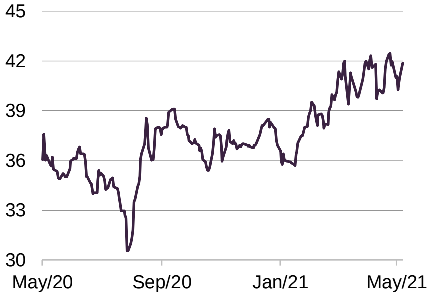
Figure 2: Google search results for 'Bank Account' topic in selected markets – last five years



Source: Google Trends, Marten & Co. Interest over 5 years for the search topic 'bank account.' Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term. Note: Topics are a group of terms that share the same concept in any language. Click here for more information

Figure 2 compares the popularity of the 'Bank Account' search topic ('topics' are a group of terms that share the same concept in any language) in Nigeria, Kenya,

Figure 3: KCB share price



Source: Bloomberg, Marten & Co. Note: in KES

India, and the US (the US is used as a broad control group for developed markets). Using this high-frequency data proxy, there appears to be a significant increase in search activity in Nigeria over the past 12 months. Nigeria's leading banks, including JEFI-held Guaranty Trust Bank, are making a sustained push to develop products for the financially excluded (some 60m Nigerians remaining unbanked).

In addition to Guaranty Trust Bank, JEFI also has exposure to Kenya's KCB bank (whose one-year share performance is shown in Figure 3), Pakistan's UBL, Bank of Georgia, and Turkey-based AvivaSa (which provides private pension and life insurance products).

Asset allocation

> JEFI's loose resemblance to the MSCI EM Index is arguably best illustrated by its much allocation to mainland China

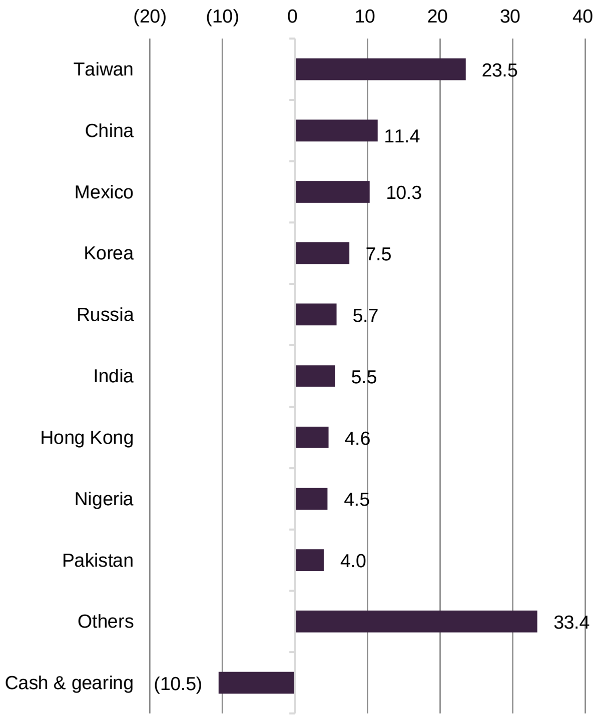
The stock-picking style favoured by JEFI's manager means that the portfolio only loosely resembles the benchmark. As illustrated by Figure 5, this continues to be most clearly embodied by the fund's much lower allocation to mainland China. The most recent (as at 30 April 2021) relative difference in weight was (26.1%). As at 30 April 2021, the relative difference between JEFI's exposure and that of the benchmark was (26.1%). The decrease in the underweight from (32.6%), based on 31 October 2020 figures used in our last note, can mainly be attributable to the subdued performance of Chinese stocks so far this year.

> Taiwan now makes up nearly 24% of the portfolio while Brazil no longer features as one of JEFI's top 10 country exposures

As a result of performance and portfolio activity by the manager, changes to the geographical make-up of the portfolio since we last published include:

