

MANAGED BY  
EOGHAN FLANAGAN &  
JAMES MELLERSH

## OVERVIEW

### The Fund

The Liontrust Emerging Markets Absolute Return Fund seeks to make absolute returns through investment in Emerging Markets.

The Fund will seek to achieve its investment objective by investing in equities and other instruments of companies listed in Emerging Markets, including Asia, Latin America, Central Europe, Russia, the Middle East, Turkey and Africa.

### Objective

The Investment Objective of the Fund is to achieve capital appreciation through investment in Emerging Markets as defined below.

The Fund will seek to maintain investors' capital by managing the level of exposure to the asset class as a whole and by actively managing downside risk (i.e. the risk of a decline in the value of the Fund's investments).

Historically, Emerging Market equities have been a highly volatile and cyclical asset class.

By participating in the continued convergence of Emerging Markets towards the developed world, while seeking to maintain investors' capital during periods of capital markets stress and periodic crises, the Fund aims to provide significant capital appreciation over time.

## Fund Managers

Eoghan Flanagan  
James Mellersh



Eoghan and James have managed the Liontrust Emerging Markets Absolute Return Fund since its launch on 23 April 2009

### Eoghan Flanagan

- 14 years' experience in Global Emerging markets
- Joined Occam in February 2009 and transferred to Liontrust in October 2011

### James Mellersh

- 15 years' experience in Global Emerging markets
- Joined Occam in February 2009 and transferred to Liontrust in October 2011

The Fund rose 1.4% despite falling markets, as both our short positions in Turkey and India and our long positions in Thailand and China contributed positive performance. Our Brazilian positions were a negative contributor, as our move to buy Brazilian banks after their sharp sell-off proved too early. The net long of the portfolio generally varied between 0 and -10% over the course of the month.

Global economic data continued to worsen this month. Starting with the epicentre of global economic woes, Eurozone PMI fell to 45.9 in April, from 47.7 in March. This level of PMI indicates that Europe has now entered a recession. We do not see the situation getting any better soon: the recent Greek election results have significantly increased the chance of Greece leaving the Euro, in our view, and the Spanish and Italian bond markets remain very fragile. In the US, economic data remains confusingly mixed, but certainly does not seem to be as robust as it was in Q4.

Export data in Korea and Taiwan showed a significant slowdown in trade, with Korean exports in April declining -4.7% year-on-year (y-o-y) and Taiwanese exports declining -6.4% y-o-y. Both of these numbers were worse than expectations, and the negative y-o-y trend in exports from these two countries with strong globally-oriented export industries indicates a significant downshift in global economic activity.

India's export data, which lag a month behind, showed a decline of -5.7% y-o-y in March. However, imports continued to grow strongly, at +24.3% y-o-y. This shows the problem of a 'consumption led growth model' when the domestic economy is not dynamic enough to meet demand – a growing current account deficit and reliance on foreign savings flows is the result. India's currency has begun to weaken (devaluing 3.5% against the USD in April), and inflation is now likely to begin rising (also because of higher food prices). This takes the other easy route to boosting the domestic economy, cutting interest rates, off the menu. We are happy to remain short India, given its litany of problems: rising inflation, interest rates that are already too low, falling growth and a rudderless government.

Brazil's two-speed economy is also becoming more concerning. Industrial production declined -2.1% y-o-y (March) and yet retail sales continue to run at +9.6% y-o-y (Feb). We have almost zero net exposure to the Brazilian market currently.

We also remain significantly short Turkey which, because of its large current account deficit, remains extremely vulnerable to any sudden breakdown in global debt markets and/or a significant increase in risk aversion. We cut our exposure to Russia (as at 09.05.2012) to a small net short position (from a 4% net long position last month) because of our concerns about the oil price.

Overall, we remain in a -10% to 0% net range. We are happy to maintain a net long in China, and generally be short or flat markets elsewhere. Should we become concerned about the Chinese economy rolling over we would reduce our exposure to China significantly, which would leave us in a -10% to -20% net range. Valuations are not yet cheap enough to compensate for the negative tone of economic data, however nor are they expensive enough to warrant more aggressive short positions at this point.

