



## The Search for Income

Aberdeen**Standard**  
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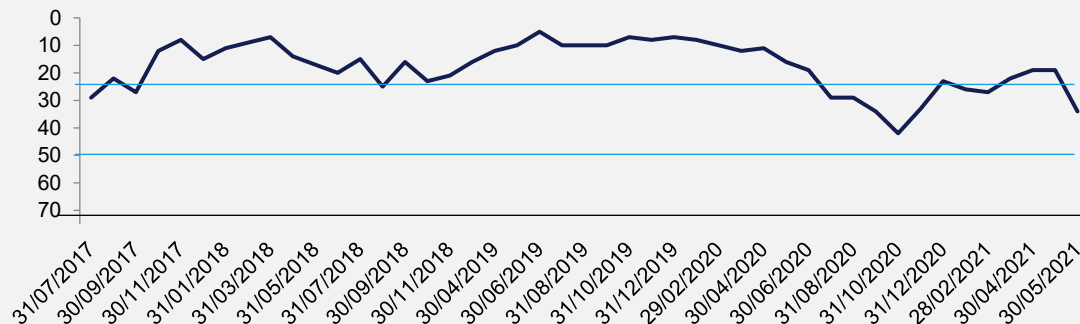
## Why Income?

# ASI Emerging Markets Income Equity performance

## Compelling outperformance against the broader market

| Gross                                       | 6 months %  | Year to date % | 1 year %    | 3 years p.a. % | 5 years p.a. % |
|---------------------------------------------|-------------|----------------|-------------|----------------|----------------|
| ASI Emerging Markets Income Equity Strategy | 11.93       | 5.70           | 40.18       | 10.79          | 17.48          |
| MSCI Emerging Markets Index                 | 8.29        | 3.24           | 31.77       | 7.65           | 14.84          |
| <b>Relative Return</b>                      | <b>3.64</b> | <b>2.46</b>    | <b>8.41</b> | <b>3.14</b>    | <b>2.64</b>    |

### Rolling Three Year Peer Group Percentile: consistently 1<sup>st</sup> and second quartile



| Strategy Performance statistics      | Since Inception % p.a.* |
|--------------------------------------|-------------------------|
| Global Emerging Market Equity Income | 10.81                   |
| MSCI Emerging Markets                | 7.73                    |
| Relative return                      | +0.92                   |
| Information ratio                    | 0.79                    |
| Upside capture                       | 104.0*                  |
| Downside capture                     | 90.1*                   |
| 12m FWD gross yield                  | 3.5                     |

Source: Aberdeen Standard Investments, 31 May 2021, GBP. **Past performance is not a guide to future results**

# Constructing the right outcome

To deliver both the income and growth opportunity

## Dividend Growth

**Dividend growth at a premium to the market**

**~50%**

**1 to 5%**

**~10 to 30%**

## High Dividend

**Sustainable Dividend**

**~35%**

**3 to 8%**

**~0 to 15%**

**Special Situation**

**~15%**

**0 to 12%**

**n/a**

### Dividend characteristics

### Portfolio allocation

### Dividend yield range

### Dividend Growth

Source: Aberdeen Standard Investments, June 2021

Past dividends are not a guide to future dividends

**Past performance is not a guide to future results**

# What are the benefits of income investing in Emerging Markets?

Dividend commitments help to drive company value

| Cash flow analysis                                                                | Sustainable income                                                                | Shareholder return mindset                                                         | Profitable growth                                                                   | Bird in the hand, Two in the bush                                                   |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  |  |  |  |  |
| Follow the cash flow analysis raises transparency                                 | Sustainable high dividends show strong moat & profitability                       | Income acts as a natural corporate governance filter                               | Considered investments, avoiding growth at any cost                                 | Balancing risk with a combination of high and growing income streams                |

