

Nomura Funds Ireland Plc - GEM Fund

Detailed Regional Commentary – January 2012

Emerging Markets rebounded in January, reversing some of the falls seen in last year. The Fund's benchmark MSCI Emerging Markets index gained 11.8% and the Fund outperformed the benchmark by 0.4%. The outperformance came mainly from the Emerging EMEA sub-portfolio and the Latin America sub-portfolio, outweighing negative contributions from the Emerging Asia sub-portfolio. Stock selection drove the sub-portfolios' relative returns; it was especially positive in Mexico, Brazil and Taiwan. All returns are in USD terms, unless otherwise stated.

Nomura Asset Management Singapore Monthly Performance Review: Emerging Asia

For the month of January, the Asian sub-portfolio recorded a return of 9.1%, compared with the MSCI Emerging Market Asia index a return of 10.6% (in US dollar terms), resulting in underperformance of 1.5%. Attribution analysis shows that both country allocation effects and stock selection results contributed negatively to the relative performance of the sub-portfolio, with the latter being more significant. In terms of country allocation, the overweight exposures to Thailand and Indonesia detracted from relative performance. Positive stock selection results in Taiwan, Thailand and Philippines could not make up for disappointing stock selection results in South Korea, India, China and Indonesia. The South Korea exposure detracted the most from the sub-portfolio's relative performance.

In Korea, the large overweight position in Hyundai Mobis was a major detractor to relative performance after the company downgraded earnings on the back of a decline in margins for the fourth quarter of 2011 at its Module manufacturing business. Dongbu Insurance was also hit by profit taking over the month (following prior good share price performance) and concerns that volatile markets would hit its investment returns when the company reports at the end of January. NCSOFT continued to underperform after announcing that its "Blade & Soul" game launch would be delayed, as well as disappointing "Lineage" game item sales. On the other hand cyclical stocks such as Korea Zinc, LG Chem, Daewoo Shipbuilding & Marine Engineering Co all outperformed on attractive valuations.

The Indian market was among the best performers regionally, rallying hard after a dismal 2011. However, our Indian exposure was another negative detractor to overall relative return. Major detractors included our exposure to the relatively defensive ITC, which underperformed in the strong rally. Infosys detracted too amid uncertain demand outlook. Our exposures to Hindustan Unilever, Bharti Airtel and Bajaj Auto were also negative for the fund.

Stock selection in Taiwan benefited as Radiant Opto-electronics surged after Apple reported stronger than expected quarterly profits on buoyant sales of iPhone and iPad products. Hon Hai also outperformed during the month on expectations of strong quarterly results and margin expansion due to solid iPhone sales. Apple supply chain companies dominated good share price performance within the technology sector. Hence, the sub-portfolio's positions in Quanta and Synnex underperformed on little stock specific news. Property companies reported good sales during the Chinese New Year Holiday and as a result, our position in Prince Housing & Development outperformed. Share price performance was also boosted by benefits from the better cross-strait relationship as a result of the efforts of incumbent President Ma Ying-jeou of the Kuomintang (KMT).

GCL Poly contributed positively to returns in China following news that solar installation in December was near to half of annual installation for Germany in 2011. In addition, stabilized poly silicon prices also supported share price. Positions in China Petroleum & Chemical Corp benefited from news that the government would raise the threshold of a windfall tax and make changes to its pricing mechanism. Banks outperformed on an improved earnings outlook as credit conditions ease and also on attractive valuations. Hence, the overweight position in China Construction Bank added to relative returns. However, Belle underperformed due to lower than expected same store sales growth in the 4th quarter of 2011. On the other hand, Hengan underperformed the risk rally on relative earnings certainty and less attractive valuations.

Market Outlook and Portfolio Strategy: Emerging Asia

Nomura Asset Management's house view of the global equity markets has become somewhat more positive. The risk of a meltdown in the peripheral European economies now appears to have been alleviated due to aggressive monetary easing by the European Central Bank. We have also recently upgraded our GDP forecast for the US. Finally, Japan has started implementing the third supplementary budget for earthquake reconstruction. As such, the country's growth rate will exceed those of other developed economies in the first half of 2012.

We feel that a less hostile global environment will be positive for Asian stock markets as investors increasingly appreciate the region's superior fundamentals. Therefore, our recent strategy changes have been designed to increase the portfolio beta and to tilt the portfolio away from high priced defensive stocks and towards value stocks.

We have begun the process of easing our underweight exposure to China. This is a high beta market, it has been a major underperformer and has some of Asia's cheapest stocks. This rebuilding will be a gradual process as we feel the Chinese authorities still need to see a sharp fall in property prices before they will aggressively loosen monetary policy. However, they have already signalled their desire to halt the stock market slide by encouraging company buybacks, allowing domestic pension funds to increase their stock weightings and by accelerating the approval of foreign QFII facilities.

The Taiwanese stocks are highly geared to an improvement in the global economy, especially towards capital expenditure in the technology industries. The political situation has also cleared after the re-election of the KMT. Stocks look relatively cheap with high dividend payments due in 4-5 months. Proceeds will come from reducing the exposure to Malaysia, which is driven by stock selection decisions, as our Malaysian specialist wants to significantly reduce the exposure to telecom operator, Axiata.

Our major overweight country positions have not changed, particularly in the smaller ASEAN markets of Indonesia, Thailand and the Philippines. These are structural stories that we have espoused a number of times and which, in our opinion, have significantly further to run.

Charlemagne Capital **Monthly Performance Review and Market Outlook: EMEA**



Emerging EMEA stockmarkets were up +12.1% in January as measured by the MSCI Emerging EMEA Index and the Emerging EMEA sub-manager outperformed this index by 0.2%.

