

Nomura Funds Ireland Plc - GEM Fund

Detailed Regional Commentary – July 2010

Global economic growth is slowing but emerging economies continue to drive the world economy. The innocuous results of the EU banking stress tests improved confidence in the stability of the European financial system, helping improve market sentiment and pushing markets higher. MSCI Emerging Markets recorded a 8.4% gain, roughly in line with the return of the MSCI World index. The Fund underperformed its benchmark by 0.4%, with outperformance in Asia and Latin America, offset by underperformance in EMEA. Stock selection was positive across the fund. Country allocation detracted from performance in EMEA mainly due to overweight in Egypt and underweight Poland.

Nomura Asset Management Singapore Monthly Performance Review: Emerging Asia

For the month of July 2010, the Asian sub-portfolio returned of 6.4 % while the MSCI Emerging Market Asia index returned of 5.6%, resulting 76 bps outperformance against its benchmark.

Both asset allocation effects and stock selection effects contributed positively, with the latter being more dominant.

In terms of country allocation, the underweight exposure China contributed positively to the relative performance, while the overweight exposure Philippines contributed negatively. Positive stock selection effects were found mainly in Taiwan, India, Malaysia and Indonesia while negative stock selection effects in South Korea detracted relative performance somewhat. Residual cash effect was negative.

Technology stocks in Taiwan managed to rebound following the previous month's decline. Reports of robust 2Q10 earnings also boosted investor interest in this market, which benefited many Technology stocks – particularly our holdings in HTC and Hon Hai Precision. Motech, on the other hand, benefited from positive policies in relation to green technologies that were announced in the United States and Europe. Encouraged by the Economic Cooperation Framework Agreement (ECFA), investors bought into China-related shares too. As such, our holdings in Giant Manufacturing and Formosa International Hotels outperformed.

In our India exposure, positive contribution to performance came from our overweight to Industrials and Consumer Staples and underweight to Energy, Financials and Utilities. Our performance was hurt by underweight to Consumer Discretionary, Telecom and Materials. IT Services and Financials outperformed, led by good results from the larger IT companies and the private sector banks respectively. Trends in asset quality and growth have been more mixed for the state-owned banks, though they have rallied as well. The energy sector gave up some gains of the previous month as uncertainty on fuel subsidy sharing by state owned companies persisted and company results lagged expectations. Our exposure in Tata Motors and HDFC Bank were the main contributors for our Indian fund's relative performance.

Market Outlook and Portfolio Strategy: Emerging Asia

Global economic growth is starting to slow down somewhat; although in our view, a double-dip recession will be avoided. The generally robust health of the US private sector should soon manifest itself in renewed hiring and increased capital expenditure. This should partially offset the withdrawal of government fiscal stimulus measures aimed at boosting consumer demand. The core economies of Europe, especially Germany, are also exhibiting strength, which should, help to alleviate short-term concerns about the health of peripheral countries.

Emerging economies, however, have continued to drive the global economy. The Chinese economy slowed down, but it has actually decelerated to a more sustainable level that suggests monetary policy could be eased soon. The Yuan will rise at a gradual pace, and other Asian currencies will also face pressure to appreciate.

For several months we have been stating that regional markets will experience a consolidation phase before any renewed upward move. Our current view is that this consolidation pattern seems to be almost complete and the Asia Pacific stocks are therefore set to rise further.

For Asia Pacific mandates we decided to utilise recent dividend payments to increase the China exposure, although we will remain underweight. China was the first market and economy to bottom out during the global financial crisis and the first to consolidate. Our view is that it could also be a leader in the second stage of the bull market. Over the next 2-3 months we will seek opportunities to add further, but with the usual caveat, that any increase will depend on the availability of good stocks with management focused on shareholder value, and with little negative policy risk. The only other country change has been our decision to validate the slight reduction in the overweight exposure to Korea caused by relative market movements. We believe the resulting cash would be better deployed in China, while the overall cash levels will be kept to a minimum.

Our main overweight positions remain in some of the smaller ASEAN markets, most notably, Thailand, the Philippines, and Indonesia.

As for the sector strategy, we will hold an overweight position in the Consumer Cyclical, and Technology given our positive stance on the prospect for reflation in Asia. In contrast, we have underweight exposures to the more defensive, Utility, Telecom, and Consumer Staple sectors.

Charlemagne Capital Monthly Performance Review and Market Outlook: EMEA



The Emerging EMEA sub-portfolio returned 12.6%, underperforming the MSCI Emerging EMEA Index by 0.2%.