**Emerging Market's perceived risks**

Less information, leading to poor price discovery

Corporate governance standards are lower

Higher share price volatility

*Income investing negates perceived risks of emerging market investing*

## Why Emerging Markets for Income?

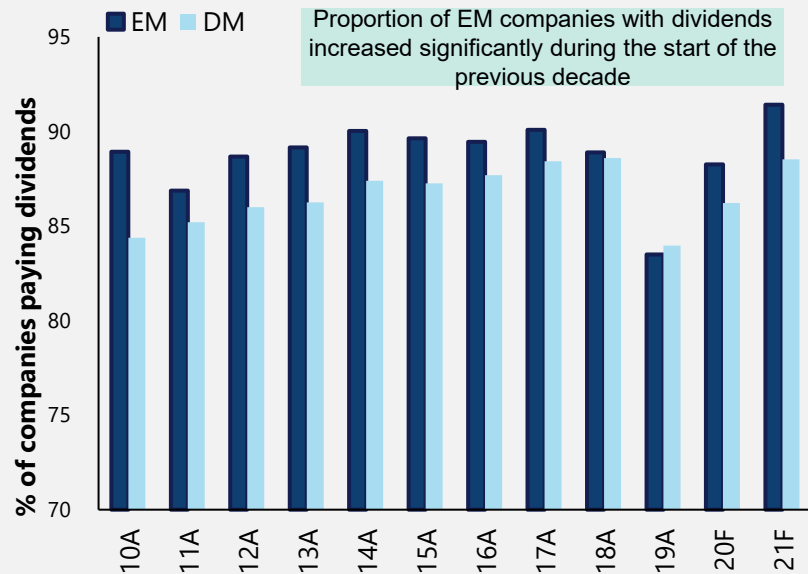
# Why income investing is powerful in Emerging Markets

## High income AND high growth

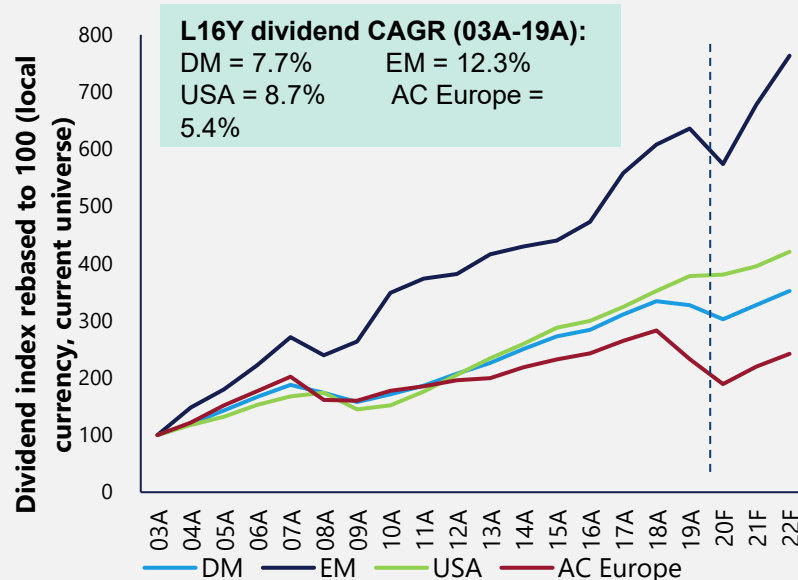
- Dividend typically accounts for 1/2 of GEM total returns

- Over 1/3rd of MSCI EM listed companies pay a dividend over 3%

### More companies pay a dividend in Emerging Markets <sup>1</sup>



### MSCI regions and markets – EM benefits from the power of compounding <sup>2</sup>



<sup>1</sup> Using MSCI universe as it existed in the past. Based on local currency performance. Gross reinvested dividends without considering the impact of taxes. As at December 2020

Source: FactSet, Jefferies Equity Research, December 2020

<sup>2</sup> Bottom-up aggregated with free float adjustment in a YoY like-to-like basis for the current MSCI universe. Sources: Factset, Jefferies Equity Research, December 2020

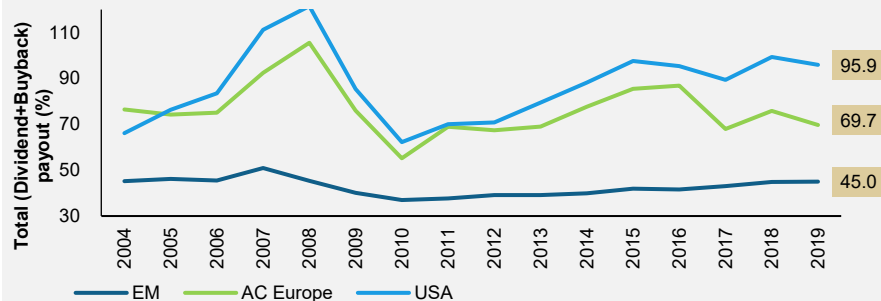
For illustrative purposes only - Past dividends are not a guide to future dividends