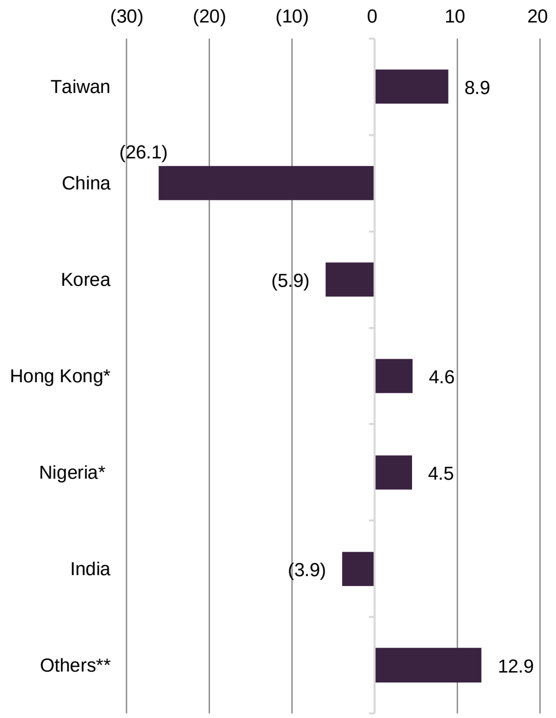
- A 1.5% increase in Taiwan's weight;
- a (1.7%) reduction in Hong Kong's weight;
- a (1.2%) reduction in Nigeria's weight; and
- Brazil moving from a 5.5% weight to no longer figuring in JEFI's top 10 markets.

Figure 4: JEFI asset allocation by country, as at 30 April 2021



Source: JEFI, Marten & Co

Figure 5: JEFI country allocation difference versus the benchmark, as at 30 April 2021

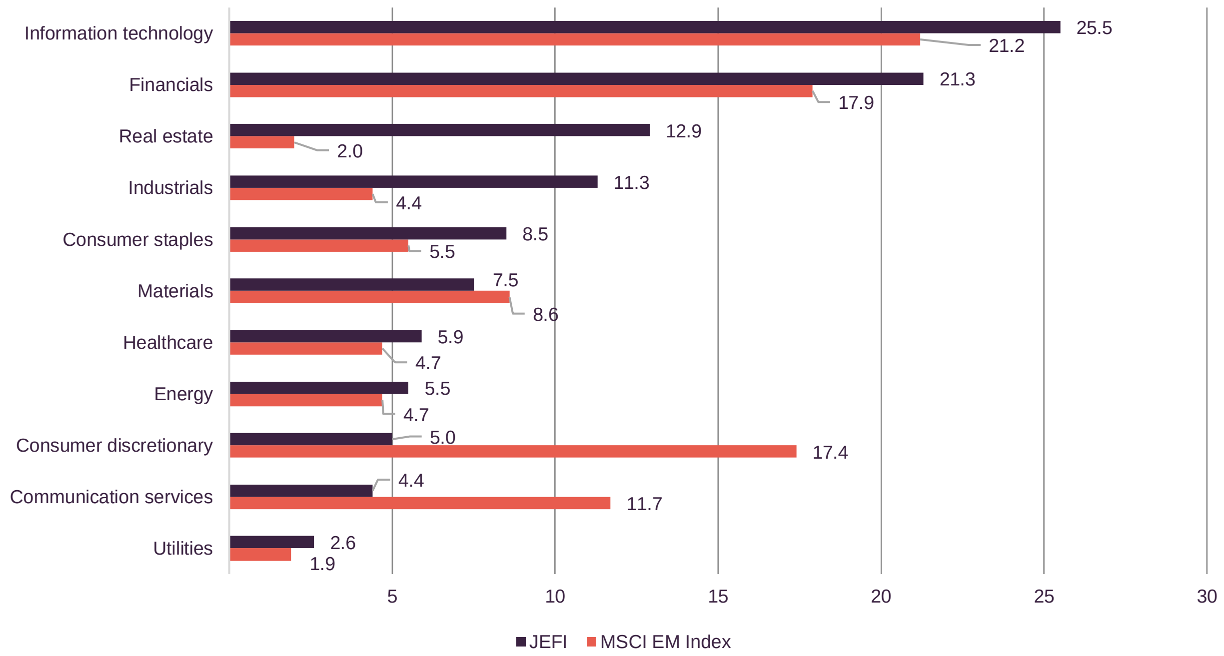


Source: JEFI, Marten & Co. *: MSCI classifies Hong Kong as a developed market and Nigeria as a frontier market. **: Mexico, Russia, and Pakistan are included in the 'Others' category of the MSCI EM Index

> JEFI sees Taiwan as being home to some of the world's leading technology companies

Ross says that, particularly in technology, Taiwan is home to several companies that are well aligned with some of the structural change drivers he is looking for. Some of these holdings are not household names, yet they are seen to be integral to the global supply chains of companies such as Apple. Ross cites Mediatek as an example, noting that the company is a global market leader in handset chips, and that its technology has significantly contributed to the decline in handset prices.

Figure 6: JEFI and benchmark sector allocation comparison (%), as at 30 April 2021



Source: JEFI, MSCI, Marten & Co. Note: JEFI's weights sum to more than 100% due to gearing

At 25.4% of the portfolio, technology is JEFI's largest sector allocation – this is slightly higher than we last published (24.1%). Financials are also well represented, reflecting the manager's views around financial inclusion, which we discussed on page 4. Elsewhere, real estate and industrials continue to be well represented, while the portfolio is much less aligned to the consumer discretionary and telecommunication sectors than the benchmark.

