

12 January 2018

**ASX Announcement
(ASX: EMF)**
Investment and NTA update at 31 December 2017

Overview

The unaudited net tangible asset (NTA) backing of the Emerging Markets Masters Fund (EMF) at 31 December 2017 was \$2.02 per unit compared with \$2.06 at 30 November 2017. On 20 December 2017 EMF declared a distribution of 3 cents per ordinary unit. Adding the 3c-per-unit distribution resulted in a total return of -0.6% for the month. Since its inception in October 2012, EMF has returned +59.3% (including distributions).

At 31 December 2017, EMF was 95.5% invested and had investments in 14 funds with a total portfolio value of \$195 million.

Market Commentary¹

Emerging markets continued to rise in December amid a global acceleration of economic growth. Returns were lower in AUD terms in December as the AUD strengthened during the month. The MSCI Emerging Markets Index (the Index) rose 0.3% (+3.6% in USD terms) in December, to finish the year up 26.8% (+37.3% in USD terms).

South Africa performed well in December, rising 6.7% due to a significant appreciation of the rand. The rand rallied after Deputy President Cyril Ramaphosa was elected the leader of the African National Congress. Brazil rose 1.4% (+5.8% in local currency terms), as the central bank's decision to lower interest rates by 50 basis points (bps) to a record low of 7% and better-than-expected gross domestic product growth in the third quarter supported the equity market.

Russia declined 0.6% in AUD terms, but gained 1.1% in local currency terms amid a 50bps interest rate cut by the central bank and higher oil prices. Mexican equities fell 3.8% in AUD terms but rose 4.9% in local currency terms. Indian equities (+0.6%) reached an all-time high after the ruling party won elections in two states in December. China A-Shares (-1.1%) and H-Shares (-1.2%) declined in AUD terms, but posted positive returns in local currency terms. The Chinese central bank raised short-and-medium-term interest rates by 5bps in December after the United States Federal Reserve increased interest rates by 25bps.

The Europe, Middle East and Africa (EMEA) region outperformed the broader Index with Qatar (+13.1%) and Turkey (+11.5%) gaining the most, while the United Arab Emirates (-3.4%) was the worst performer within the region. Latin America also outperformed the Index led by Chile (+13.4%), the best performing emerging market in December, as equities rallied after Sebastian Piñera's victory in the second round of the presidential elections. Asian markets underperformed the broader Index, with Korea (-1.8%) and Taiwan (-1.2%) declining the most due to a correction of technology stocks. Frontier markets declined 0.2% in December, and gained 21.8% in the calendar year.

¹ All figures in Australian dollars (AUD) unless specified otherwise.

* Source: Walsh & Company Asset Management Pty Limited. Note some figures may not reconcile due to rounding. The historical performance of the Manager is not a guarantee of the future performance of the Portfolio or the Fund.