# A favourable backdrop for income investing

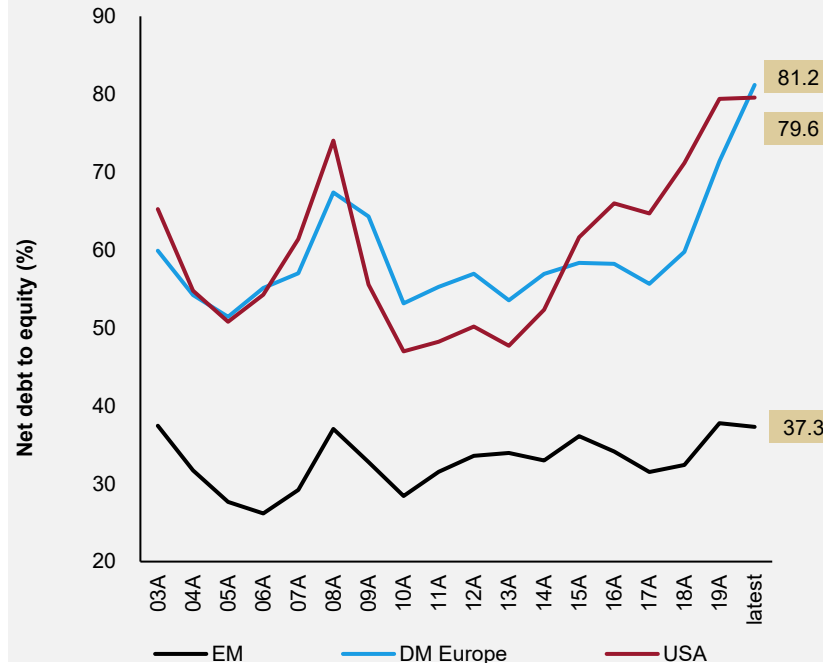
## Corporate fundamentals support a meaningful and growing income

- EM companies are less indebted, have more room to increase payout ratios and have attractive FCF to dividend ratios

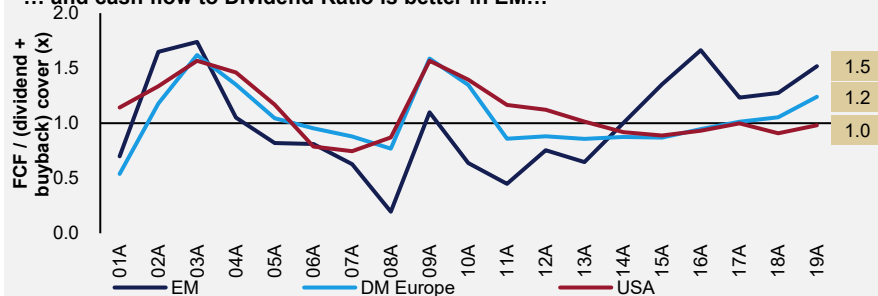
Low payout ratios provides scope for further growth dividend growth<sup>1</sup>...



... while net debt to equity is lower...



... and cash flow to Dividend Ratio is better in EM...



1: USA Payout ratios include the effect of share buy backs. Source: FactSet, Jefferies Equity Research, December 2020

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Why Now?