Figure 7: Allocation comparison, JEFI versus the MSCI Emerging Markets Index, as at 31 March 2021

	JEFI (%)	MSCI EM Index (%)
Frontier market exposure	14.4	-
Large-cap exposure	28.9	74.2
Mid-cap exposure	20.4	24.6
Small-cap exposure	50.7	1.2

Source: JEFI, Marten & Co. Note: large cap = > $10bn, mid cap = $2-10bn, small cap = < $2bn

Nearly 15% of the portfolio is allocated to frontier markets, most of which are driven by domestic forces

As well as providing exposure to many of the structural growth drivers discussed in this note, JEFI's near 15% allocation to frontier markets arguably serves as a useful diversifier. With so many asset classes increasingly appearing to move in lockstep, the fact that stock markets in the likes of Kenya and Vietnam tend to be driven by country-specific forces is arguably a point of distinction between JEFI and most of its peer group.

Figure 8: Valuation comparison, JEFI versus the MSCI Emerging Markets Index, as at 31 March 2021

	JEFI	MSCI Emerging Markets Index
P/E ratio	12.0x	19.3x
P/B ratio	1.5x	2.1x
Dividend yield*	4.2%	1.9%
ROE	14.2%	11.6%
Ex-ante beta	0.8	-

Source: JEFI, Marten & Co. *Note: trailing 12-month yield to 24 August 2020

Top 10 holdings

Figure 9: JEFI 10 largest holdings, as at 30 April 2021

	Country/Region	Sector	% of gross assets 30/04/21	% of gross assets 31/10/20	% change
Samsung Electronics	Korea	IT	4.9	5.1	(0.2)
MediaTek	Taiwan	IT	4.9	4.8	+0.1
Taiwan Semiconductor	Taiwan	IT	4.2	5.0	(0.8)
Corp Inmobiliaria Vesta	Mexico	Real estate	4.0	4.9	(0.9)
NetEase	China	IT/gaming	3.8	4.4	(0.6)
Hindustan Petroleum	India	Energy	3.8	3.7	+0.1
Wilson Sons	Brazil	Industrials	3.7	3.8	(0.1)
NWS	Hong Kong	Industrials	3.7	2.7	+1.0
Norilsk Nickel	Russia	Materials	3.6	3.3	+0.3
Hon Hai Precision	Taiwan	Industrials	3.5	3.0	+0.5
Total of top 10			40.1	43.0	(2.9)

Source: JEFI, Marten & Co

JEFI's manager has had the luxury of not having to significantly change the portfolio since the pandemic's onset

Ross did not significantly increase trading in the portfolio over 2020, as he felt comfortable in the abilities of balance sheets of companies across the portfolio to withstand the initial impact. None of the financial sector holdings have had to raise equity capital (by issuing new shares), while around a third of the portfolio companies hold net cash (i.e. after deducting their total liabilities) on their balance sheets. We also note that dividend payout ratios (dividend per share as a percentage of earnings per share) tend to be lower outside developed markets, which it can be argued provides some additional headroom compared to situations where a much higher proportion of earnings are distributed as dividends.

Compared to the 31 October 2020 figures used in our last note, there have been three changes to the line-up of top 10 holdings with Guaranty Trust Bank, KCB bank, and Chroma Ate (all three remain in the portfolio) replaced by NWS, Norilsk Nickel, and Hon Hai Precision. Whilst Guaranty Trust Bank and KCB bank do not figure in the top 10 this time around, the financial inclusion theme that they provide access to remains a key area of attraction for JEFI, as discussed earlier in the note.

MediaTek and Norilsk Nickel are covered in the attribution section below, while many of the remaining top 10 holdings have been discussed in earlier notes, which you can access through the previous publications section by clicking here.

Figure 10: NWS share price

Source: Bloomberg, Marten & Co. Note: in HKD

NWS, a Hong Kong-listed conglomerate with operations spanning toll roads to aircraft leasing is having a strong year, with its shares up 17.9%, as shown in Figure 10. Ross believes the company provides an example of how JEFI can augment its exposure to China through Hong Kong, where he notes that many companies trade at discounts to their peer group on the mainland

Taiwan's Hon Hai Precision is also having a good year and, similarly to NWS, its business is built around economies of scale, with much lower gross and operating margins than many of the other holdings in the top 10. Hon Hai is the largest assembler of iPhones for Apple, as well as being a major electronic components manufacturer and an emerging player in the contract manufacturing of electric vehicles.