EMEA stockmarkets bounced back strongly in January, benefitting from a global rally in share prices, as investors everywhere bought into risk assets on the back of positive economic newsflow in the US and some hope that the euro zone sovereign debt crisis was nearing an orderly resolution.

Hungary performed particularly well, with the recently added OTP Bank seeing its share price rise 37% as investors bet that the Orban administration would finally do whatever it takes to secure the IMF financing that it so badly needs. The Egyptian market was also strong as investors gave the newly convened parliament the benefit of the doubt; shares in the construction to fertilizer group Orascom Construction were 22% higher on the month.

Elsewhere, domestic developments were less important with global themes dominating; so the continuing strength of economic activity in Turkey, and hence continuing concern for the current account deficit, failed to stop an impressive rally in Istanbul, with the car assembler and distributor Tofas 37% higher. Russia also provided valuable support, with the oil price remaining comfortably around USD 110 a barrel for Brent crude; cyclical companies such as the metals group Norilsk Nickel, 25% higher, and the bank Sberbank, up 21%, were the main beneficiaries.

Amongst stock-specific developments, oil explorer and recent addition to the portfolio, Gulf Keystone Petroleum rose 49% as the market re-rated the value of the company's licences in Iraqi Kurdistan, with further interest from international oil majors in the region.

These positive developments for the sub-portfolio were countered to some extent by the underperformance of some of the South African retail names that had outperformed in December; both Lewis Group and MTN saw their share prices fall in January. The Russian retailer X5 was also a drag on performance after results failed to live up to expectations, with the management blaming a weaker consumer and then cutting off communication with investors. This led to a loss of credibility and a sharp share price fall. X5 was therefore divested from the Fund.

Other changes to the portfolio saw the introduction of a holding in Emlak Konut, Turkey's largest listed real estate developer, after the company reported a 54% rise in revenue in 2011, justifying the investment case. In South Africa, the construction firm Group Five was divested in favour of a new holding in the financial services group Absa. The portfolio's exposure to the South African consumer was also switched from Massmart, which favours a "big box" format, to Clicks Group, which has more of a health focus, on valuation grounds.

Although developments in the euro zone will no doubt continue to drive sentiment over the short term, the EMEA region is well supported by attractive valuations and strong economic prospects. The outlook for the Fund is encouraging.

Ashmore EMM, L.L.C Monthly Performance Review: Latin America

AshmoreEMM

The sub-portfolio outperformed the MSCI EM Latin America Index (+12.6%) by 5.7% over the month of January 2012. Attractive stock valuations and improved market sentiment helped despite the still uncertain global macroeconomic outlook. In terms of value added to the portfolio our top contributor for the month of January was our overweight position in Brazilian home builder PDG Realty as the stock had previously reached historically low valuation multiples while the Brazilian central bank continued to signal more monetary policy easing measures. Banco do Brasil was the second largest contributor driven by valuations that were close to historical trough levels and by a more favourable outlook for growth in loans driven by domestic consumption. Our zero weight in telecom giant AMX also added to relative value as the stock continued its downward trend adjusting for a lower growth profile and tougher regulatory conditions in Mexico. On the other hand, our positioning in Vale and ITAU detracted; in both cases we continue to see strong business fundamentals and attractive valuations. Our underweight position in OGX also detracted during the month of January as the oil company is expected to come closer to commercial production while potentially expanding reserves over the coming years. The sector that added the most was our overweight in Consumer Discretionary, both in Brazil and Mexico, followed by our underweight in Consumer Staples. During the month of January 2012 most sectors and all country positions added value.

In Brazil inflation showed signs of moderation after a sharp drop in food prices and as the recent urban transportation fare hikes started to wane. With inflationary pressures apparently under control the central bank continues to signal an easing bias and expects policy rates to reach single digit levels by the end of the year. On the currency front, net foreign exchange inflows saw a significant increase during the first weeks of 2012 from both net financial and commercial inflows, with international reserves increasing rapidly. A moderate appreciation of the currency resulted. On the soft commodity front grain crop output forecasts for 2012 are expected to decline, driven by persistent drought conditions in the south. In Mexico consumer confidence continues its positive trend, which should be supportive of domestic consumption for 2012 in an environment of softening inflationary pressures and accommodative policy rates while employment continues to pick up at a rapid pace. In Chile key indicators suggest that activity continues to expand while demand is growing following the slower pace seen in December. The central bank remains vigilant of any increase in core inflation while maintaining an easing bias contingent on a worsening in external conditions. In Colombia, GDP continues to grow at the fastest pace among all peers in the region while inflation is beginning to pick up faster. Growth is being driven by expansion in the oil and mining sectors as well as by strong investments in infrastructure. The Colombian Central bank hiked policy rates by 25bps during the month of January. The Peruvian economy also grew, driven by the construction and mining sectors, while inflation seemed under control. Social unrest at mining districts remains a concern but appropriate steps have been taken by the government in order to address and negotiate key issues with local mining communities.

Market Outlook and Strategy: Latin America

We maintain our base case view that considers overall slower but positive global economy growth even with a minor recession in the EU and perhaps a marginally better than expected recovery in the US; China will engineer a soft landing and Latin American countries will deploy pro cyclical measures to boost domestic growth. Our stock selection in Brazil remains focused on cheap domestic cyclical names including banks and homebuilders. In the case of Mexico we maintain our recently expanded exposure to materials and homebuilders. In Chile, Colombia and Peru we continue to favour smaller companies that still show attractive valuations with very solid growth and strong business fundamentals.

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