# Attractive earnings outlook and valuations



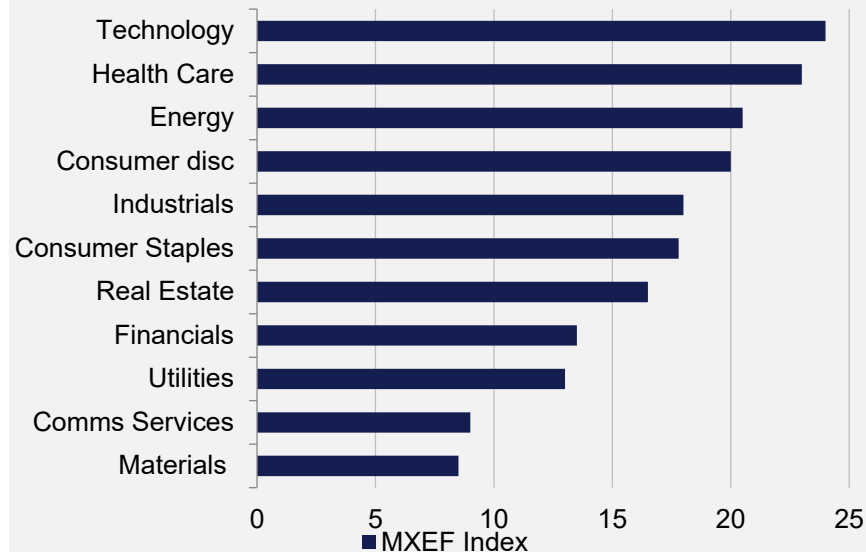
## Valuations in EM are around average

| Trailing P/Book                     | World | Europe | EM    |
|-------------------------------------|-------|--------|-------|
| Current                             | 3.1x  | 2.1x   | 1.8x  |
| 10 year average                     | 2.1x  | 1.7x   | 1.6x  |
| Max since Jan 98                    | 3.9x  | 3.8x   | 3.0x  |
| Min since Jan 98                    | 1.3x  | 1.2x   | 0.6x  |
| <b>Current Premium/Discount to:</b> |       |        |       |
| 10Y average P/B                     | 32%   | 19%    | 11%   |
| <b>Current P/E</b>                  |       |        |       |
|                                     | 30.0x | 35.0x  | 17.2x |

Source: Bloomberg June 2021. No assumptions regarding future performance should be made. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. For illustrative purposes only

## Earnings: a rapid recovery

MSCI EM Consensus EPS growth 2021 and 2020



Source: BBG, March 2021. Estimates are offered as opinion and are not reflective of potential performance, are not guaranteed and actual events or results may differ materially. For illustrative purposes only

# Emerging Markets is leading a technological revolution

- **Technology infrastructure is the new railroad**
- **AI algorithms enable deep learning and business innovation**
- **High income delivery opportunities but plenty of misunderstandings**

• TSMC

• Samsung  
Electronics

• SK Hynix

• Win Semiconductor

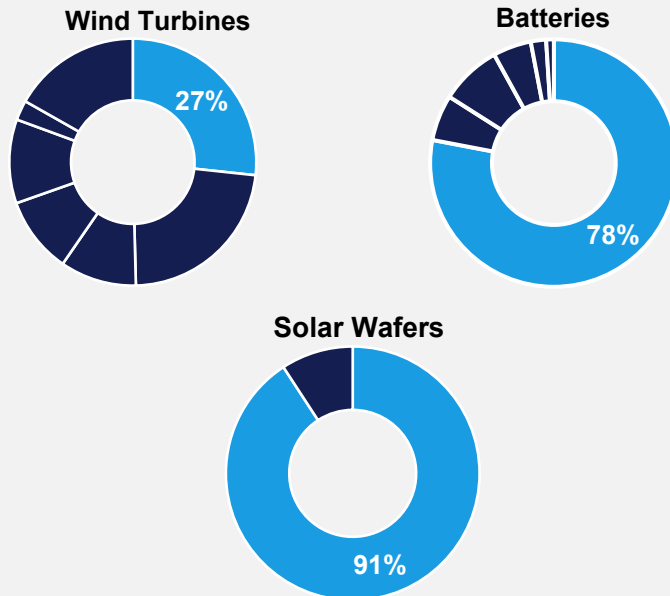


# Green Infrastructure

## Exciting Income opportunities in renewables

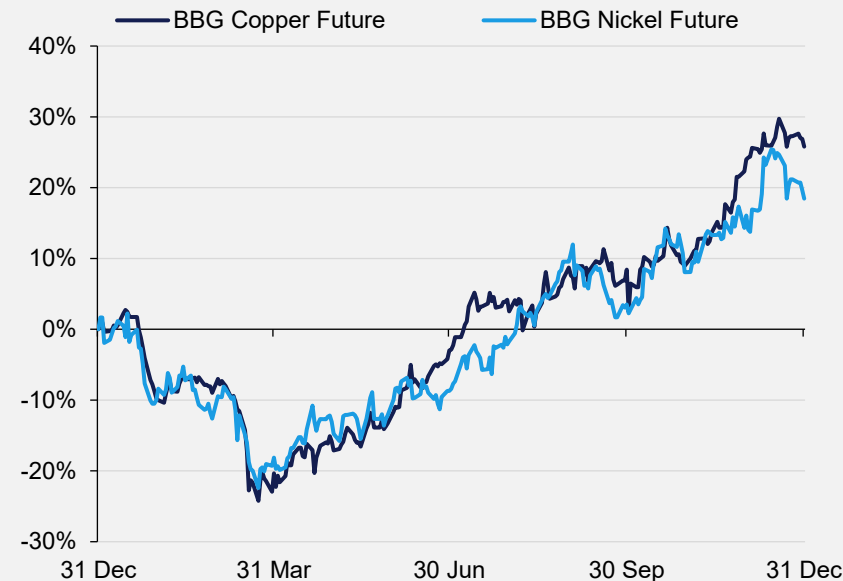


### China has a high market share in high tech areas



Source: Bernstein, "Positioning for the Zero Carbon Mega-Trend, and the Stocks To Own", p. 19, November 2020