Figure 11: JEFI 10 largest holdings return and valuation indicators, as at 24 May 2021

	Market cap (£bn)	*Total return YTD (%)	Three-year average beta	Dividend yield (%) trailing 12m	Trailing P/E ratio	Forward P/E ratio	Trailing P/B ratio	Gross margin % 1yr	EBT margin % 1yr
Samsung Electronics	335.5	(7.5)	1.0	4.1	17.4	13.3	1.9	39.0	15.4
MediaTek	37.7	23.7	0.5	1.1	24.7	17.8	3.6	43.9	14.8
Taiwan Semiconductor	372.3	7.2	(0.2)	1.8	27.6	25.3	7.6	53.1	43.7
Corp Inmobiliaria Vesta	0.7	0.2	0.9	5.1	10.7	16.7	1.0	93.2	85.1
NetEase	54.9	17.7	-	0.7	38.9	28.1	5.8	52.9	20.9
Hindustan Petroleum	3.9	26.3	0.9	3.4	4.0	9.5	1.1	6.3	2.9
Wilson Sons	0.5	30.4	1.0	8.0	25.4	-	1.8	35.1	13.8
NWS	3.0	17.2	1.2	6.8	-	-	0.6	9.7	5.0
Norilsk Nickel	40.9	13.4	1.1	4.5	17.1	6.9	14.4	67.4	29.5
Hon Hai Precision	38.4	18.2	0.1	3.8	12.0	11.2	1.2	5.9	3.1

Source: JEFI, Morningstar, Bloomberg, Marten & Co. *: total returns in local currency

Portfolio activity over the past year

Over the 12 months to 13 April 2021, Ross brought five new companies into the portfolio. They are AvivaSa (Turkish insurance company), Kunlun (Chinese gas distributor), Elan (Taiwanese semiconductor design company), Crédit Agricole Egypt (Egyptian retail and commercial bank), and Obour Land (Egyptian consumer staples). AvivaSa, Kunlun, and Crédit Agricole Egypt were profiled beginning on page 13 of our most recent annual overview note.

Elan Microelectronics

The manager looked to Taiwan once more in growing the technology stable with the addition of Elan Microelectronics (www.emc.com.tw). The company provides exposure to the integrated circuits (ICs) and microcontrollers industry, where it is involved in research, development, manufacturing, and sales processes. Its products include biometric solutions, microcontrollers, and pen & touch input solutions. The company is a key partner for companies such as Microsoft and Google in the development of touch-screen protocols and security standards. It is currently trading at an arguably fairly modest trailing P/E multiple of 13.3x, which is in keeping with the relative value JEFI believes many Taiwanese technology companies provide.

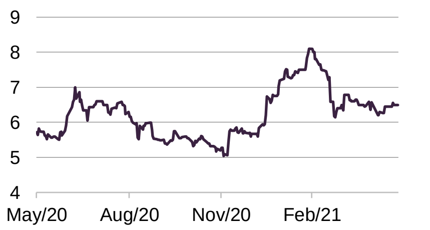
Figure 12: Elan share price

Source: Bloomberg, Marten & Co. Note: in TWD

Obour Land

Egypt's Obour Land (www.obourland.com) manufactures a range of popular dairy products, from milk to white cheeses. It is a well-established brand in the Middle East and North Africa region's largest market for consumer staples, with Egypt's population of around 100m providing opportunities across mass-market and premium channels. As with many listed consumer-focused companies operating in the region, Obour Land appears to trade at a modest valuation, with its shares trading at 8.3x last year's earnings and below sales per share (price/sales ratio of 0.9x).

Figure 13: Obour Land share price



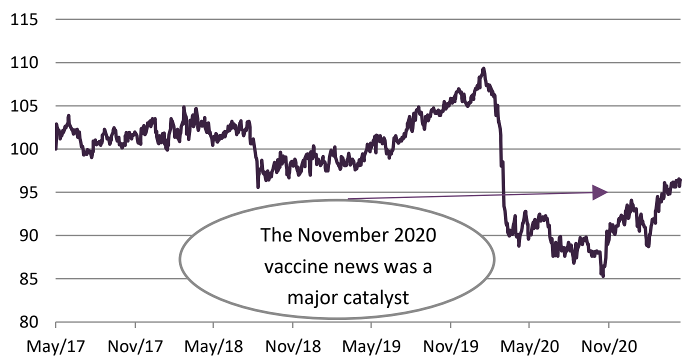
Source: Bloomberg, Marten & Co. Note: in EGP