## Discrete Years' Performance (%)

To previous quarter, 12 months ending:

	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12
A) Euro	-	-	-	-4.1	-19.0
B) Dollar	-	-	-	-3.4	-18.3
C) Sterling	-	-	-	-4.0	-18.6
D) Norwegian Krone	-	-	-	-3.3	-18.6
E) Swedish Krona	-	-	-	-	-15.1

Source: Financial Express, bid-to-bid, total return.

Past performance should not be viewed as a guide to future performance. Investment in the Fund carries the risk of potential total loss of capital. Investment in the Fund involves a foreign currency and may be subject to fluctuations in value due to movements in exchange rates.

# LIONTRUST EMERGING MARKETS ABSOLUTE RETURN FUND

## Monthly Performance in % (USD Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD*
2012	9.35	3.42	-3.99	1.42									10.12	0.10
2011	-0.85	-1.03	4.32	0.50	-3.05	-2.63	0.70	-6.76	-17.29	10.22	-3.87	-3.61	-22.97	-9.10
2010	-2.81	-2.98	6.56	-1.20	-9.64	-2.33	3.85	-1.94	4.05	2.42	-1.61	1.37	-5.14	18.00
2009				1.40	7.40	-0.83	6.11	-0.44	7.01	0.49	0.16	1.22	24.40	24.40

\*Since inception: 23.04.2009.

## Performance

	NAV per share	Apr-12 (%)	ITD* (%)
EUR Class	9.75	1.46	-2.50
USD Class	10.01	1.42	0.10
GBP Class	9.65	0.87	-3.47
NOK Class	57.04	1.51	-20.12
SEK Class	72.22	1.78	-11.69

\*Since inception: 23.04.2009, NOK class incepted 07.12.2009, SEK class incepted 02.12.2010.

## Fund Information

Launch Date	23.04.09
IMA Sector	Emerging Markets Equity Long/Short
Benchmark Index	Absolute Return
Fund Size	USD 18m

## Key Information

Initial Charge	Up to 5%
Annual Charge	1.75%
Minimum Initial Investment	EUR 35,000, USD 35,000, GBP 25,000 NOK 200,000, SEK 250,000
Minimum Additional Investment	EUR 5,000, USD 5,000, GBP 5,000, NOK 35,000, SEK 35,000
Total Expense Ratio (as at 31.12.11)	2.21%
Annual Accounting Date	31 December
Sedol Code	EUR: B65YMQ8, USD: B65YMR9, GBP: B65YMS0, NOK: B5NPC99, SEK: B4QWTC2
Bloomberg Code	EUR: OCGEMKA, USD: OCGEMKB, GBP: OCGEMKC, NOK: OCGEMKD, SEK: OCGEMES
ISIN Code	IE00B65YMxxx EUR:Q80, USD:R97, GBP:S05, NOK: IE00B5NPC996, SEK: IE00B4QWTC27

## Top 5 Holdings

BHP Billiton	5.05%
iShares MSCI Emerging Markets	3.60%
Evraz	3.27%
Wistron	3.07%
Kasikornbank	2.75%
<b>Total</b>	<b>17.74%</b>

## Country Breakdown

	% Long	% Short	% Net
Austria	1.85%	-1.32%	0.52%
Brazil	3.36%	-2.79%	0.57%
China	10.38%	-1.83%	8.55%
Hungary	1.52%	0.00%	1.52%
India	2.20%	-14.32%	-12.12%
Poland	0.00%	0.00%	0.00%
Russia	6.28%	-6.20%	0.09%
South Africa	0.00%	-4.43%	-4.43%
South Korea	2.12%	-3.78%	-1.67%
Taiwan	3.07%	0.00%	3.07%
Thailand	5.43%	0.00%	5.43%
Turkey	0.00%	-9.96%	-9.96%
Other	8.64%	-3.34%	5.31%
<b>Total</b>	<b>44.84%</b>	<b>-47.97%</b>	<b>-3.13%</b>

## Risk Characteristics

Number of long positions	24
Number of short positions	15
Long positions as a % of NAV	44.84%
Short positions as a % of NAV	-47.97%
Net market exposure	-3.13%
Gross market exposure	92.81%

Source: Northern Trust IFSA and Liontrust Investment Partners LLP, as at 30.04.2012.

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