### Commodity exporters are also benefiting



Source: Bloomberg, January 2021. For illustration only. No assumptions regarding future performance should be made

# High and growing dividend: Anta Sports

## Leisure & entertainment industry proliferation

“The Nike of China”: Anta is a leading Chinese sportswear company

### Anta Share price



Source: Bloomberg, company accounts, 31 December 2020. For illustrative purposes only. No assumptions regarding future performance should be made. © owned by each of the corporate entities named in the respective logos. Companies selected for illustrative purposes only to demonstrate the investment management style and not as an investment recommendation or indication of future performance.

**Past performance is not a guide to future results**



### Market view

- Expected to be a low quality and low growth domestic sportswear brand

### Our non consensus view

- **Anta's** differentiated brand building strategy, a strategic effort to identify with basketball, and investing into product development and quality
- Acquiring and promoting leading Western brands to increase their target market and protect against fashion misses

# Disclaimers

# ASI Emerging Markets Income Equity Fund

## 5 year discrete returns performance

|                                                | Year to<br>31/05/2021 (%) | Year to<br>31/05/2020 (%) | Year to<br>31/05/2019 (%) | Year to<br>31/05/2018 (%) | Year to<br>31/05/2017 (%) |
|------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ASI Emerging Markets Income Equity Fund(Gross) | 37.90                     | -3.69                     | -0.31                     | 14.16                     | 43.46                     |
| ASI Emerging Markets Income Equity Fund (Net)  | 36.95                     | -4.37                     | -0.96                     | 13.39                     | 42.40                     |
| Performance target*                            | 33.91                     | -0.31                     | -1.16                     | 12.90                     | 46.26                     |

-Performance Target: MSCI Emerging Markets +2.00%.

Share Class: Institutional Acc GBP

Source: Aberdeen Standard Investments, 31 May 2021 (Fund & Benchmark) and Morningstar (Sector). Basis: Total Return, NAV to NAV, UK Net/Gross Income Reinvested 31 May 2021

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# ASI Emerging Markets Income Equity Fund

## Cumulative and Annualised Performance

| Gross                              | 6 months<br>% | Year to date<br>% | 1 year<br>% | 3 years p.a.<br>% | 5 years p.a.<br>% |
|------------------------------------|---------------|-------------------|-------------|-------------------|-------------------|
| ASI Emerging Markets Income Equity | 9.78          | 4.24              | 37.90       | 9.81              | 16.74             |
| MSCI Emerging Markets Index +2%    | 9.24          | 4.07              | 33.91       | 9.68              | 16.85             |
| <b>Relative Return</b>             | <b>0.54</b>   | <b>0.17</b>       | <b>3.99</b> | <b>0.13</b>       | <b>-0.11</b>      |

Performance Data: Share Class Institutional Acc GBP.

Benchmark history: Performance comparator/Portfolio constraining benchmark – MSCI Emerging Markets

Source: Aberdeen Standard Investments 31 May 2021. (Fund & Benchmark) and Morningstar (Sector). Basis: Total Return, NAV to NAV, UK Net/Gross Income Reinvested.

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# Key Information

## ASI Emerging Markets Income Equity Fund

### Objective

To generate income and some growth over the long term (5 years or more) by investing in emerging markets equities (company shares).

### Key Risks

- (a) The value of investments and the income from them can fall and investors may get back less than the amount invested.
- (b) The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- (c) The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- (d) The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.
- (e) The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- (f) The fund may invest in companies with Variable Interest Entity (VIE) structures in order to gain exposure to industries with foreign ownership restrictions. There is a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework.
- (g) Investing in China A shares involves special considerations and risks, including greater price volatility, a less developed regulatory and legal framework, exchange rate risk/controls, settlement, tax, quota, liquidity and regulatory risks.
- (h) The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

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