Performance

It appears that JEFI's relatively low China allocation has been a competitive advantage so far this year

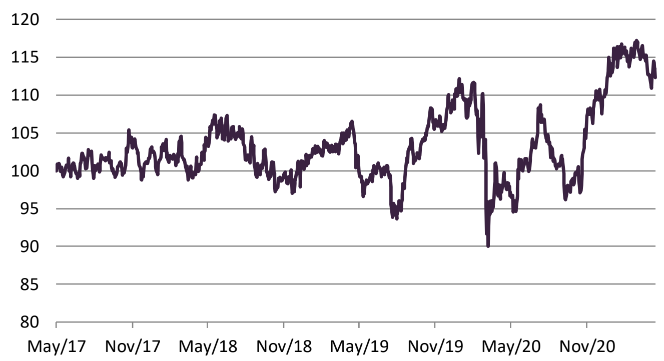
JEFI's relative performance against the benchmark MSCI EM Index has improved significantly since our last note was published in November 2020. Given the benchmark's over-35% weighting to China, a level Ross says that JEFI is very unlikely to ever approach, significant deviations in relative performance are to be expected. Just as the relative strength of Chinese equities over 2020 weighed on JEFI's relative returns, a subdued 2021-to-date appears to have worked in the fund's favour.

Figure 14: NAV TR relative to MSCI Emerging Markets, launch to 30 April 2021



Source: Morningstar, Marten & Co

Figure 15: NAV TR relative to MSCI Frontier Markets, launch to 30 April 2021



Source: Morningstar, Marten & Co

JEFI has outperformed its peer group and the MSCI World, Emerging, and Frontier indices over the last six months

We argued in our November 2020 note that JEFI would probably benefit if valuations in some of the other well-positioned neighbouring Asian markets (like Taiwan, for example) were to move closer into line with China, with its bottom-up fundamentals-led approach potentially well-suited to a rotation away from growth stocks.

As illustrated by Figure 16, over the past six months JEFI has outperformed the MSCI Emerging, Frontier, and World comparative indices, as well as its peer group. Relatively low exposure to hard-hit countries, like Brazil and India, appears to have also helped to steer relative performance, while the 15% allocation to frontier markets could potentially provide a further catalyst for outperformance going forward, if more capital is allocated to the likes of Kenya, Nigeria, and Vietnam. JEFI's performance against the MSCI Frontier Markets Index (shown in Figure 15) has been impressive of late as well.

We note that the peer group shown in Figure 16 includes all the funds in the AIC's global emerging markets sector, with the exceptions of Africa Opportunity and Gulf Investment Fund, which are not global funds. We have also omitted Barings Emerging EMEA Opportunities from the table, on the basis that its broadened remit has only taken effect over recent months.

Figure 16: JEFI-cumulative performance over periods ending 30 April 2021

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	Launch (%)
JEFI NAV (TR)	5.2	28.2	43.4	18.2	*32.9
JEFI share price (TR)	3.2	36.7	56.3	15.6	*23.4
MSCI Emerging (TR)	0.9	15.0	35.9	25.0	*37.8
MSCI Frontier (TR)	6.5	10.8	27.4	6.1	*18.3
MSCI World Index (TR)	10.1	20.8	33.0	50.2	*57.5
Peer group median NAV (TR)	3.7	20.8	43.4	23.5	**36.6
Peer group average NAV (TR)	3.2	19.8	40.6	21.4	**32.2
Peer group median share price (TR)	2.0	21.9	48.1	23.8	**31.3
Peer group average share price (TR)	2.0	22.4	46.2	23.0	**32.2

Source: Morningstar, Marten & Co. *: from 16 May 2017. **: 1 June 2017 used to approximate launch date for peer group average and median figures

Performance attribution – positive contributions led by MediaTek

JEFI's manager has provided a performance attribution breakdown since its launch on 15 May 2017, with the positive contributors illustrated by Figure 17.

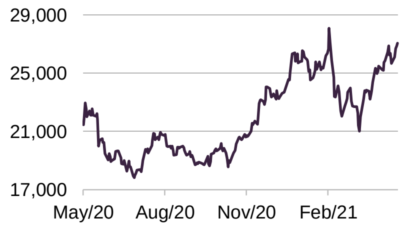
Figure 17: Top 5 contributors to returns since launch

	Contribution (%)
MediaTek	4.7
NagaCorp	2.6
Norilsk Nickel	2.6
Chroma Ate	2.2
Samsung Electronics	2.1

Source: JEFI, Marten & Co. Note: inclusive of the period from 31 May 2017 to 31 March 2021

MediaTek has been held since launch and in the manager's view has been going from strength to strength. Ross says that in addition to cementing its position as the second-largest manufacturer of chipsets for mobile phones behind Qualcomm, it has been expanding its chipset business and is now well-entrenched into the supply chains of Amazon and Google. He adds that MediaTek has narrowed the technology gap with Qualcomm, with its new line of 5G chips contributing to what he believes will be a sustainable increase in gross margins. We note that MediaTek trades a discount to its US peer group.