EMEA stockmarkets led emerging markets higher in July, with share prices trading up across the board. South Africa, still in the warm afterglow of the World Cup, benefited from some signs of strengthening consumer activity. Central European markets were stronger on the back of the EU stress test, which the Hungarian and Polish banks under scrutiny passed successfully, leading to a sharp rise in national currencies. The strength of Turkey came as no surprise given the dynamism of the local economy though the gains recorded in Russia seemed more at odds with the extreme heat that has seen the loss of much of the grain crop. Countering this negative development however was the news that the Russian government intends to sell down some of its holdings in state-controlled companies. This is undoubtedly good news from a stockmarket perspective as it should help improve corporate governance, support liquidity and, not least, reduce the pressure on the government to seek out alternative sources of finance.

The corporate news that there was during the month was generally positive. MTN, the South-African based mobile operator, saw its share price rise 23% as it finally abandoned any thoughts of a major acquisition, and has now renewed its commitment to return cash to shareholders. The South African media group Naspers also performed well, with its share price up 27%, helped by some effective marketing of its recent full year results with a number of roadshows and analyst meetings bearing fruit. We took the opportunity to meet with some of the heads of Naspers' various business units and came away both encouraged and impressed by the quality of its operation, an opinion apparently now shared by the market as a whole. Elsewhere, the Kazakh copper miner, Kazakhmys, benefited from the stronger copper price in rising 27% whilst the Turkish banks TSKB and Garanti moved up 22% and 23% respectively.

The downside during the month largely comprised the gold miner KazakhGold, down 24%. Although not helped by a weaker bullion price, the uncertainty surrounding its apparently agreed merger with Polyus Gold refused to go away. Egyptian shares also underperformed, with the real estate developer Talaat Moustafa unchanged on the month as the legality of some aspects of its Madinaty project continued to occupy the courts, though any eventual effect on the company appears minimal, with limited impact on sales to date.

A number of changes were made to the portfolio during the month. These included the disposal of the holding in Murray & Roberts to add exposure to Aveng, our preferred South African construction company. In Turkey we divested Isbank, after price targets were reached, in favour of the car manufacturer and distributor Tofas, which also benefits from the strength of economic activity. We also added a holding in the South African miner Aquarius Platinum, which we have held before; an opportunistic purchase following an unwarranted fall in its share price, since partially corrected.

Prospects for the EMEA region remain bright with valuations in Turkey and Russia making for a particularly appealing investment case. Central and Eastern Europe is more closely tied into prospects for Western Europe, but with Germany performing well currently despite the gloom that seems to pervade other economies, the outlook here is also somewhat encouraging.

Emerging Markets Management, L.L.C. **Monthly Performance Review: Latin America**

For the month of July, the account outperformed its benchmark, returning 12.5% vs. 11.9% for the MSCI Latin America Index.

The Brazil and Colombia portfolios were top performers this month. Real estate development holdings boosted the Brazil portfolio, led by Cyrela Brazil Realty and PDG Realty. Banco do Brasil was also a top gainer. In Chile, all three holdings added relative value, as did our bets against other Chile plays (stocks we do not hold). The Mexico portfolio, on the other hand, was dragged down by the relative underperformance of homebuilders and consumer plays Grupo Famsa (retail/consumer financing) and Herdez (preserved foods).

Latin markets outperformed the broader MSCI EM benchmark in July as fears related to the sovereign debt crisis in Europe and China's slowdown ebbed. Brazil (+13.7%) and Colombia (+13.2%) outperformed while Mexico (+5.8%) enjoyed positive returns but lagged the region. Oversold sectors, including real estate and selected commodity producers were amongst the best performers.

Economies throughout the region continue on the rebound with inflation remaining benign, allowing central banks in Brazil and Peru to tighten at a moderate pace. However, food inflation may become a focus in the wake of the Russian drought; low food prices had been a positive in prior months.

Market Outlook and Strategy: Latin America

Trading at 11.4x consensus earnings, valuations in the region are attractive, supported by strong earnings growth and a decline in risk aversion. Furthermore, inflows to the capital dependent region are recovering, further supporting Latin markets.

We continue to focus on valuations in the portfolio. The overweight in materials reflects very attractive valuations and a play on rising expenditures on real estate and related goods. Consumer discretionary stocks are benefitting from the continued strength in credit growth, fuelled by historically low rates and availability. In contrast, consumer staples look expensive.