Figure 18: Norilsk Nickel share price



Source: Bloomberg, Marten & Co. Note: in RUB

NagaCorp, the Cambodia-based hotels and casino operator, had a strong 2018 and 2019 in share price terms. Ross subsequently sold the position to create room for higher conviction ideas elsewhere. Since our last note, Ross has added to the position in Russia's Norilsk Nickel. The company is the largest global producer of palladium and a major producer of nickel and copper, all of which a growing number of analysts believe are set to play an integral role in the clean energy transition.

Like Qualcomm, discussed above, Chroma Ate is another Taiwanese hardware enabler; it manufactures precision electronics testing components. Ross believes the company has strong pricing power, while noting that around 30% of its revenues are based around electric vehicles, with the company producing a lot of the testing equipment used.

Detractors

Figure 19: Top 5 detractors to returns since launch

	Contribution (%)
Ascendis Health	(4.0)
Tencent	(3.2)
Bank of Georgia	(2.8)
Grit Real Estate Income	(2.6)
Wilson Sons	(2.2)

Source: JEFI, Marten & Co. Note: inclusive of the period from 31 May 2017 to 31 March 2021

The main detractors are illustrated in Figure 18 below. Ascendis Health is no longer part of the portfolio, while China's Tencent has historically been a large part of the MSCI EM benchmark. While it has performed very well over most of the past 18 months, as we have noted earlier, JEFI's approach naturally steers it away from many of the richly valued Chinese technology companies. We note that Bank of Georgia, Grit Real Estate Income, and Wilson Sons remain in the portfolio, with the manager believing that the investment cases remain intact.

Peer group comparison – distinguishing traits coming to the fore

It appears that some of JEFI's distinguishing features, including its focus on high-yielding companies and EM and FM mandate, have come to the fore since late-2020

JEFI's points of distinction in comparison to many of the funds in its peer group arguably include a portfolio approach that combines value and growth elements, the holding of predominantly above-average yielding equities, a mandate that allows investments into both EM and FM markets, and relatively low exposure to China and India compared to many of its peers. These traits have seemingly come to the fore recently when comparing JEFI to its peers. Its relative performance over recent months is mapped out in Figure 20.

The market's recognition of this can perhaps be recognised by the fact that despite being the smallest fund by some distance, and the effect this has on ongoing charges ratio when compared to significantly larger funds, JEFI was the fourth most expensive fund (at a discount of 5.6%), on a relative basis, as at 24 May 2021.

You can access up-to-date information on JEFI and its peers on the QuotedData website

Relative performance has probably been helped by the challenges faced by Brazil and India so far this year and the slowdown in China's stock market surge. Many of the funds listed in Figure 20, including Aberdeen Emerging Markets, JPMorgan Emerging Markets, and Templeton Emerging Markets, have greater exposure to China. Where this is not the case, exposure to India is often high, as in the case of Fundsmith Emerging Equities, where India was 44.5% of the fund, as at 30 April 2021.

As we have previously noted, out of the subset of the AIC's global emerging markets funds shown, only Mobius allocates to both emerging and frontier markets. However, the similarities appear to largely end there. Mobius is also almost entirely growth-focused, with Brazil, China, and India accounting for close to 55% of its portfolio, as at 30 April 2021. By comparison, China and India combined were 16.9% of JEFI's portfolio, and Brazil is no longer one of its 10 largest country allocations.

Figure 20: Global emerging market subsector comparison table, as at 24 May 2021

	Market cap (GBPm)	Discount (%)	Yield (%)	Ongoing charge (%)	NAV total return performance over periods ending 30 April 2021: 6 months (%)	1 year (%)	3 years (%)	Launch (%)
JEFI	90	(5.6)	4.0	1.35	28.2	43.4	18.2	31.2
Aberdeen Emerging Markets	322	(14.2)	3.2	1.02	22.0	50.2	32.0	42.6
BlackRock Frontiers	224	(5.1)	4.3	1.39	28.0	40.7	(7.9)	4.5
Fundsmith Emerging Equities	350	(6.5)	0.2	1.30	5.5	25.6	15.3	27.3
Genesis Emerging Markets	1,086	(7.4)	1.5	1.07	15.6	34.1	28.8	40.3
JPMorgan Emerging Markets	1,571	(2.4)	1.1	0.95	12.7	45.3	47.6	64.0
JPMorgan Glbl Emerg. Mkts Inc.	435	(4.6)	3.5	1.16	25.3	43.3	33.1	44.4
Mobius	125	(6.9)	0.3	1.50	19.5	51.0		
Templeton Emerging Markets	2,367	(6.2)	1.9	1.02	19.1	46.8	43.3	53.3
Utilico Emerging Markets	464	(11.6)	3.7	1.10	22.4	25.2	3.4	9.0
Peer group average	703	(7.1)	2.4	1.20	19.8	40.6	21.4	31.7
Peer group median	393	(6.4)	2.6	1.16	20.8	43.4	23.5	35.8
JEFI rank in peer group	10/10	4/10	2/10	8/10	1/10	5/10	6/9	6/9

Source: Morningstar, Marten & Co. Note: performance figures are to 30 April 2021

JPMorgan Global Emerging Markets Income (JEMI) is the only other fund to invest in a portfolio of largely above-average yielding companies. JEMI also counts Taiwan Semiconductor and Samsung amongst its largest holdings. However, JEMI does not invest in frontier markets, which – as we have discussed previously – appear to still be providing some discounted opportunities, especially in financials.

BlackRock Frontiers is the highest yielding peer fund. However, it cannot invest in markets like Taiwan

JEFI and BlackRock Frontiers continue to be the highest-yielding funds, though BRFI is capital growth-focused and its frontier-only approach means it cannot hold companies in emerging markets such as Taiwan, a market that has performed very well for JEFI since its launch.

Dividend

Figure 21: JEFI dividends declared since launch

	Pence per share
December 2019	2.40
March 2020	1.20
June 2020	1.20
September 2020	1.00
December 2020	1.00
March 2021	1.00

Source: JEFI, Marten & Co. Note: JEFI's financial year runs to 30 September

JEFI's manager targets a dividend yield that is at least 20% higher than its benchmark's. Four payments are made per year, in April, July, October, and January. At launch, JEFI said it would target a minimum annualised dividend of 4%. As of 27 May 2021, JEFI's shares were yielding 3.9%.

For the financial year-end to 30 September 2020, the first interim dividend of 1.2p was paid on 17 April 2020. On 3 June 2020, JEFI declared a further interim dividend of 1.2p which was paid on 3 July 2020 – both distributions were fully covered by earnings.

The impact on equity income distributions appears to have been less pronounced in EM and FM markets

The pandemic's initial impact led to JEFI reducing its expectations for dividend income growth for the financial year, though as Ross points out, the early suspension of dividend payments by banks was the result of regulatory intervention. We note that Kenya's KCB bank has returned to paying dividends. Ross adds that Bank of Georgia is expected to re-instate distributions over 2021 while in Pakistan, Indus Motors and United Bank have returned to a normal level of dividend distributions.

Premium/(discount)

It is thought that JEFI's asset base remains towards the lower end of the minimum size preferred by many asset managers

Over the year to 30 April 2021, JEFI's shares moved within a discount range of 14.5% to 1.4%, with an average discount of 7.4%. As at 27 May 2021, JEFI was trading on a discount of 4.3%. JEFI's discount has narrowed significantly since our last note and were the shares to move to a premium over the coming months, this would provide an opportunity to grow the fund by issuing shares.

JEFI's board and manager remain keen to expand the trust, which would probably help improve liquidity in the shares and lower the ongoing charges ratio. The shares were valued at a premium to NAV in the period leading up to the pandemic, as Figure 22 illustrates.

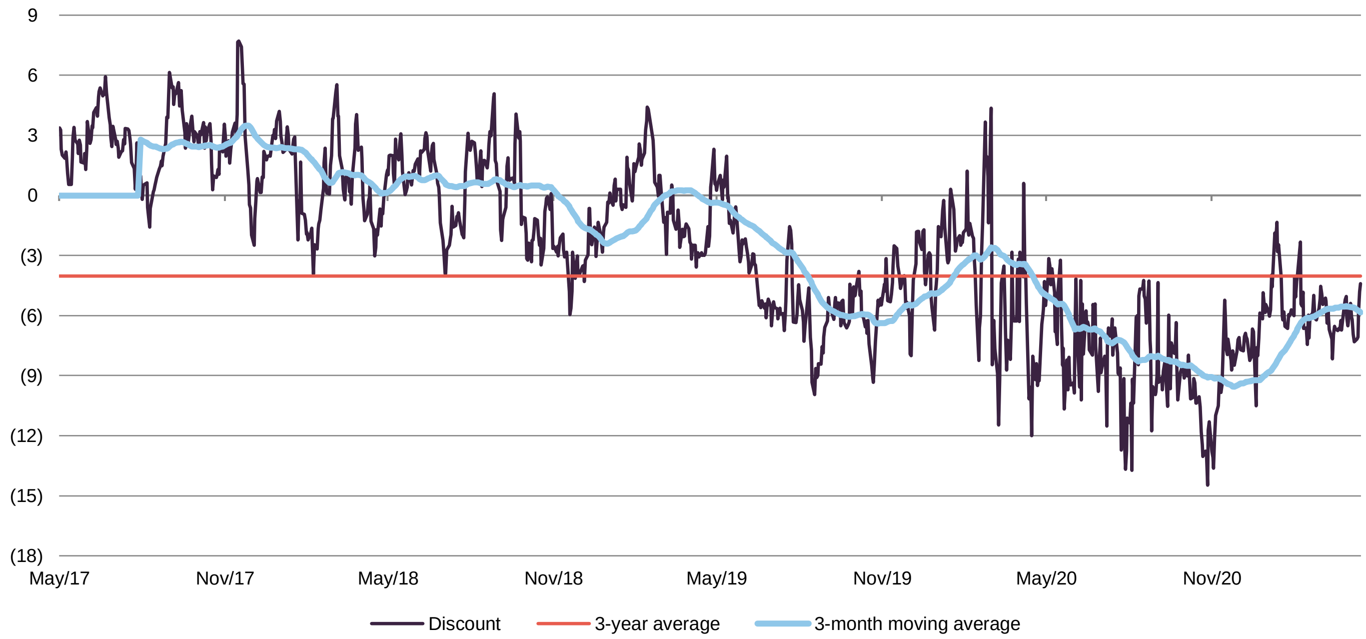
We note that JEFI's asset base (total assets of £95m, as at 30 April 2021) is thought to remain towards the lower end of the minimum size preferred by many asset managers, so it is likely to take on the opportunity to expand, particularly given what appear to be the strong relative performance drivers outlined in the performance section.

Strong relative performance over recent months could provide the necessary catalyst to move the shares back to a premium rating

JEFI operates a discount control mechanism using share buybacks and new issues of shares with the aim of ensuring that, in normal market conditions, the price of its shares will closely track the underlying NAV. Since its formation in 2017, JEFI has issued 4m additional shares at a premium to NAV.

We also note that the fact JEFI provides an annual redemption facility at NAV. Readers interested in finding out more about this can refer to page 20 of our November 2020 annual overview note.

Figure 22: JEFI discount (%) from launch to 30 April 2021



Source: Morningstar, Marten & Co

Fund profile

Benchmark agnostic exposure to emerging and frontier markets

Launched in May 2017, JEFI invests in stocks that provide exposure to emerging and frontier markets (any country that is not classified as developed). The aim is to generate both capital growth and income over the long term, using an investment approach that is benchmark agnostic, unconstrained and focused on identifying positive change.

Investment manager

You can access the fund's website at www.jupiteram.com/jefi

JEFI's portfolio is managed by Ross Teverson, of Jupiter Asset Management (Jupiter), who subcontracts the job of managing the portfolio from the AIFM, Jupiter Unit Trust Managers Limited. Ross is now the sole manager of JEFI with the departure of Charles Sunnucks in June 2020, following Jupiter's acquisition of Merian. The emerging markets team has approximately £1.1bn under management. The manager can also draw on the expertise of Jupiter's wider pool of asset managers and analysts. Ross works closely with Matthew Pigott and Colin Croft, as well as the broader 8-person emerging markets equity team.

Ross Teverson

Ross has been managing an unconstrained emerging markets portfolio since 2012. He joined Jupiter in 2014 as head of strategy, Global Emerging Markets. Before joining Jupiter, Ross worked for 15 years at Standard Life Investments, where he managed a global emerging markets equity fund. Ross spent seven years in Standard Life Investments's Hong Kong office, where he managed an Asian equity fund and was a director of the business. He is a graduate of Oxford University and is a CFA Charterholder.

Previous publications

Readers interested in further information about JEFI may wish to read our earlier notes. You can read the notes by clicking on them in Figure 23 or by visiting our website.

Figure 23: QuotedData's previously published notes on JEFI

Title	Note type	Date
A very successful fundraise	Initiation	28 November 2017
Off to a great start	Update	29 August 2018
Income objective exceeded	Annual overview	15 April 2019
Unjustified discount?	Update	23 September 2019
Underappreciated emerging and frontier income access	Annual overview	19 November 2020

Source: Marten & Co

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